

ECONOMIC AND POLITICAL

WEEKLY

ameeksha Trust Publication

Rs 15.00

Vol XXX No 1

January 7, 1995

**FINANCIAL SECTOR AND
ECONOMIC REFORMS**

**TEACHERS' SALARY SCALES:
CASE FOR A FRESH LOOK**

**LATIN AMERICAN LIBERALISATION
AND US GLOBAL STRATEGY**

**STRUCTURAL ADJUSTMENT AND
SMALL PRODUCERS**

MYTH OF INFLATION CONTROL

**DEMOCRACY AND THE FIGHT
AGAINST COMMUNALISM**

**CHANGING PROFILE OF
CREDIT CO-OPERATIVES IN
RURAL HARYANA**

**WHO'S AFRAID OF
LIBERALISATION?**

Public Enterprises and Bureaucracy

THIS has reference to Ramaswamy R Iyer's comments (August 20, 1994) on my paper on 'Public Enterprises and Private Purposes' (May 28, 1994). I have read with interest his ideas on PEs particularly because he was a senior bureaucrat at the ministry of chemicals and fertilisers. I address myself below to those aspects which specifically concern my paper.

(1) Considerable space in his note is devoted to an explanation of the problems of Fertiliser Corporation of India (FCI). That was not my objective. I used Planning and Development Division of FCI (P and D) merely as an example to show how "lack of proper planning, lack of support, indifference and even active opposition prevented the full indigenous potential from being realised". I have no comments to offer on the unsubstantiated/irrelevant observations made by Iyer, e.g., "FCI/P and D had many excellent engineers but relatively few good managers"; "I knew the FCI very well in those years, and while it had many excellent people (with several of whom I formed friendships that have lasted down the years), it was a disaster as an organisation", etc. If one concentrates on the facts presented by him, then it can be seen that these actually support my propositions. Let me give one example. Iyer mentions the "ambitious attempt on the part of the FCI to take on several projects at the same time or in quick succession...". I also referred to this in my paper, and used it as an example of the lack of proper planning which adversely affected the performance of P and D.

(2) In several places in his note Iyer has pointed out that even if some of the decisions taken by bureaucrats are now considered to be wrong, these decisions were taken in good faith – their motivations were not improper. It is possible that Iyer is correct, though there is no way of knowing this from his note. Consider, for example, Iyer's opposition to my remarks on the decision to go in for 1,350 TPD capacity plants and bypass P and D. All that he says is that "the then secretary (C and F) agonised for a long period over the choice...". In view of the statistics cited in footnote six in my paper that at 80 per cent capacity utilisation, smaller capacity plants of 900-1,000 TPD would be more cost effective and internationally 1,350 TPD plants were not yet the standard size,

accounting for only 25 per cent of the plants in the world, I do not think it was improper on my part to question the motivation of the decision in terms of its impact on indigenous R and D. If the decision-makers were genuinely bothered about indigenous efforts, then the benefit of doubt should have been given to P and D, which actually was not done. However it is possible that the bureaucrats in question genuinely believed that P and D should not be promoted. In that case, their honesty is of course not in doubt.

(3) My statement, "thanks ultimately to the support of some senior bureaucrats and technocrats, some of whom later joined organisations like Bechtal and the World Bank..." was prompted by the fact that an influential chief of a public sector engineering consultancy firm joined Bechtal. However a bureaucrat/technocrat need not necessarily join an organisation to serve its interests. Hence deleting the above-mentioned statement from my paper does not disprove the point in question.

(4) Iyer contests my observation on the lack of planning for the public sector as a whole. He has missed my point. I did not say that while deciding on a new public investment project, its impact on the economy, on imports, etc., are not analysed. (The efficiency with which these are done can be questioned but that is a different matter.) What I meant was that there is no forum where a public sector project is evaluated from the point of view of the impact on the operations of the public sector as a whole. I gave the example of the rail coach factory at Kapurthala to argue how expanding/diversifying some existing PEs would have been more profitable than setting up a greenfield project. The reports of the Project Appraisals Division of the Planning Commission, which Iyer mentions in his note and I also referred to, does not consider, for example, whether capacities set up for particular purposes and at present underutilised can be utilised for the new investments proposed.

SUDIP CHAUDHURI

Calcutta

Archaeology Conference

IN his article 'Recovering, Uncovering or Forfeiting the Past' (November 19, 1994) among other things, Gautam Navlakha questions the ethics of Indian archaeologists who unlike their historian colleagues have done little to protest against the destruction

of the Babri masjid. Throughout his indictment, Navlakha quotes from several sources and provides the necessary references – with some conspicuous lapses. One of these concerns me directly.

Navlakha refers to correspondence which he labels 'a communication' from Peter Ucko. He also refers to something Jack Golson 'wrote'. Navlakha quotes extensively from these two sources but neglects to state what they are or the specific context in which they were written. These 'communications' are letters that Ucko and Golson wrote me earlier this year. These were in response to my plea that action be taken regarding the fact that the WAC, which stands for the breaking of hegemonic domination in archaeology and a more critically self-conscious and reflexive undertaking of academics, had been taken over by people known to be involved in the abuse of archaeology for political ends and in the chauvinistic and selective rewriting of the past.

I had circulated Ucko's and Golson's letters and other related correspondence to some archaeologists and historians so that the issue could be discussed comprehensively. It is rather ironic that Navlakha, in writing so ably about ethics, found it necessary to publish extracts from this correspondence without either citing the specific context within which it was written or getting in touch with me. I trust that Navlakha at least sought permission from Ucko and Golson to quote from their letters.

NANDINI RAO

Madras

[Gautam Navlakha writes:

Nandini Rao is correct that the quotations from Peter Ucko and Jack Golson in my article were taken from the correspondence between them and her. However, the correspondence was widely circulated and that is how they reached me. What I cited were portions of direct relevance to the issue I was discussing. They dealt with a matter of public concern and therefore reference to them needed nobody's permission. It is also necessary to point out that WAC-3 was provided large public funds. Besides, there was no sweeping condemnation of archaeologists in my article. The critical remarks pertained to organisations and associations for being unprepared and for starting so late in the day with their campaign against the pro-RSS archaeologists.]

By Stealth

THE government has been fond of claiming that it has successfully built a national consensus on its economic policies when, in fact, it has consistently fought shy of engaging in any form of discussion and consultation with its critics, including the opposition political parties in parliament which among them today command the support of a far larger proportion of the electorate than does the ruling party. In the case of India's membership of the World Trade Organisation (WTO), the just-established successor to GATT following the Uruguay Round of trade negotiations, the government has carried this penchant for ignoring all opinion other than its own to the point where it has not hesitated to throw constitutional proprieties to the wind. In a premeditated ploy to bypass parliament, it waited for parliament's winter session to end and then, just days later, took brazen recourse to ordinance raj to amend the patents and customs laws to make them conform to the requirements of the WTO. The government authenticated the Uruguay Round agreement at Marrakesh in April last year and there was ample time and opportunity for parliament to discuss the consequential legislation, especially the vital bill to amend the patents act which would have far-reaching implications. Instead what we have now are the two ordinances presented to the president for his signature at the very last moment.

The government's unwillingness to face parliament reflects not just basic contempt for democratic procedures or even its apprehension, given that it does not command a majority in the Rajya Sabha, that the necessary parliamentary approval might not be forthcoming. Above all, a debate in parliament would have exposed the lies and deceptions which ministers and other official spokespersons have been freely dispensing in the attempt to play down the enormous compromises which this government – anxious to crawl when it was perhaps required merely to bend, to employ an expression very popular once in a different context – was led to make in the Uruguay Round negotiations. In the specific case of the law on patents, the government has been claiming all along that the country had nothing to worry about immediately since India, as a developing country, would have the benefit of a 10-year transition period before having to accept product patents in pharmaceuticals and agricultural chemical products. However, as the ordinance to amend the patents act now makes all too clear, the so-called transition period amounts to very little because (1) the country has to put in place a mechanism for receiving applications for product patents immediately from the date of coming into force of the WTO agreement, that is, January 1 this year; and (2) once a product is the subject of a patent application, the applicant will have

the right of exclusive marketing of the product, which for all practical purposes will be as good as product patent protection. Transnational pharmaceutical and agricultural chemical companies should be expected to immediately file applications for product patents here, gaining in the process the exclusive right to market the concerned products in India and putting paid to the erstwhile patents law's goal of encouraging the development of competing products through multiple processes. The implications for domestic industry and for Indian consumers in terms of the prices of advanced life-saving drugs, whose manufacturers will gain monopoly marketing rights rightaway and full-fledged product patent protection in due course, should not be too difficult to imagine.

The text of the ordinance on the patents law refers to an expert group set up to suggest amendments to the law "to comply with our obligations and also to safeguard our interests". In keeping once again with this regime's ways of working, the recommendations of the group have not been made public and the opportunity for an informed public debate on the minimum changes called for in the existing patents law has been lost as a result. Was it really necessary, in amending the patents act, to go the whole hog as the government has done or were there, as was suggested by G V Ramakrishna, member of the Planning Commission, in a recent address to the Indian Drug Manufacturers' Association, grey areas which could have been left to adjudication in due course by the WTO's disputes settlement mechanism? More important, having in its wisdom come to the conclusion that there was no alternative to opening the floodgates to product patents, it was incumbent upon the government at least to initiate some advance action to meet the consequences of the change – for instance, once again as pointed out by Ramakrishna, in terms of providing institutional and financial support to the Indian pharmaceutical industry to file patent applications and defend them in other countries and to defend Indian applications and challenge foreign applications wherever warranted with the Indian patents authorities or of strengthening the R and D effort of the Indian industry, especially in developing patentable medicinal and bio-genetic products, which are sure to be prime targets of the drug multinationals, given the rich variety of bio-genetic material available in our country and the large number of medicinal substances used in traditional medicines. However, from all available evidence, such matters are far removed from the government's current concerns. And so if a charge even more serious than that of duplicity and deceit could be brought against it, that should be one of complacency and incompetence.

CURRENT STATISTICS

EPW Research Foundation

Equity prices have of late experienced a precipitate decline. While three months ago the BSE's Sensex was ruling 75 per cent above the level 12 months earlier, the rise over 12 months is now only 7 per cent. The powerful corrective factors now in operation are sure to depress equity prices further in the coming weeks. Waning of FIIs' interest in Indian equities, the stoppage of renewal facility for non-specified shares, the absence of an alternative to badla trading, stricter norms with regard to segregation of brokers' and clients' accounts, insistence on proper end-use of GDR funds raised abroad and the large primary issues in the offing have all affected liquidity and contained trading in the secondary markets.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Dec 17, 1994	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	276.9	0.7	10.0	8.8	7.2	8.0	10.8	7.0	13.6	12.1
Primary Articles	32.3	285.0	0.3	11.0	9.5	10.0	10.6	11.5	3.0	15.3	17.1
Food Articles	17.4	315.8	-1.2	9.9	5.2	12.6	7.0	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	300.1	3.2	15.0	16.3	7.1	16.3	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubncants	10.7	281.4	0.6	5.3	13.8	1.2	8.7	13.1	15.2	13.2	14.4
Manufactured Products	57.0	271.4	1.0	10.3	7.5	6.8	6.4	9.9	7.9	12.6	8.9
Food Products	10.1	268.0	-0.5	9.8	8.1	6.3	8.7	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	298.2	-1.0	9.9	6.1	10.5	7.6	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-December 17, 1994)	100.0	270.8	-	10.3	7.7	10.5	7.8	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent): Point-to-Point							
			Over 12 Months	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	
				Latest	Previous					
Industrial Workers (1982=100)	289 ¹⁰	0.3	10.3	7.4	8.2	7.8	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	236 [*]	0.9	9.8	5.9	6.3	4.9	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1265 ¹⁰	1.1	11.6	3.2	7.7	7.7	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Dec 9, 1994	Variation					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M ₃)	494325	2650 (0.5)	60759 (14.0)	44143 (12.0)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	95906	1033 (1.1)	13708 (16.7)	11674 (17.1)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	395164	1309 (0.3)	46324 (13.3)	29772 (10.0)	51601 (17.4)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt Sector	221286	5536 (2.5)	17500 (8.6)	25113 (14.2)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comm'l Sector	256033	1944 (0.8)	18830 (7.9)	6323 (2.9)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	70888	-1290 (-1.8)	17161 (31.9)	7854 (31.5)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money	159916	-1154 (-0.7)	21294 (15.4)	18917 (17.1)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	97640	1832 (1.9)	857 (0.9)	14587 (15.1)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	357561	1092 (0.3)	42429 (13.5)	27184 (10.1)	46560 (17.3)	37814 (16.4)	38216 (19.8)
Advances	182074	1645 (0.9)	17656 (10.7)	4660 (3.1)	12436 (8.2)	26390 (21.0)	9291 (8.0)
Non-Food Advances	168858	1613 (1.0)	15347 (10.0)	1302 (0.9)	8272 (5.7)	24317 (20.1)	9127 (8.2)
Investments	151000	4022 (2.7)	18477 (13.9)	12184 (11.5)	26867 (25.4)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Aug 1994	Average for Fiscal Year So Far				Variation (Per Cent): Fiscal Year Averages				
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	233.1	227.8 (7.4)	212.2 (3.4)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	220.2	213.4 (3.9)	205.3 (3.0)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	224.2	219.3 (8.1)	202.9 (2.3)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	305.9	300.1 (6.6)	281.6 (9.3)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Jan 6, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3766 (7.3)	3968	3509* (43.3)	3600	4604	2037	4286	3779 (65.7)	2281 (-46.8)	4285 (266.9)
National Index (1983-84=100)	1800 (5.9)	1881	1700* (50.6)	1765	2176	934	2050	1830 (79.2)	1021 (-48.1)	1968 (234.1)

* data pertaining to Jan 6, 1994

Foreign Trade	Oct 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95	1993-94				
Exports Rs crore	6898	43353 (14.0)	38045 (32.2)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2199	13820 (13.9)	12131 (20.2)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports Rs crore	7416	47729 (19.8)	39830 (9.0)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2364	15215 (19.8)	12700 (-0.9)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	1875	12076 (30.6)	9247 (-2.5)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade Rs crore	-518	-4376	-1785	-3259	-9687	-3809	-10640
US \$ mn	-165	-1395	-569	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Dec 23,	Dec 24,	Mar 31,	Variation Over							
	1994	1993	1994	Month Ago	Year Ago	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
						1994-95	1993-94				
Rs crore	60633.4	29949.0	47626.0	-1546.0	30684.4	13007.4	9753.0	27430	5385	10223	-1383
US \$ mn	19316.0	9561.0	15176.0	-211.0	9755.0	4140.0	3109.0	8724	731	3383	-1137

Money Market Rates of Interest

(Per cent per annum)

Instrument	December 1994					November 1994				October 1994			
	30	23 (RF)	16	9 (RF)	2	25 (RF)	18 ⁵	11 (RF)	4 [@]	28 (RF)	21	14 (RF)	7
Call money rate (weekly weighted average)	na	na	na	5.55	8.16	8.11	9.79	7.41	7.01	4.86	6.75	8.82	11.59
Call money rate (Range: weekly)	10.25-50.00	7.00-0.25	13.50-11.50	7.75-0.25	6.50-5.00	11.05-0.25	9.50-11.25	6.00-19.00	5.25-9.25	0.5-6.0	9.5-5.0	11.75-0.5	13.00-10.75
Treasury bills:-													
91-Day (On tap or ad hoc)	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
91-Day (RBI auction):													
Primary	10.26	9.84	9.75	9.37	9.00	8.75	8.58	8.25	8.29	8.33	8.50	9.21	9.21
Secondary: DFHI (mid-point of bid and offer)	9.95	9.78	9.60	9.45	8.65	8.40	8.23	8.20	8.30	8.45	9.00	9.30	9.00
NSE (actually traded, weighted)	..	..	..	..	..	na	..	..	..	..	..	..	..
364-Day (RBI auction)													
Primary	*	9.91	*	9.83	*	9.54	*	9.49	*	9.47	*	9.42	*
Secondary: DFHI (mid-point)	9.60	9.60	9.95	9.22	8.80	8.80	8.71	8.61	8.60	8.60	8.80	9.00	8.79
NSE trading (Weighted YTM)	12.57	11.21	11.77	10.62	9.73	9.76	10.04	9.1	..	8.78	..	..	..
All SGL trading (Weighted YTM)	14.23	11.04	11.57	10.39	9.72	na	10.04	9.1	..	9.10	9.49	9.64	10.09
RBI Repo auctions (GOI securities)	*	\$\$	*	\$\$	*	6.75	*	6.50	*	6.50	*	7.00	*
State govt loans (Coupon rates)	-	-	-	-	-	-	-	-	-	-	-	-	-
GOI Securities: Primary Auctions	11.00	*	*	*	*	*	11.55	*	*	*	*	*	*
(TB conversions into 3-year stock)							(8-year)						
Secondary: NSE trading (Weighted YTM)	11.37	11.13	11.68	11.76	11.25	11.22	11.31	11.02	10.72	10.98	10.74	11.27	10.27
All SGL trading (Weighted YTM)	11.22	11.14	11.12	11.18	11.24	-	-	-	-	10.01	10.89	11.82	11.05
PSU Bonds yield:-													
Tax free: NSE (traded, weighted)	..	9.08	9.20	9.32	9.11	9.20	..	8.89	8.95	9.42	..	9.78	10.17
NSE (Range weekly)	..	9.07-9.09	9.05-9.51	9.04-9.60	8.99-9.60	9.0-9.85	..	8.89	8.95	9.42	..	9.78	10.17
Taxable: NSE (traded, weighted)	13.18	13.11	12.88	13.18	13.63	12.79	..	..	13.24	13.33	..	..	13.77
NSE (Range weekly)	13.08-13.30	12.98-13.25	12.70-13.25	12.84-13.26	12.86-13.04	12.61-12.96	..	..	12.83-13.65	13.00-13.65	..	..	13.77
Commercial bills: DFHI													
(Rediscount rate)	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	14.50	15.50	15.16.5	15.5-17
Other secondary (30/90/180 days)	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.50-10.50	8.00-10.50	8.50-11.00	8.50-11.00
CP: Primary market	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-14.00	12.00-14.00	12.00-14.00
Secondary: DFHI (Discount rate)	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	16.50	17.00	17.00	15.5-17
Secondary: market/NSE	13.45	na	na	na	11.50	na	na	na	na	na	12.50	12.20	12.00
CDs: Primary market	11.25-11.50	11.50-11.75	11.50-11.75	11.50-11.75	11.50-11.75	na	na	na	na	na	na	na	na
Secondary: DFHI (Discount rate)	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	14.50	15.50	15.50	14-15.5
Inter-corporate deposits (30/90/180 days)	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	12.00-16.00
UTI-1964 Units (Week-end secondary market price in rupees)	17.80	17.75	17.79	18.08	18.36	18.31	18.50	18.60	18.60	18.64	17.80	17.90	17.95
Hundi Rate	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Memorandum Items:													
(i) Forward premia on the US dollar in the domestic inter-bank market (annualised in per cent per annum) (Weekly average)													
Spot/Cash	3.27	2.69	6.04	3.20	1.64	5.27	5.09	2.00	1.21	1.16	2.47	1.36	6.55
One-month	3.77	4.29	4.65	3.90	3.25	3.88	2.95	2.00	1.26	1.94	2.26	2.15	3.61
Three-month	3.99	4.37	4.73	4.11	3.96	3.66	2.98	2.48	2.08	2.34	2.43	2.47	3.40
Six-month	3.98	4.31	4.42	4.13	4.01	3.71	3.28	3.03	2.73	2.90	2.94	3.06	3.76
(ii) Havalas Rate (Rs/US\$)	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	33.00	33.00	33.00	33.00

.. no trading * no auction na not available () no floatation YTM = yield to maturity \$\$ All bids were rejected
 RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period.
 \$ Friday being holiday, Thursday data, @ Thursday and Friday being holidays, Wednesday data Call rates at upcountry centres ruled in the range of 6.50-8.75 per cent on November 3 and 4 and 10.75-11.25 on November 18.

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript ⁶ stands for June. (ii) Figures in brackets are percentage variations over the comparable period of the previous year unless otherwise specified. (iii) - means not available.

Thermax

ESTABLISHED in 1966 as Wanson (India) Pvt. the company was amalgamated with Thermax India (Private) in 1980, changing its name to Thermax Pvt. The company is one of the leaders in the hi-tech and hi-growth areas of energy and environment. A multi-product, multi-division company, it is engaged in the manufacture of industrial boilers, energy conservation equipment, absorption chillers, water treatment plants and air pollution control and specialty chemicals. The focus is being laid on new high potential areas of cogeneration and captive power, absorption cooling and waste management. The company has a chemical manufacturing facility at Bhosari in Pune. A new state-of-the-art plant has been set up in Khopoli to double the manufacturing capacity. Apart from these, the company is into electronics, post-harvest technology and control and automation equipment. The company has collaboration with reputed multinationals like Babcock and Wilcox, General Electric, Struthers and Bertram. Besides having a number of patented products to its credit, Thermax has state-of-the-art products in fluid bed combustion, direct fire chilling, hi-efficiency burners, nuclear grade resins and flow improvers. The company has a strong marketing network and its exports were Rs 46 crore last year. It has been the recipient of the EEPC Export Award every year since 1988-89. Thermax is entering the capital market with a public issue of 61,12,500 equity shares of Rs 10 each at a premium of Rs 180 per share aggregating to Rs 11,613.75 lakh. The proceeds of the issue are to be used for part financing the modernisation and expansion of its facilities at Chinchwad and its chemicals division at Khopoli. Part of the finance would be invested on the Research Centre for Energy and Environment at Chinchwad. The company also plans to repay loans/deferred credit and fixed deposits of Rs 5.93 crore. The project has been appraised by ICICI and the total cost is estimated to be at Rs 12,038 lakh. The company has internal accruals to the tune of Rs 424 lakh and the public issue would fetch Rs 11,614 lakh which adds up to the estimated cost of the project. The issue is slated to open soon and is being lead managed by Enam Financial Consultants and ICICI Securities and Finance Company.

Indian Dyestuff Industries

Indian Dyestuff Industries, the flagship company of the Sun-Grace-Malatlal Group, is engaged in the manufacture of

a wide range of dyestuffs, pigments, optical whiteners, dye intermediates and industrial chemicals. The company is entering the capital market on January 19 with a public issue of 73 lakh equity shares of Rs 10 each at a premium aggregating Rs 5,919 lakh comprising 29,60,000 equity shares at a premium of Rs 80 per share to FIIs/FIs/MFs on firm allotment basis and 43,40,000 equity shares at a premium of Rs 65 per share to the public and permanent employees. The company plans to modernise its existing manufacturing facilities. The proceeds of the issue are to be used for the modernisation programme and to liquidate a part of high cost short-term borrowings. The company does not have any brand of its own but nevertheless has a number of registered trade marks. It has an established marketing network. The issue is to be lead managed by DSP Financial Consultants.

Southern Fuels

Southern Fuels, promoted by the Chachanis, is engaged in coke and coal mining business. The company proposes to set up a new plant in the at Sipcot Industrial Area in Tamil Nadu for the manufacture of 24,000 tonnes per annum of low ash metallurgical coke from imported coking coal by using the beehive coke oven technology. This is the first project of its kind in south India. The raw material required for the project is to be imported from Australia. For this the company has entered into an agreement with Glencore International AG. The project has been appraised by IDBI and the cost is estimated to be at Rs 6.5 crore. IDBI is participating in the project by granting a term loan of Rs 275 lakh. To part finance the issue the company is entering the capital market with a public issue of 18 lakh equity shares of Rs 10 each at par aggregating Rs 180 lakh. The net

offer to the public would be of 11,54,500 equity shares of Rs 10 each at par aggregating Rs 115.45 lakh. The project being located in a state notified backward area, the company is entitled to a state subsidy of Rs 20 lakh. The issue is slated to open on January 18 and the issue is being lead managed by Kotak Mahindra Finance.

Reliance Capital

Reliance Capital and Finance Trust is promoted by Reliance Industries (RIL). The company is an accredited category I merchant banker and a member of OTCEI. At present the company is involved in fund-based activities like leasing, investment banking, securities trading, market making, bills discounting and intercorporate deposits. Its fee-based activities are underwriting, issue management and corporate advisory services. The company is now expanding its activities into leasing, bill discounting, merchant banking and securities trading including market making at the OTCEI. It is entering the capital market on January 16 with a public issue of 4,28,57,200 equity shares of Rs 10 each at a premium of Rs 130 per share aggregating Rs 600 crore. Of this issue the net offer to the Indian public would be of Rs 161,79.38 lakh. The issue is being made to finance its growth and diversification and to strengthen its equity base and net worth and thus enhance its ability to leverage. Part of the funds would be used for purchasing property. Some of the company's funds would also be deployed to its subsidiaries. The issue is to be jointly managed by ICICI Securities and Finance, SBI Capital Market, J M Financial and Investment Consultancy Services, Jardine Fleming India Securities, Enam Financial Consultants, Canara Bank, PNB Capital Services and Deutsche Bank.

For the Attention of Subscribers and Subscription Agencies Outside India

It has come to our notice that a large number of subscriptions to the EPW from outside the country together with the subscription payments sent to supposed subscription agents in India have not been forwarded to us.

We wish to point out to subscribers and subscription agencies outside India that all foreign subscriptions, together with the appropriate remittances, must be forwarded to us and not to unauthorised third parties in India.

We take no responsibility whatsoever in respect of subscriptions not registered with us.

MANAGER

JBF INDUSTRIES

Major Restructuring

JBF INDUSTRIES engaged in the texturing business has done well in 1993-94 with net sales going up by 15 per cent, operating profit by 32 per cent and net profit by 61 per cent. The margins would have even higher but for the decrease in non-operating surplus by 433 per cent and other income by a 15 per cent. The company has declared a 21 per cent dividend for the year. Exports were up by 24 per cent while imports rose by 238 per cent. Debt-equity ratio came down sharply from 116 per cent in 1991-92 to 24 per cent in 1992-93 and 14 per cent in 1993-94. Short-term borrowings to inventories ratio fluctuated between 101 per cent in 1991-92, 84 per cent in 1992-93 and 116 per cent in 1993-94. While sales to total assets ratio rose from 56 per cent in 1991-92 to 100 per cent in 1993-94, sales to gross fixed assets ratio fluctuated between 194 per cent in 1991-92, 223 per cent in 1992-93 and 209 per cent in 1993-94. Remuneration to employees declined marginally in the three years.

The company underwent major restructuring in 1993-94. It had five divisions in 1992-93, viz, yarn, trichloroethylene (TCH), dyes and dye intermediates, pharmaceuticals and exports. It is now expanding and concentrating on its core business, textiles and bulk drugs. The TCH and dyes and dye intermediate divisions were sold off and the funds were used to pay off high-cost term loans. The company is expanding the yarn division by increasing texturing and twisting capacities from 9,000 tpa to 18,000 tpa to cater to the demand of the small and medium size weavers located in and around Surat and Bhivandi. As a backward integration programme, an 18,000 tpa POY project is being set up. The yarn division of the company has fared well with production of textured and crimped yarn increasing by 1938.892 mt. The pharmaceutical division too registered an increase in production of bulk drugs by 43.5 mt; production of drug intermediates increased by 92.51 mt. The company is expanding and doubling its ampicillin and amoxycillin capacities. The company has entered into a joint venture with Pharmachemie of Sri Lanka for the manufacture of bulk drugs and formulations. JBF will provide technical know-how from time to time for manufacturing the entire range of bulk drugs. The plant and machinery required for the project is to be exported by JBF India. The company also has a joint venture with Borisovskij Zavod Medicinskikh Preparatov of Russia for supply and erection of a vial filling plant for dry injection powder on a turnkey basis. The project is in an advanced stage of implementation and is expected to be commissioned soon. Under the arrangement the Russian

counterpart is to buy bulk drugs from JBF for the next five years.

KEC INTERNATIONAL

Record Production

An RPG Group company, KEC International is engaged in power transmission and turn-key projects, petrochemicals, cotton yarn and merchandise export. The company has done well in 1993-94 with net sales increasing by 51 per cent, operating profit by 54 per cent and net sales by a whopping 113 per cent. The increase in other income and decrease in depreciation and interest charges were balanced by a fall in non-operating surplus. Moreover, the company had to pay tax of Rs 5.8 crore. There has been a noticeable increase in selling commission by 254 per cent. A 35 per cent dividend was declared for the year. Exports increased by 155 per cent while imports were up by only 36 per cent. Debt-equity ratio, after a decline in 1992-93 to 60 per cent from 84 per cent in 1991-92, has now risen to 71 per cent in 1993-94. Sales to total assets ratio rose from 46 per cent in 1991-92 to 86 per cent in 1993-94 and sales to gross fixed assets ratio has gone up by 196 percentage points in the past three years.

The company, one of the leading players in the international market in the field of power transmission line, has achieved an all-time record in the production and despatch of transmission line towers. Construction activity both in India and abroad contributed to the high turnover of Rs 52 crore. The Cetex division contributed Rs 19.71 crore to the turnover. The market for MEK is buoyant and the unit is said to be working at full capacity. KEC International is planning to set up a new plant at Nagpur to meet the massive export orders in hand worth more than Rs 500 crore. For achieving the projected turnover of Rs 500 crore by 1997-98 from the present Rs 250 crore, the thrust is being laid on technology improvisation, increasing plant size, automation, modernisation and waste control, besides increasing both domestic and international market share.

For the six-month period ended September 30, 1994 net profit was up by 82 per cent. Sales in this period were up by 41 per cent. The company recently recommended bonus shares in the ratio of 2:1.

As a part of its energy conservation programme an automatic power factor correcting unit has been installed and capacitors to maintain power factor of 0.94 and above have been provided for. To reduce the wastage of radiant heat energy, the galvanising bath is covered with thick insulating sheets during recess times.

The company invested Rs 32 lakh for R and D activities in 1993-94. The tower division experimented with ways of reducing zinc and acid consumption. The company has also invested in computerisation of

planning data, in addition to extending the computer network to all locations. As a result, its Jaipur factory now has one of the lowest zinc consumptions in the Indian industry.

KINETIC ENGINEERING

New Models

Kinetic Engineering, the Pune based two-wheeler manufacturer, posted an increase in net sales by 6 per cent and in net profit by 22 per cent in 1993-94. Operating profit was marginally down by 1 per cent. The 15 per cent decrease in taxation, 18 per cent decline in interest charges and increase in non-operating surplus of Rs 10 lakh all helped in holding the margins at the present level. Exports were up by 75 per cent while imports increased by 241 per cent. A 30 per cent dividend was announced by the company. Debt equity ratio steadily declined from 55 per cent in 1991-92 to 27 per cent in 1992-93 and 18 per cent in 1993-94. Short-term bank borrowings to inventories ratio has fluctuated over the past three years between 26 per cent in 1991-92, 53 per cent in 1992-93 and 39 per cent in 1993-94. Sales to total assets and sales to gross fixed assets ratios have declined over the past three years. Remuneration to employees has been steady at 36 to 39 per cent.

KEL experienced a fall in the sales of its Luna mopeds by 86,801 vehicles in a span of five years. In 1992-93 it lost out its top slot to TVS Suzuki which sold over 1.16 lakh vehicles compared to 1.10 lakh Kinetic vehicles that year. Also, the group tie-up with Honda Motor Company of Japan, Kinetic Honda Motors (KHML), saw its Kinetic Honda KH 100 brand scooters sales fall from 82,526 vehicles in 1991 to 66,379 in 1993. Company sources attribute the decline in sales to the general recession in the automobile industry. With the industry now coming out of recession, the company expects sales to increase. Honda Motors recently increased its stake in KHML to 51 per cent. KHML is now being managed by S Nakai and, with larger Japanese involvement, greater inflow of engineering technology from Honda Motors is expected.

The company plans to expand its capacity and consequently Rs 60-70 crore is being invested. KEL envisages raising production capacity from 15,000 vehicles per month to 25,000 vehicles per month. Work has already started on the new 1.2 lakh vehicles per annum capacity plant to be set up in Bhima, which will handle production of new models. The company plans to modify its existing Luna models and two new models have already been designed. A 73cc two-stroke scooter, branded Kinetic Pride, was launched in November 1994. Another 75cc mobile, Kinetic Lava, is to be manufactured, targeting the college students segment. Commercial production is to

The Week's Companies

(Rs lakh)

Financial Indicators	JBF Industries		KEC International		Kinetic Engineering		KICL		Ahmedabad Electricity	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	Dec 1993	Dec 1992	March 1994	March 1993
Income/appropriations										
1 Net sales	15172	13157	25447	16853	10189	9601	11961	9931	43499	35768
2 Value of production	15260	13620	25713	16939	10427	9423	12257	10067	43499	35768
3 Other income	265	314	247	165	231	332	334	171	1421	1464
4 Total income	15525	13934	25960	17104	10658	9755	12591	10238	44920	37232
5 Raw materials/stores and spares consumed	9470	5820	12886	6878	5613	5049	6806	5790	1062	933
6 Other manufacturing expenses	3662	6005	3131	2947	691	684	1088	726	23108	23222
7 Remuneration to employees	181	179	2806	2221	1132	1026	1882	1584	3948	3775
8 Other expenses	434	592	3537	2729	1433	1187	1584	1125	7528	757
9 Operating profit	1778	1338	3600	2329	1789	1809	1231	1013	9274	8545
10 Interest	311	319	833	1237	331	408	566	546	5490	5562
11 Gross profit	1451	1016	2788	1299	1468	1390	786	499	3872	3405
12 Depreciation	316	314	404	452	648	622	114	253	2930	2788
13 Profit before tax	1135	702	2384	847	820	768	672	246	942	617
14 Tax provision	0	0	579	0	266	314	135	60	0	0
15 Profit after tax	1135	702	1805	847	554	454	537	186	942	617
16 Dividends	263	176	581	325	90	85	231	151	690	590
17 Retained profit	872	526	1224	522	464	369	306	35	252	27
Liabilities/assets										
18 Paid-up capital	1252	1252	1661	1661	345	288	1247	845	5661	3314
19 Reserves and surplus	7194	6328	7959	6894	3785	3149	9839	9180	19785	13770
20 Long term loans	1265	1857	6831	5146	765	937	2002	2919	35836	34918
21 Short term loans	4038	2193	508	1101	2537	2102	891	922	963	870
22 Of which bank borrowings	2649	1653	4	0	978	1037	687	555	963	870
23 Gross fixed assets	7259	5891	6688	6007	9101	8118	14679	14041	63549	58150
24 Accumulated depreciation	1178	914	2776	2428	6393	5750	3835	3548	15776	12876
25 Inventories	2269	1951	4328	3067	2459	1933	2241	1879	4675	4816
26 Total assets/liabilities	15126	13408	29280	23195	9504	7983	16520	15821	77895	67814
Miscellaneous items										
27 Excise duty	44	49	971	902	1317	1430	277	270	0	0
28 Gross value added	1930	1514	6428	5054	2858	2725	3293	2627	12652	12362
29 Total foreign exchange income	1894	1526	16165	7276	1127	643	266	75	0	0
30 Total foreign exchange outgo	1245	388	6381	3259	584	188	1106	564	1076	902
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	100.3	98.1	86.9	72.7	107.2	120.3	72.4	62.8	55.8	52.7
32 Sales to total net assets (%)	110.3	113.1	150.1	113.9	137.1	148.3	85.6	71.6	69.9	67.7
33 Gross value added to gross fixed assets (%)	26.6	25.7	96.1	84.1	31.4	33.6	22.4	18.7	19.9	21.3
34 Return on investment (gross profit to total assets) (%)	9.6	7.6	9.5	5.6	15.4	17.4	4.8	3.2	5.0	5.0
35 Gross profit to sales (gross margin) (%)	9.6	7.7	11.0	7.7	14.4	14.5	6.6	5.0	8.9	9.5
36 Operating profit to sales (%)	11.7	10.2	14.1	13.8	17.6	18.8	10.3	10.2	21.3	23.9
37 Profit before tax to sales (%)	7.5	5.3	9.4	5.0	8.0	8.0	5.6	2.5	2.2	1.7
38 Tax provision to profit before tax (%)	0.0	0.0	24.3	0.0	32.4	40.9	20.1	24.4	0.0	0.0
39 Profit after tax to net worth (return on equity) (%)	13.4	9.3	18.8	9.9	13.4	13.2	4.8	1.9	3.7	3.6
40 Dividend (%)	21.00	21.00	35.00	25.00	30.00	30.00	22.00	20.00	18.00	18.00
41 Earning per share (Rs)	9.07	5.61	10.87	5.10	16.06	15.76	4.31	2.20	16.71	18.84
42 Book value per share (Rs)	67.5	60.5	56.0	49.5	119.7	119.3	88.9	118.6	459.0	535.2
43 P/E ratio (based on latest and corresponding last year's price)	8.3	17.2	27.6	21.8	14.9	15.9	13.9	22.1	3.7	29.7
44 Debt-equity ratio (adjusted for revaluation) (%)	15.0	24.5	73.4	62.6	18.5	27.3	18.1	29.1	140.8	204.4
45 Short term bank borrowings to inventories (%)	116.7	84.7	0.1	0.0	39.8	53.6	30.7	29.5	20.6	18.1
46 Sundry creditors to sundry debtors (%)	23.3	39.2	59.1	50.6	50.2	42.3	200.9	230.1	100.9	125.5
47 Total remuneration to employees to gross value added (%)	9.4	11.8	43.7	43.9	39.6	37.7	57.2	60.3	31.2	30.5
48 Total remuneration to employees to value of production (%)	1.2	1.3	10.9	13.1	10.9	10.9	15.4	15.7	9.1	10.6
49 Gross fixed assets formation (%)	23.2	35.1	11.3	13.8	12.1	6.2	4.5	3.3	9.3	5.8
50 Growth in inventories (%)	16.30	34.83	41.12	6.46	27.21	-20.39	19.27	-1.11	-2.93	3.41

begin in June after initial trials in March. The vehicle is to be priced at Rs 20,000 which is half the price of other motorcycles in the market. The company also plans to manufacture an indigenous 100cc motorcycle for the rural market and an intra-city car which is to cost around Rs 60,000.

The company invested Rs 56 lakh on R and D activities in 1993-94. One of the major results of its R and D was the Kinetic Merlin which has a home computer, hi-fi stereo and a TV, and can also carry out the functions of a modem.

KOTHARI INDUSTRIAL CORPORATION

Expansion and Modernisation

The Madras-based multiproduct Kothari Industrial Corporation (KICL) has done well with the net sales posting an increase of 20 per cent, operating profit of 21 per cent and net sales of 188 per cent. The increase in other income by 95 per cent, non-operating surplus by 278 per cent and decline in depreciation by 55 per cent balanced the increase in taxation by 125 per cent and interest charges by 3 per cent. Exports rose by 268 per cent and imports were up by 101 per cent. A 22 per cent dividend was declared for the year. Debt-equity ratio of the company fluctuated at a 11 per cent in 1991-92, 29 per cent in 1992-93 and 18 per cent in 1993-94. Short-term bank borrowings to inventories ratio too fluctuated at 50 per cent in 1991-92, 29 per cent in 1992-93 and 30 per cent in 1993-94. The company's return on investment has improved marginally in the past three years. Remuneration to employees has declined in the past two years. Inventories experienced sharp fluctuations, they fell by 1 per cent in 1992-93 compared to a rise of 145 per cent in 1991-92 and rose by 19 per cent in 1993-94.

Despite the shortage of cotton and the unprecedented price rise in cotton prices in the latter part of the year, the division performed well. As a continuation of the modernisation programme certain ring frames were replaced with the latest long ring frames. With a view to exporting high international quality yarn three auto cones and three auto levellers were imported and were commissioned in July/August 1995. The plantation division saw 1,133 tonnes of coffee being harvested in 1993-94. Free sale quota for coffee has been increased to 50 per cent against 30 per cent in the previous year and through direct marketing of this quantity the company was able to realise more. Moreover, the minimum release price was revised upwards by the Coffee Board. With a view of raising profitability, the company has been growing pepper, cardamom, mango, orange and sapotta. During the year 30.44 lakh kgs of tea was produced as against 26.79 kgs in the previous year. The decline in tea prices has been affecting the division's profitability. During the year the company directly exported 1,14,400 kgs of made tea.

The fertiliser division, besides marketing its manufactured products, also marketed imported muriate of potash. Trading in pesticides has also commenced. The phosphate factory at Ennore was given the environment protection award by the Fertiliser Association of India. The granite division's turnover was Rs 217.39 lakh. The division has been exporting processed products like monuments and random slabs and also rough blocks. The expansion of the monument plant was completed in March 1994. The granite tile plant with 25,000 sq mts of tiles per annum capacity commenced commercial production in June 1994. To minimise the electricity cost the company has erected and commissioned a wind mill near Tirunelveli. The company is also in the process of implementing a project for the manufacture of beer in Andhra Pradesh.

AHMEDABAD ELECTRICITY

Higher Power Generation

Ahmedabad Electricity Company (AECL), has done well in 1993-94 with net sales going up by 21 per cent, operating profit by 8 per cent and net profit by 52 per cent. The company's bottomline would have been even better but for the decreased other income by 3 per cent, non-operating surplus by 79 per cent and increased depreciation by 5 per cent. The company declared a dividend of 18 per cent for the year. Debt-equity ratio fluctuated at 194 per cent in 1991-92, 204 per cent in 1992-93 and 140 per cent in 1993-94. Remuneration to employees has marginally declined over the past three years.

The overall generation of 2869 mu was an

improvement over 2722 mu generated in 1992-93 while sales increased by 183 mu in the year. The closure of the textile mills adversely affected the HT consumers to LT consumers ratio which imposed transmission and distribution losses on the company. But, an increase in sales to both HT and LT consumers was registered in 1993-94. The gas-based power plant at Vatwa continued to suffer due to inadequate gas supply. To arrest the worsening situation the company is planning to convert the system from a single fuel fired to a multiple fired system, for which Rs 10 crore is being invested. The power plant at Sabarmati was plagued with problems due to failure in generator transformer for the fourth year. The stagnant situation in the HT textile units and increase in outstandings from central and state government owned textile mills further aggravated the situation. As per the company's projections, by the end of the century there would be a gap between demand for power in Ahmedabad and Gandhinagar and the company's generating capacity of 300 MW. To overcome this shortfall, the company plans to add another 250/300 MW of generating capacity. According to the company, the fly ash division has done exceedingly well and the company is confident that it would register sales of Rs 100 lakh in the current year.

The company invested Rs 2 lakh on its R and D activities in 1993-94. It pioneered the usage of STA-clean coating on insulators and equipment of 66 KV switchyard and EHV lines, non-conventional type 011 KV hybrid straight through joints and 11 KV XLPE insulated unscreened conductor. All the technology imported in the past 10 years is claimed to have been absorbed.

New
Book
from

MD

Publishers of the
Humanities, Natural
& Social Sciences

CHANGING STATUS AND ROLE OF WOMEN IN INDIAN SOCIETY

Editors

C Chakrapani
S Vijaya Kumar

This edited volume provides a valuable discussion on the status and role of women in development of the society. With the changing times, the traditional role of women has changed from child bearing and rearing to bread-earner. In fact the book brings under the cover the role of women in the changing society and their changing roles under the broad categories of Health, Education, Employment, Politics, Popular Movements and Developments.

1994, 361p, references; 22x14 cm ISBN 81-85880-27-1

Rs 450.00

Send your orders and write for complete catalogue to :

M D PUBLICATIONS PVT LTD
11 Darya Ganj, New Delhi-110 002
Tel. : 3273347, 3271378, 3285830, 3268646
Fax : 91-11-3275542 Cable : INDOLOGY

PUBLISHERS
DISTRIBUTORS
EXPORTERS

Who's Afraid of Liberalisation?

Arun Ghosh

Liberalisation in the hands of the government of India is today the sum of (a) 'globalisation' and (b) 'privatisation'. Both are ideological stances unconnected with genuine 'liberalisation' of the economy or polity.

THE economic reform policy, initiated in July 1991 and pushed through with conflicting policy pronouncements but unidirectional policy actions thus far, is variously described as economic liberalisation, globalisation of the economy and economic reform policy. Reform extends to diverse sectors of the economy, including industrial reform – extending to the privatisation of public enterprises – trade liberalisation, financial sector reform and fiscal stabilisation. The popular view, created by the media, is that what we are witnessing is liberalisation. To the common man, the idea is associated with the end of 'licence raj' or of 'permit raj' and, to that extent, the idea is popular. To the extent the ongoing reforms are directed to ending the 'discretionary' licensing system, no one – at any rate not many – have objected. However, the view that the ongoing economic reform policy is essentially directed to ending 'licence raj' (which has been popularised by the official publicity machinery) is totally erroneous. Hence, there is good reason for attempting a dissection of the reform policy, even though this has been attempted earlier. Anyhow, it appears to be worthwhile attempting an examination of whether and to what extent the present reforms are consistent with 'liberalisation', for today any policy action initiated by the government is promptly defined as part of the policy of economic liberalisation.

Such a dissection is necessary because *disinformation* is not confined to the media; it affects many people who may be expected to know better. In a recent reunion of some friends meeting after some 20 years, one (who has been living abroad for some two decades) questioned me as to how I – one of the original initiators of liberalisation of the Indian economy, *pace* the introduction of a cement pricing policy designed to gradually remove the price control over cement, a similar policy for steel, and of the *recommendation* (not accepted) for gradual elimination of the myriad controls over sugarcane and sugar production, distribution and pricing, the author of the Dagli Committee report on Controls and Subsidies (1979), consigned

by the government to the dust heap of history – could become a relentless critic of the economic reform policy. My simple answer was: 'Who's afraid of liberalisation?'

Let us re-examine the issue. What is liberalisation? And how do we justify what is happening in the name and guise of liberalisation? Let us attempt to answer the question in a novel way. Instead of a dull essay on the subject – since many people have written more interestingly on this topic – let us pursue the line popularised by many (recent-in-memory) contests. Let us use of a panel of three judges (who would, for the present, remain unnamed) to choose the most anti-liberal among policy-makers in India today. And, in line with the practice in such contests, we would start with the third runner-up, go on to the second runner-up, the first runner-up and, finally, end up with the champion. This procedure keeps up suspense, it heightens interest in what would otherwise be a drab essay.

But let us first define the parameters. What is 'liberalisation'? As per the Shorter Oxford English Dictionary, to 'liberalise' is "to free from narrowness; to enlarge the intellectual range of". Edmund Burke used the term in two contexts: speaking of a certain law, he said "It is not apt ... to open and to liberalise the mind", and in 1848 he said "Russia must liberalise or be convulsed". (How prescient Burke was!) Anyhow, note the emphasis: "to open and to liberalise the mind". So we would identify liberalisation with steps to liberate both the polity and the economy of the country. The two go together. And, there is a distinction – a very clear distinction – between liberalisation and many elements of the ongoing economic reform policy. We must ask: how can we liberate the polity of India (from the diverse narrowness increasingly in evidence)? How can we liberate the minds and release the energies of the vast multitudes of the people of this country?

So, let us have a contest to see who among the top policy-makers is afraid of liberalisation. Who is it we can honour as the champion of liberal thought and ideology?

For the third runner-up position, our panel of experts has come up with several

names, who run very close to each other. In the final run-up, three contestants ran each other quite close; but eventually, information minister K P Singh Deo was awarded the honour. (Let us keep the other two unnamed.)

To many of us, the choice would be a surprise. Why drag in the information minister as one afraid of liberalisation? What has he said or done? Well, K P Singh Deo is in charge of the official media, namely, the Doordarshan and the All-India Radio, and thereby hangs a tale. Those who prefer to watch the Doordarshan (in preference to CNN or Star TV) are now forced to readjust, for the numerous existing channels of the Doordarshan have started enthusiastically to beam the MTV for hours on end during the evening hours on the metro channel; and all types of sleaze, violence and sex (now the most important features of Indian movies) or ribald slapdash are on regular display on other channels. And those who acquired a radio set with the introduction of the FM channel (in order to listen to classical Indian music) have to now hastily shut down their radio set because the FM channel beams only 'philmy gaane'. If you want to hear good classical music, please order your own private record player, LPs, or cassettes and tape-recorders; and, for the more modern, compact disc systems.

Why is the information minister so desperately concerned about the 'cultural invasion' from the skies that he needs must Indianise the invaders' culture? Do the people of this country have any say in regard to the type of programmes broadcast? Would the information minister hand over a channel to each state government? Or introduce different channels (of music) for different tastes? That would be to liberalise, to decentralise, to open up the mind.

But obviously concepts vary. The *sharing* of the authority to broadcast (with the states, or the people) is farthest from the present government's agenda. The satellites have now made it impossible to keep out the likes of Star TV (although France has said 'no' to cultural invasion from the US; and nearer home China has virtually banned satellite TV – by banning private dish antennae – and made a deal in regard to programmes in Mandarin). So Doordarshan has to compete; it has to make a deal with the Hong Kong-based MTV. What is next on the agenda? We do not know, because the third regular channel – announced with fanfare as commencing from October 2, Mahatma Gandhi's 125th birth centenary – is still to appear, for reasons not made public.

In any case, transparency of policies has never been a part of the Indian government's

approach; and as the information minister in the union government, to K P Singh Deo must go the honour of creating (successfully or otherwise) a smokescreen in regard to all policies and actions of the union government.

K P Singh Deo has reason to be afraid of liberalisation. He is probably incompetent, unimaginative; in any case, unable to improve even the technical competence of his ministry. Consider the following example. On November 27, Bombay-born Zubin Mehta conducted a 125-member Israeli Philharmonic Orchestra at the Indira Gandhi National Stadium – specifically decked up for the performance – to commemorate Mahatma Gandhi's 125th birthday. The programme, designated as a 'Concert for Peace', was attended, *inter alia*, by many dignitaries. Doordarshan announced that it would broadcast the concert 'live'.

One should have known better than to trust Doordarshan. The recording was screechy, third rate, the light arrangements, the focusing deplorable. One must, of course, admit that TV is not the best medium for broadcasting a concert; it can never properly reflect the sound effects of a large orchestra, with different instruments arranged across a large stage. But the recording can still be good, though monophonic (rather than stereophonic). The recording was screechy at best; and regrettably the AIR, which is better attuned to broadcasting musical pieces live, was not asked to broadcast the concert. But worse was to come. At 7.25 pm sharp, barely 45 minutes after the concert had started – right in the middle of Tchaikovsky's violin Concerto – Doordarshan switched over to the studio for routine announcements, to be followed by the scheduled news at 7.30 p m. And while this also happens regularly when the Doordarshan relays sports events (like cricket), the special programme becomes available on Channel 2 (though that is not quite fair to viewers outside the metropolitan areas). But not the 'Concert for Peace'. Channel 2 continued to beam MTV music (which was obviously more important for our Doordarshan programmers).

And the same procedure got repeated at 8.30 p m for the (now half-hour) Hindi news. As if that were not enough, both before and after the news for a brief period the concert could be heard, but Doordarshan had to beam on the TV screen an advertisement for some automobile parts company. Talk of technical perfection. And what an ideal combination: Beethoven's Seventh Symphony blazing away with a carwheel spinning around. By the time the advertisements were over, so was the 'Concert for Peace'.

No wonder K P Singh Deo is genuinely afraid of liberalisation. He has good reason to be so.

The second runner-up in the present contest, as voted by our judges, is Kalpnath Rai, with his clear, categorical, unequivocal announcement regarding the controls essential for the sugar industry. Liberalisation is good for everyone else, but not in my domain, thank you. Did not someone say, where there is sugar there will always be flies? Well, you need a zealous guardian for an industry that attracts flies; who can question that? Kalpnath Rai's claim to the second runner-up position is so clear that one does not need the same elaborate explanation as one required for K P Singh Deo. He is an obvious winner, except that in the present instance, he is clearly bested by two other colleagues/peers.

The first runner-up is one who is supposed to have missed out being champion, by a whisker. Who could it be? The judges have had no difficulty in choosing N K P Salve for this honour. Does one need to go into details? For N K P Salve, 'globalisation' offers a golden opportunity for innovating new methods of fostering enormous 'rent seeking' – that of government guarantees of tax-free profits of 16 per cent on equity in the power sector, with an additional return of 0.7 per cent for each percentage point that the plant load factor of a power plant exceeds 68.5 per cent (with guaranteed offtake up to 90 per cent, forcing all existing power plants to back down heavily – with significant 'padding' of investment costs (estimated by no less an authority than Kirit Parikh, director of the Indira Gandhi Institute for Development Research to be 20 per cent). And to add insult to injury, Salve's minions have dubbed these payments as reward for efficiency.

Since 'liberalisation' is supposed to be liberation from 'permit raj' and since all transactions in the domain of Salve's authority have been based on private negotiations – the details of which have not been made known even to parliament to this day – the goose that liberalisation' in the true sense of the term were really to be introduced. N K P Salve should be really afraid of liberalisation and he must be smacking his lips that patently illiberal policies can be passed off to a gullible country (and a quiescent parliament) as part of the policy of liberalisation.

And now we have to wait (with bated breath) for the name of the champion to be announced. No, your guess is wrong. Manmohan Singh languishes below K P Singh Deo, even though his brand of liberalisation adds up to little more than privatisation. We would come to the (many) graces of liberalisation later. We must get on with the name of the champion. Yes, you have got it right at second guess. Hail

the champion in the 'who is afraid of liberalisation' contest in the haloed person of P V Narasimha Rao. As a matter of fact, Salve does not lose by a whisker, he is miles behind.

Do the judges need to explain their selection? Well, you have to peep into the private notes they made for the contest. Liberalisation involves democratisation of the polity; and what we witness around the country is increasing centralisation in every sphere. Liberalism involves transparency of the administration; and under a parliamentary system of the Whitehall-Westminster variety the buck stops at the prime minister. We have an administration today which is anything but transparent; and one has only to look up the record from the Ayodhya dispute to the senseless power-play on Uttarakhand marchers in UP and tribal and scheduled caste marchers in Nagpur. Finally, liberalisation should release the energies of the people for creative productive activity. What the sum total of policies adopted over the past 29 months adds up to is: duplicity in politics, duplicity in economics, total lack of transparency, increasing centralisation and extreme illiberalism in that some 80 to 90 per cent of the Indian population has been getting poorer by the day; the future of the country has been mortgaged and vast private fortunes have been made by a few in the name of liberalisation.

The economy, they say, is growing rapidly. And yet Kirit Parikh, a self-proclaimed supporter of the reform policy, tells us that foodgrains consumption (per capita) declined from 510 grammes per day in 1991 to 465 grammes per day in 1993; and this when foodgrains stocks with the FCI have reached a burdensome (and wasteful) total of 31 million tonnes (with 6 million tonnes added to stocks over the year), some part of the stocks doubtless becoming unfit for human consumption. And yet the stock market is booming and foreign exchange reserves are growing (with more and more predatory capital coming in to grab the equity of prize public enterprises being disinvested by government). To equate privatisation with liberalisation one has to rewrite the Oxford English Dictionary.

P V Narasimha Rao is the clear winner of the contest.

What are the elements of policy that are taking the country down the path of illiberal politics, to the concentration of economic power in the economic domain, to a sell-out of the economic sovereignty of the nation? That would take another essay; that would also involve a repetition of what has been stated earlier in this column on diverse occasions. But perhaps even at the cost of repeating oneself some of the elements of the ongoing policies need to be spelled out.

While we talk of devolution and of panchayat raj, the state governments are being stripped of all control over finances. Even though, under the Constitution, the responsibility for social and economic development vests with them. Whether it is fiscal policy or banking policy or policy for the capital market or policy relating to agrarian investments, or investments in social and economic infrastructure, relations between the centre and the states have been so manoeuvred as to have the latter forced into becoming abject supplicants of the centre. Add the control over the 'security' forces and the increasing outlay on security (at the cost of development), and you have the complete scenario. New Delhi today is as powerful in India as the Kremlin was during the days of Stalin in the USSR

Liberalisation in the context of over-centralisation of the polity can only be a sham. Also, liberalisation, even in the strict economic sense of the term, must be a sham when it leaves out in the cold some 80 per cent of the population, with the spectre of lack of employment, of income, of a wretched life in insanitary conditions, while large profits are being made by a few

Liberalisation is today the sum of two major policies: (a) 'globalisation' and (b) 'privatisation'. That both are ideological stances unconnected with 'liberalisation' would require another essay, but the examples of policies cited earlier should leave one in no doubt as to the real thrust of liberalisation. And, in the context of 'privatisation', perhaps Manmohan Singh should have got a prize; but the judges accord that prize to P V Narasimha Rao, because it is he who has been talking of

one thing when addressing the PSUs and doing the exact opposite when it comes to policy actions.

And is it not he who has repeatedly assured the foreigners – 'yes, only the foreigners – that our policies are irreversible? Well, the consequences of many of the policies are indeed irreversible, with some \$ 20 billion of predatory external capital poised to take over the oil and power sectors and, specifically, institutions like the ONGC, IOC, BHEL, the Power Grid Corporation and, through this mechanism, the NTPC and SEBs – in essence, control over the crucial energy sector in India.

It is important to ask ourselves, who is afraid of liberalisation? Who stands to lose if the policies of reckless 'rent seeking' (via the present policies) were to be reversed?

STUDIES IN HUMANITIES AND SOCIAL SCIENCES

(Journal of the Inter-University Centre)

Published twice a year at the Indian Institute of Advanced Study,
Rashtrapati Nivas, Shimla-171005

First Special Issue: Images of Communities in Modern Indian Literature. Guest Editor: Jaidev

Devoted to literary works that foreground the community as their main concern, the issue contains fourteen essays including two by novelists who discuss how and why they write the community in their fictions. Inter-community relations, tensions and transactions, and the difficult interface of the community and the nation are some of the recurrent themes which the contributors discuss in the context of various Indian literatures.

Forthcoming Special Issues

- (i) **Discourse, Truth and Objectivity in Social Sciences.** Guest Editor: Javeed Alam
- (ii) **On Philosophy in India : In Memory of Bimal Krishan Matilal.**
Guest Editor: Arindam Chakravarti
- (iii) **Availability of Traditions: In Memory of K.J. Shah.** Guest Editor: Raghavendra Rao
- (iv) **The Idea of the Political.** Guest Editor: Jyotirmaya Sharma

Unpublished articles are invited for the general issue of the Journal. Please send contributions before 30th April, 1995 to:

Dr. Chetan Singh
Editor, Studies in Humanities and Social Sciences
Indian Institute of Advanced Study
Rashtrapati Nivas, Shimla-171005

Subscription:

	Inland	Foreign
Institutions	Rs. 150.00	US \$ 30
Individual	Rs. 100.00	US \$ 25
Students	Rs. 80.00	US \$ 20

Cheques/Drafts drawn in favour of the Indian Institute of Advanced Study, Shimla and enquiries concerning subscriptions should be addressed to

A.K. Sharma
Public Relations Officer
Indian Institute of Advanced Study
Rashtrapati Nivas, Shimla-171005
Phone: 78278 Fax (0177) 202719

Myth of Inflation Control

Essential Commodities Worst Affected

EPW Research Foundation

While the rise in the general index of wholesale prices gives the lie to the government's claims of having brought inflation under control, what is far worse has been the phenomenal rise in the prices of essential articles of mass consumption including foodgrains, pulses and vegetables. Incredibly, the government seems completely unconcerned about the impact of this on the living standards of the vast majority of the people.

THE most disquieting aspect of the current economic scene is the persistence of inflation. Apart from the rise in the general wholesale price index, what stand out are the especially sharp increases in the prices of basic consumption goods and consequently in the cost of living indices, particularly those relevant to vulnerable sections like agricultural labourers and industrial workers.

The latest provisional general index of wholesale prices (base: 1981-82 = 100) for December 17, 1994 shows a rise of 10 per cent over the final index for the corresponding week of December 1993. Based on past experience, it is to be expected that when the final index number is known, the annual price increase would work out to anywhere around 10.5 to 11 per cent against about 8.8 per cent in the preceding 12-month period. The weekly average of the general index for the past 12-month period gives an accelerated price rise of 10.3 per cent against 7.7 per cent in the previous 12-month period. Likewise, the weekly average of the WPI for the current fiscal year so far shows an increase of 10.5 per cent against 7.8 per cent in the corresponding period of the previous year, though on a point-to-point basis the rise this year so far at 7.2 per cent has been somewhat lower than that last year (8 per cent). On a point-to-point basis, over the 12-month period, every major of commodity group has shown an accelerated rate of increase. In the fiscal year so far, the sharpest increase has occurred in 'food articles' (12.9 per cent) and in the specially computed 'food index' (10.9 per cent) consisting of 'food articles' from among primary articles and 'food products' from among manufactured products.

POST-REFORM PERIOD

Table 1 presents detailed data on the increases in the WPI of major groups and sub-groups of commodities cumulatively since the beginning of the fiscal year 1991-92, that is, on the eve of the initiation of the stabilisation and structural adjustment programmes. Since then there has occurred an increase of 44.4 per cent in three and three

quarters of a year or an annual (compound) inflation rate of about 10.3 per cent compared with 7 per cent in the first half of the 1980s and 7.4 per cent in second half. The extent of price increase has differed from commodity to commodity in individual years. In the current fiscal year so far, for instance, large increases have occurred in many of the sub-groups under primary articles – foodgrains and, among them, pulses, vegetables, eggs, fish and meat, condiments and spices, and other food articles.

However, taking the past four-year period as a whole, the price increases have been widespread and sizeable. Among the major sub-groups of primary articles, the increases during the period end-March 1991 to December 17, 1994 ranged from 42 per cent to 93 per cent. This has happened despite the fact that the country has enjoyed good agricultural seasons unprecedentedly for seven years in succession. During the period cereal prices have risen by 52.7 per cent and pulses prices by 65.9 per cent, simultaneously vegetable prices have gone up by 55.2 per cent, eggs, meat and fish by 79.4 per cent,

condiments and spices by 52.5 per cent, and fibres by 93.2 per cent. The only commodity sub-groups which have shown moderate price increases are fruits (23.6 per cent) and oilseeds (24.8 per cent).

Within the main group 'fuel, power, light and lubricants', electricity (65.9 per cent) and coal mining (58.1 per cent) have experienced high tariff/price increases. Similarly, within the 'manufactured products' main group, price increases have been large in some items of food products and other agriculture-based products: dairy products by 51.7 per cent and sugar, khandsari and gur by 68.1 per cent. Amongst other manufactured products, sizeable increases have occurred in the prices of soft drinks (55.7 per cent), cotton textiles (54.9 per cent), wood and wood products (169.6 per cent), chemical and chemical products (54.2 per cent), fertilisers (100.6 per cent) and drugs and medicines (45.3 per cent).

Interestingly, even the prices of basic and capital goods, which had suffered in the initial period of the new economic policy due to severe recessionary conditions and which are generally said to follow cost-plus pricing, have begun to look up rather markedly. This is evident from the fact that in many industries the bulk of the price rise of the past four years has occurred in the current fiscal year. For instance, after their decontrol in 1989, cement prices rose by 14.1 per cent in 1990-91 and another 17.4 per cent in 1991-92 but thereafter the relevant price index fell from 217.1 at the end of March 1992 to 203.2 at the end of December 1993. Since then, with improvement in construction activity, the cement price index has again shot up by 15.2 per cent until December 1994 (Table 1). In the case of machinery and metals and metal products

TABLE 4: ANNUAL INCREASES IN WPI AND IN GDP DEFLATORS OF COMMODITY PRODUCING SECTORS

Fiscal Year	Annual Average of WPI		Deflators of GDP Originating in Commodity Producing Sectors*		
	1981-82 = 100	Per Cent Variation	1980-81 = 100	Per Cent Variation	Deflators Converted to Base 1981-82 = 100
1981-82	100.0	-	108.7	+ 8.7	100.0
1982-83	104.9	+ 4.9	116.5	+ 7.2	107.2
1983-84	112.8	+ 7.5	125.8	+ 8.0	115.7
1984-85	120.1	+ 6.5	134.1	+ 6.6	123.4
1985-86	125.4	+ 4.4	144.1	+ 7.5	132.6
1986-87	132.7	+ 5.8	153.0	+ 6.2	140.8
1987-88	143.6	+ 8.2	166.8	+ 9.0	153.4
1988-89	154.3	+ 7.5	179.6	+ 7.7	165.2
1989-90	165.7	+ 7.4	196.0	+ 9.1	180.3
1990-91	182.7	+10.3	216.8	+10.6	199.4
1991-92	207.8	+13.7	254.3	+17.3	233.9
1992-93	228.7	+10.1	277.3	+ 9.0	255.1
1993-94	247.6	+ 8.3	NA	NA	NA

* Consist of (i) agriculture, forestry and fishing (ii) mining and quarrying (iii) manufacturing and (iv) electricity, gas and water supply.

**GRAPH A: PRICE INCREASES IN KEY BASIC CONSUMPTION ITEMS
(March 1991-October 1994)**

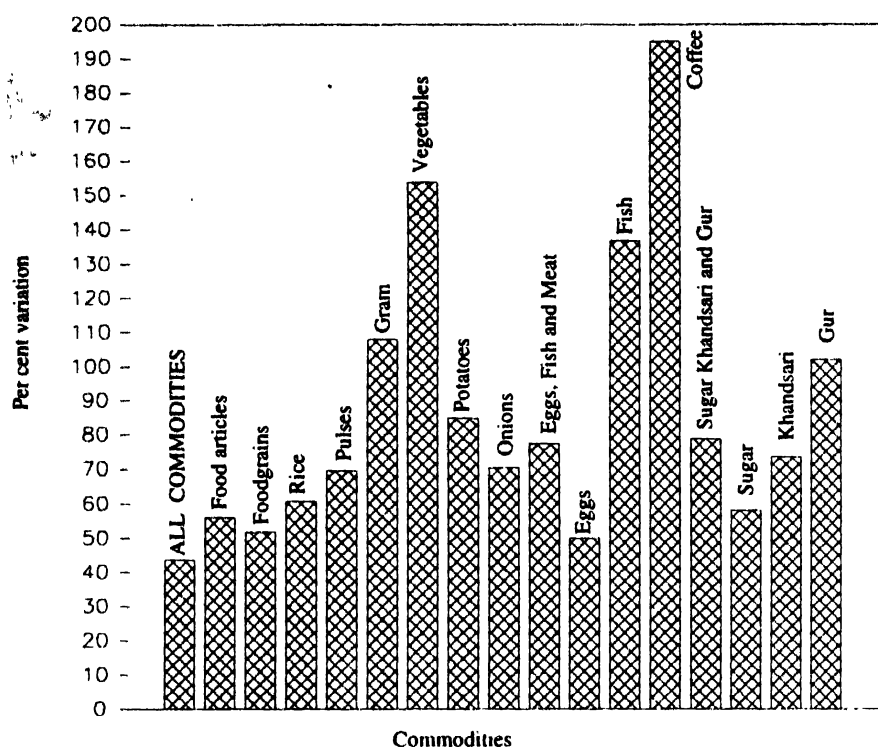


TABLE 5: COMPARISON OF ACTUAL INDICES (WPI) WITH SEASONALLY ADJUSTED AND EXPECTED INDEX SERIES FOR POST-HARVEST PERIOD

Period (1)	All Commodities				Primary Commodities (excluding minerals)			
	Original Index (2)	Expected Index* (3)	Per cent Difference (2-3) (4)	Seasonally Adjusted Index (5)	Original Index (6)	Expected Index* (7)	Per cent Difference (6-7) (8)	Seasonally Adjusted Index (9)
1989								
Oct	168.30	168.07	0.14	166.77	178.61	179.74	-0.63	175.78
Nov	167.50	167.02	0.29	167.02	176.22	178.99	-1.55	174.14
Dec	166.60	165.70	0.54	167.44	173.04	176.68	-2.06	173.25
1990								
Oct	184.60	180.65	2.19	182.92	198.94	197.21	0.88	195.79
Nov	185.10	179.52	3.11	184.56	200.40	196.39	2.04	198.04
Dec	186.60	178.11	4.77	187.54	202.59	193.85	4.51	202.83
1991								
Oct	210.20	210.11	0.04	208.28	240.02	241.01	-0.41	236.22
Nov	212.40	208.80	1.73	211.79	246.18	240.02	2.57	243.29
Dec	213.20	207.15	2.92	214.27	247.40	236.91	4.43	247.70
1992								
Oct	232.40	230.38	0.88	230.28	258.29	259.40	-0.43	254.20
Nov	231.70	228.94	1.20	231.03	256.84	258.32	-0.57	253.82
Dec	231.40	227.14	1.88	232.56	255.81	254.98	0.33	256.12
1993								
Oct	252.20	250.55	0.66	249.90	280.55	277.38	1.14	276.10
Nov	251.60	248.99	1.05	250.87	278.47	276.23	0.81	275.19
Dec	251.70	247.03	1.89	252.96	277.59	272.65	1.81	277.92
1994#								
Oct	274.20	271.62	0.95	271.70	311.21	305.23	1.96	306.28
Nov	274.80	269.93	1.81	274.01	309.11	303.97	1.69	305.48
Dec	276.60	267.80	3.29	277.99	308.97	300.03	2.98	309.34

* Based on monthly seasonal indices # Provisional \$ Up to December 17, 1994

also, the price increases in the current fiscal year so far in some of the products have been sizeable: electrical machinery (10.4 per cent), non-ferrous metals (14 per cent) and ferro alloys (39.2 per cent).

Table 2 presents the extent of price increases in a defined basket of basic consumption items during the period March 1991 to end-October 1994 (based on the availability of commoditywise details). These items, which together carry about one-third weight in the WPI, have faced every year higher prices than the rise in the general price level. In the current financial year, while the general index showed a rise of 6.7 per cent up to the end of October 1994, the composite index for basic consumption items has registered a rise of 11.5 per cent. Among these items, high increases took place in pulses (17.2 per cent), vegetables (98.7 per cent), fish (18 per cent), tea (25.4 per cent), coffee (178.6 per cent), Khandasari (13.6 per cent), gur (19.1 per cent), groundnut oil (14 per cent), and drugs and medicines (14.3 per cent).

Taking the period since March 1991, the price increases in some of the common man's consumption items are truly mindboggling: rice (60.7 per cent), gram (10.8 per cent), vegetables (153.9 per cent), and among vegetables potatoes (84.9 per cent) and onions (70.3 per cent), fish (136.8 per cent), coffee (195 per cent), khandasari (73.6 per cent), and gur (102 per cent) (see also Graph A).

COMPARISON OF WPI WITH CPIs

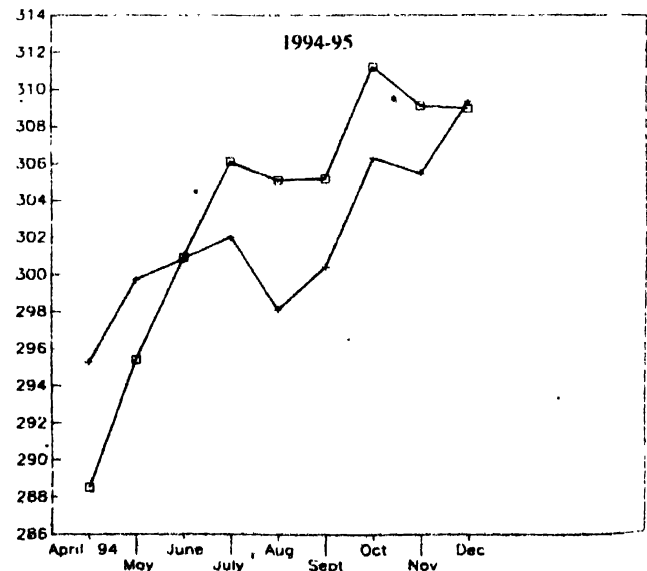
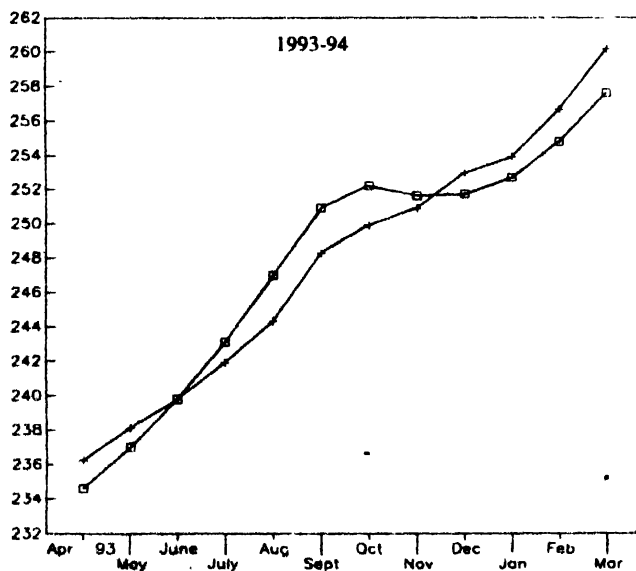
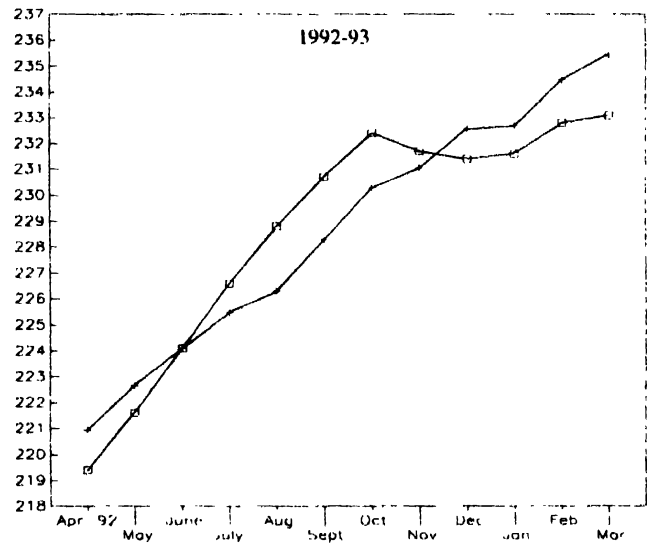
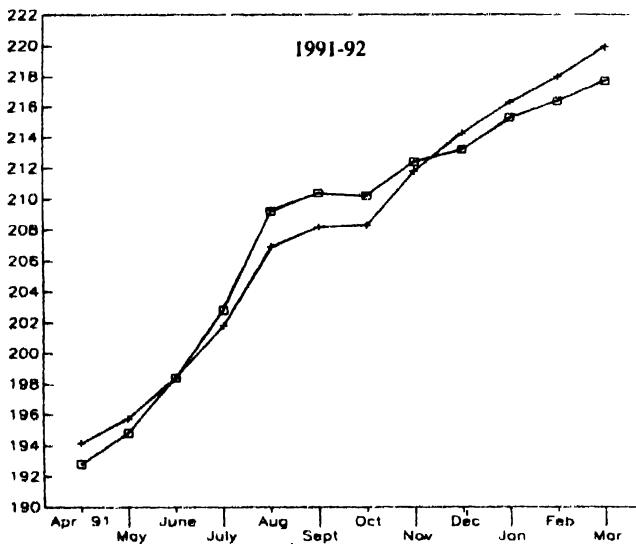
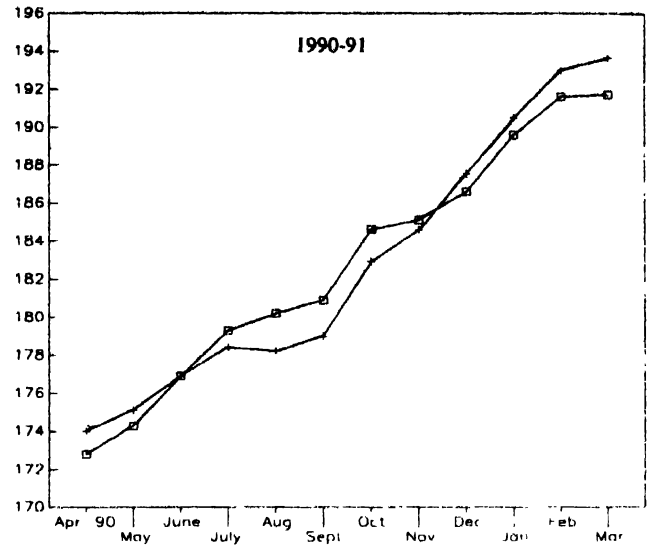
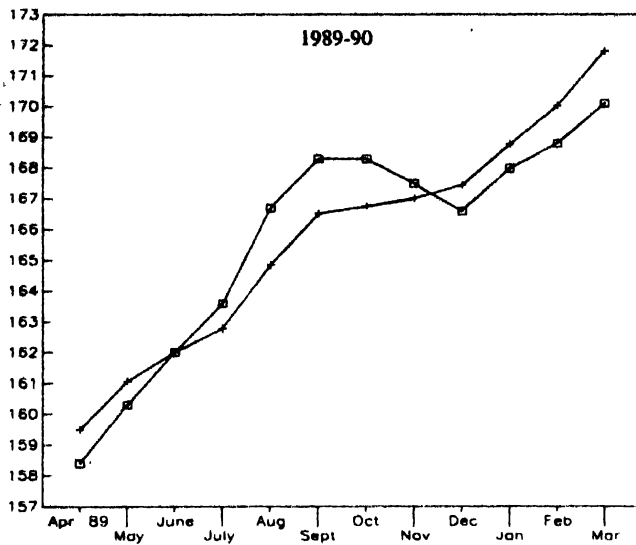
The higher increases in the prices of common consumption items should get reflected in the cost of living indices of different wage-earning groups, though there are significant structural and other differences between the two sets of indices. While the WPI measures changes in producer prices or in prices at the wholesale level, the CPIs measure the final price at the retail or consumer level. Other significant structural differences relate to commodity composition (goods only in WPI, while CPI includes 'services' to households but excludes capital goods as well as intermediate goods), weighting diagrams, geographical coverage and base period.

Table 3 presents monthwise movements of inflation rates - annual and cumulative since March 1991 - in WPI (in all commodities and primary articles separately) and the three consumer price indices. Broadly, it could be said that the CPI for industrial workers moves parallel to the movements in the general index of wholesale prices, at best with a short lag of about three months in the former vis-a-vis the latter. Secondly, the CPI for agricultural labourers behaves similar to the behaviour of the WPI for primary articles roughly with a lag of about four to six months. Finally, the CPI for urban non-manual employees shows considerably less of association with the WPI.

TABLE 1: TRENDS IN WHOLESALE PRICES INDEX
(Base: 1981-82 = 100)

Commodities	Weight	Index Numbers						Per Cent Variation				
		Dec 17, 1994	End-Mar 1994	Dec 18, 1993	End-Mar 1993	End-Mar 1992	End-Mar 1991	Mar-Dec 1994	Dec 93- Dec 94	Mar 93- Dec 94	Mar 92- Dec 94	Mar 91- Dec 94
All Commodities	100.00	276.9	258.3	251.7	233.1	217.8	191.8	7.2	10.0	18.8	27.1	44.4
Primary Articles	32.30	285.0	259.0	256.7	232.2	225.4	195.5	10.0	11.0	22.7	26.4	45.8
Food Articles	17.39	315.8	280.4	287.4	268.5	254.8	210.8	12.6	9.9	17.6	23.9	49.8
Foodgrains	7.92	303.7	279.9	272.0	238.5	243.2	196.1	8.5	11.7	27.3	24.9	54.9
Cereals	6.82	290.8	271.1	259.3	235.0	241.6	190.4	7.3	12.1	23.7	20.4	52.7
Pulses	1.09	384.2	334.9	351.5	260.2	253.4	231.6	14.7	9.3	47.7	51.6	65.9
Vegetables	1.29	303.8	250.0	332.8	242.1	209.7	195.7	21.5	-8.7	25.5	44.9	55.2
Fruits	2.80	259.1	242.6	245.6	279.8	260.2	209.7	6.8	5.5	-7.4	-0.4	23.6
Milk	1.96	310.0	283.9	282.1	274.3	250.2	220.1	9.2	9.9	13.0	23.9	40.8
Eggs, Fish and Meat	1.78	359.6	323.2	303.3	272.9	233.1	200.4	11.3	18.6	31.8	54.3	79.4
Condiments and Spices	0.95	485.8	376.4	402.6	463.5	450.2	318.6	29.1	20.7	4.8	7.9	52.5
Other food articles	0.69	376.1	245.3	365.9	321.6	251.5	264.6	53.3	2.8	16.9	49.5	42.1
Non-food Articles	10.08	300.1	280.2	261.0	224.4	227.6	210.5	7.1	15.0	33.7	31.9	42.6
Fibres	1.79	389.3	378.5	266.3	206.4	230.5	201.5	2.9	46.2	88.6	68.9	93.2
Oilseeds	3.86	264.4	231.0	235.4	202.4	221.7	211.8	14.5	12.3	30.6	19.3	24.8
Other non-food articles	4.43	295.2	283.3	281.1	250.8	231.6	213.1	4.2	5.0	17.7	27.5	38.5
Minerals	4.83	142.3	138.0	137.2	117.9	114.7	109.0	3.1	3.7	20.7	24.1	30.6
Metallic minerals	0.23	246.9	268.9	268.9	247.0	198.0	164.8	-8.2	-8.2	0.0	24.7	49.8
Other minerals	0.32	228.1	231.0	227.0	218.6	231.3	194.3	-1.3	0.5	4.3	-1.4	17.4
Petroleum crude	4.27	130.2	123.9	123.3	103.3	101.4	99.5	5.1	5.6	26.0	28.4	30.9
Fuel, Power, Light and												
Lubricants	10.66	281.4	278.0	267.3	245.9	213.5	188.6	1.2	5.3	14.4	31.8	49.2
Coal mining	1.26	367.8	349.6	349.6	334.2	296.5	232.7	5.2	5.2	10.1	24.0	58.1
Mineral Oils	6.66	235.3	235.6	221.0	220.8	185.8	170.1	-0.1	6.5	6.6	26.6	38.3
Electricity	2.74	354.0	348.4	342.1	266.5	242.7	213.4	1.6	3.5	32.8	45.9	65.9
Manufactured Products	57.04	271.4	254.2	246.0	231.2	214.3	190.3	6.8	10.3	17.4	26.6	42.6
Food products	10.14	268.0	252.1	244.8	224.4	210.2	190.8	6.3	9.5	19.4	27.5	40.5
Dairy products	0.64	304.3	258.1	253.3	252.5	260.7	200.6	17.9	20.1	20.5	16.7	51.7
Grain mill products	1.53	267.0	267.5	256.6	244.8	236.9	197.9	-0.2	4.1	9.1	12.7	34.9
Bakery products	0.24	250.3	247.7	245.5	232.5	227.7	176.3	1.0	2.0	7.7	9.9	42.0
Sugar, Khandani and Gur	4.06	247.6	241.4	225.7	198.8	155.4	147.3	2.6	9.7	24.5	59.3	68.1
Salt	0.04	244.1	236.5	242.1	231.7	220.2	176.1	3.2	0.8	5.4	10.9	38.6
Edible Oils	2.45	288.1	253.6	258.1	238.6	256.7	251.8	13.6	11.6	20.7	12.2	14.4
Tea and Coffee processing	0.24	314.5	316.2	316.7	302.1	305.2	291.3	-0.5	-0.7	4.1	3.0	8.0
Beverages, Tobacco and												
tobacco products	2.15	347.2	317.3	309.5	296.5	284.8	246.6	9.4	12.2	17.1	21.9	40.8
Soft drinks	0.07	399.2	386.4	385.0	313.7	287.1	256.4	3.3	3.7	27.3	39.0	55.7
Manufacture of bidi and												
cigarettes	1.93	347.6	323.7	315.4	304.7	293.3	252.2	7.4	10.2	14.1	18.5	37.8
Textiles	11.55	258.3	243.5	222.5	208.5	197.7	177.7	6.1	16.1	23.9	30.7	45.4
Cotton textiles	6.09	281.2	268.0	233.9	222.1	210.5	181.5	4.9	20.2	26.6	33.6	54.9
Jute textiles	0.69	378.2	344.6	357.7	281.5	282.6	299.6	9.8	5.7	34.4	33.8	26.2
Wood and wood products	1.20	429.5	404.2	403.6	345.1	211.0	159.3	6.3	6.4	24.5	103.6	169.6
Paper and paper products	1.99	335.5	333.9	327.9	324.9	300.5	235.3	0.5	2.3	3.3	11.6	42.6
Leather and leather												
products	1.02	258.7	251.8	250.6	234.5	228.4	230.3	2.7	3.2	10.3	13.3	12.3
Rubber and plastic products	1.59	199.0	190.9	190.7	188.5	182.3	165.6	4.2	4.4	5.6	9.2	20.2
Chemicals and chemical												
products	7.36	237.4	215.8	210.1	200.5	177.8	154.0	10.0	13.0	18.4	33.5	54.2
Inorganic chemicals	0.76	319.4	287.5	270.2	255.7	231.1	203.0	11.1	18.2	24.9	38.2	57.3
Organic chemicals	0.45	165.6	128.3	125.4	127.9	126.8	114.7	29.1	32.1	29.5	30.6	44.4
Fertilisers	1.74	198.8	179.8	181.8	181.9	127.6	99.1	10.6	9.4	9.3	55.8	100.6
Drugs and medicines	1.07	222.5	194.8	192.3	173.6	165.8	153.1	14.2	15.7	28.2	34.2	45.3
Soaps and detergents	0.88	233.2	211.4	201.4	203.3	194.1	165.0	10.3	15.8	14.7	20.1	41.3
Non-metallic mineral												
products	2.45	275.5	264.2	261.4	236.7	229.7	196.7	4.3	5.4	16.4	19.9	40.1
Cement	0.86	234.1	210.9	203.2	209.4	217.1	185.0	11.0	15.2	11.8	7.8	26.5
Basic metals, alloys and												
metal products	7.63	310.3	286.5	283.5	264.9	241.7	228.1	8.3	9.5	17.1	28.4	36.0
Iron and steel	2.44	277.5	261.6	261.1	242.3	216.0	206.7	6.1	6.3	14.5	28.5	34.3
Ferro alloys	0.20	363.0	260.7	257.4	257.4	234.6	223.0	39.2	41.0	41.0	54.7	62.8
Non-ferrous metals	1.03	358.2	314.3	315.4	300.4	281.2	263.5	14.0	13.6	19.2	27.4	35.9
Metal products	1.82	320.2	307.7	306.3	283.5	260.1	243.7	4.1	4.5	12.9	23.1	31.4
Machinery and												
machine tools	6.27	265.1	244.3	241.2	232.8	222.5	188.8	8.5	9.9	13.9	19.1	40.4
Non-electrical machinery	3.28	269.9	252.3	248.7	244.5	237.0	199.8	7.0	8.5	10.4	13.9	35.1
Electrical machinery	2.99	259.9	235.5	232.9	219.9	206.7	176.7	10.4	11.6	18.2	25.7	47.1
Transport equipment												
and parts	2.71	241.3	229.1	226.7	217.4	212.1	190.8	5.3	6.4	11.0	13.8	26.5
Other misc manufacturing	0.97	167.0	165.6	142.3	141.5	137.7	123.0	0.8	17.4	18.0	21.3	35.8

GRAPH B: WPI FOR PRIMARY ARTICLES: ACTUAL AND SEASONALLY ADJUSTED INDICES FOR INDIVIDUAL YEARS: 1989-90 TO 1994-95



□ Actual + Seasonally adjusted

In India, as inflation is usually led by the prices of primary articles, the CPI for agricultural labourers generally experiences the highest rise during a period of high inflation, as has been the case during the past one year (Table 3).

WPI AND GDP DEFLATORS

It is now accepted that the implied increases in the WPI with as remote a base

as 1981-82 = 100 do not reflect the reality of the annual inflation rates, though it is difficult to discern the direction or extent of the discrepancy.

Apart from the remoteness of the base period, a multitude of problems arises in the construction of the index: inadequacy of coverage of items and regional representation, representativeness of price quotations for individual items, non-inclusion of traders'

margins as well as unofficial market quotations, non-reporting of items, unsystematic revisions and substitution of varieties. One clear indication of the under-reporting of the inflation rate by the WPI is brought out by a comparison of the annual rates of increase in the average WPI and those in the average deflators for the gross domestic product originating in the commodity producing sectors (Table 3). The

TABLE 2: TRENDS IN WHOLESALE PRICE INDICES OF BASIC CONSUMPTION ITEMS
(Base: 1981-82 = 100)

Commodities	Weight	Index Numbers						Per Cent Variation			
		End-Oct 1994	End-Mar 1994	End-Oct 1993	End-Mar 1993	End-Mar 1992	End-Mar 1991	Mar-Oct 1994	Mar 93-Oct 94	Mar 92-Oct 94	Mar 91-Oct 94
All Commodities	100.00	275.5	258.3	251.8	233.1	217.8	191.8	6.7	18.2	26.5	43.6
Food Articles	17.39	329.1	280.4	294.5	268.5	254.8	210.8	17.4	22.6	29.2	56.1
Foodgrains	7.92	297.7	279.9	268.8	238.5	243.2	196.1	6.4	24.8	22.4	51.8
Cereals	6.82	282.6	271.1	259.6	235.0	241.6	190.4	4.2	20.3	17.0	48.4
Rice	3.69	301.4	275.6	278.6	244.6	245.1	187.5	9.4	23.2	23.0	60.7
Wheat	2.25	269.3	279.8	255.8	236.2	230.1	204.9	-3.8	14.0	17.0	31.4
Jowar	0.42	225.4	198.2	178.5	204.2	255.2	154.2	13.7	10.4	-11.7	46.2
Bajra	0.18	230.5	265.6	199.9	176.8	265.8	152.0	-13.2	30.4	-13.3	51.6
Maize	0.19	253.1	254.8	193.8	173.8	263.6	190.9	-0.7	45.6	-4.0	32.6
Barley	0.05	236.8	308.0	241.8	212.3	262.9	238.7	-23.1	11.5	-9.9	-0.8
Pulses	1.09	392.6	334.9	326.4	260.2	253.4	231.6	17.2	50.9	54.9	69.5
Gram	0.41	409.3	343.9	362.9	241.6	195.0	196.8	19.0	69.4	109.9	108.0
Arhar	0.27	369.6	331.1	341.7	298.8	311.8	268.0	11.6	23.7	18.5	37.9
Moong	0.20	335.1	333.5	281.2	261.9	264.1	209.8	0.5	27.9	26.9	59.7
Masur	0.05	334.1	236.5	239.0	201.4	212.3	224.9	41.3	65.9	57.4	48.6
Urad	0.15	481.7	354.1	291.3	259.2	305.7	290.5	36.0	85.8	57.6	65.8
Vegetables	1.29	496.8	250.0	386.2	242.1	209.7	195.7	98.7	105.2	136.9	153.9
Potatoes	0.47	335.9	229.7	422.2	195.9	197.2	181.7	46.2	71.5	70.3	84.9
Onions	0.16	353.7	236.7	395.5	242.9	99.7	207.7	49.4	45.6	254.8	70.3
Tapioca	0.13	400.0	457.0	459.9	429.7	388.8	317.7	-12.5	-6.9	2.9	25.9
Green Peas	0.14	429.5	210.8	N.A.	246.3	183.1	183.8	103.7	74.4	134.6	133.7
Tomatoes	0.12	384.7	181.9	N.A.	215.4	203.3	190.8	111.5	78.6	89.2	101.6
Cauliflower	0.13	1650.4	206.3	N.A.	252.6	238.8	116.0	700.0	553.4	591.1	1322.8
Fruits	2.80	271.9	242.6	261.7	279.8	260.2	209.7	12.1	-2.8	4.5	29.7
Bananas	0.47	269.7	254.5	277.7	253.6	272.9	221.2	6.0	6.3	-1.2	21.9
Milk	1.96	321.7	283.9	277.8	274.3	250.2	220.1	13.3	17.3	28.6	46.2
Eggs, Fish and Meat	1.78	355.4	323.2	298.5	272.9	233.1	200.4	10.0	30.2	52.5	77.3
Eggs	0.26	249.7	272.3	238.3	222.5	188.7	166.5	-8.3	12.2	32.3	50.0
Fish	0.51	467.4	396.2	354.5	308.6	236.4	197.4	18.0	51.5	97.7	136.8
Pork	0.12	271.1	267.0	272.8	271.1	240.6	268.1	1.5	0.0	12.7	1.1
Condiments and Spices	0.95	444.7	376.4	473.8	463.5	450.2	318.6	18.1	-4.1	-1.2	39.6
Chillies (Dry)	0.32	242.5	209.9	154.5	194.1	345.1	179.4	15.5	24.9	-29.7	35.2
Turneric	0.05	427.4	525.0	641.2	606.1	821.9	466.0	-18.6	-29.5	-48.0	-8.3
Garlic	0.08	1046.1	695.5	899.3	328.2	366.2	529.4	50.4	218.7	185.7	97.6
Other Food Articles	0.69	403.2	245.3	342.0	321.6	251.5	264.6	64.4	25.4	60.3	52.4
Tea	0.56	267.0	218.0	331.0	324.0	247.8	246.5	22.5	-17.6	7.7	8.3
Coffee	0.13	1017.5	365.2	391.5	310.6	268.3	344.9	178.6	227.6	279.2	195.0
Atta	0.76	278.8	286.3	262.4	258.8	250.6	203.1	-2.6	7.7	11.3	37.3
Bread	0.15	268.5	264.3	258.1	247.2	239.1	175.6	1.6	8.6	12.3	52.9
Sugar, Khandsari and Gur	4.06	263.3	241.4	246.4	259.2	155.4	147.3	9.1	1.6	69.4	78.8
Sugar	2.01	225.8	228.6	204.7	193.4	169.8	142.8	-1.2	16.8	33.0	58.1
Khandsari	0.30	245.5	216.1	184.1	167.0	131.6	141.4	13.6	47.0	86.6	73.6
Gur	1.75	310.1	260.4	305.2	210.6	142.9	153.5	19.1	47.2	117.0	102.0
Salt	0.04	257.2	236.5	241.1	231.7	220.2	176.1	8.8	11.0	16.8	46.1
Edible Oils	2.45	279.6	253.6	267.0	238.6	256.7	251.8	10.3	17.2	8.9	11.0
Groundnut Oil	0.53	265.0	232.5	262.8	189.3	245.6	250.9	14.0	40.0	7.9	5.6
Mustard Oil	0.28	236.1	210.6	219.9	189.2	226.3	213.7	12.1	24.8	4.3	10.5
Coconut Oil	0.17	252.2	257.3	276.0	331.5	331.4	258.8	-2.0	-23.9	-23.9	-2.6
Vanaspati	0.52	249.4	227.9	246.6	224.7	272.5	268.1	9.4	11.0	-8.5	-7.0
Kerosene	0.87	146.7	146.7	146.7	146.7	146.7	161.4	0.0	0.0	0.0	-9.1
Cotton Clothes	4.86	255.6	268.0	256.4	214.9	199.6	177.6	-4.6	18.9	28.1	43.9
Drugs and Medicines	1.07	222.6	194.8	187.9	173.6	165.8	153.1	14.3	28.2	34.3	45.4
Soaps and Detergents	0.88	234.8	211.4	201.4	203.3	194.1	165.0	11.1	15.5	21.0	42.3
Matches	0.23	164.3	163.7	163.6	151.2	138.4	134.4	0.4	8.7	18.7	22.2
Basic Consumption Items	32.74	292.8	262.7	269.0	247.9	226.0	195.7	11.5	18.1	29.6	49.6

annual increases in GDP deflators so derived have always been higher than the annual increases in the average WPI. The GDP deflator (with base 1981-82 = 100) had reached 255.1 in 1992-93 (an increase of 155.1 per cent in 11 years) against 228.7 for the average of WPI (a rise of 128.7 per cent in the same period). There are no doubt significant differences in the composition of the two sets of data such as in the case of agriculture where, with the double-deflation method, state-level average prices worked out as the weighted average of district level prices prevailing during the peak marketing period are taken into account. These questions are outside the scope of this note, except to take cognisance of the fact that the GDP deflator for the commodity-producing sectors appears much more comprehensive regionally and by commodity composition than the WPI. If at all, even the GDP deflator may be underestimating the average inflation rate due to such factors as the inclusion of peak marketing prices for agricultural crops; this is particularly true for years in which the lean season prices rise at a faster pace than the peak marketing season prices. Even with the current systems of measurement, the CSO's GDP data give about 10 per cent higher terms of trade in favour of agriculture *vis-a-vis* manufactured prices in 1992-93 (each with base: 1981-82 = 100).

ABSENCE OF SEASONAL FALL

As indicated above, the current high-level of inflation seems, on the face of it, somewhat exceptional as it has occurred despite one of the best kharif outputs in recent years on top of the preceding six successive years of good agricultural production. This is particularly true of the behaviour of both the general index of wholesale prices and the WPI for primary articles. As indicated in Table 3, the price increases during the lean season of 1994-95 (March to July 1994) were phenomenally high, which was followed by some slowing down of the inflation rate only for the two months of August and September 1994. In order to take a closer look at the time series of WPI, we have sought to disaggregate the series into seasonal and de-seasonalised (trend) components. This has been done in respect of three categories of WPI, namely, (a) all commodities, (b) primary articles (other than minerals), and (c) fuel and manufactured products, on the basis of monthly data for the period of April 1987 to December 1994.

The results (which are not reproduced here) bring out that the seasonal amplitudes, while they continue to be present, seem to have become somewhat blurred in the recent period in respect of all the three components of WPI indicated above. Even so, to an extent in the all commodities index and somewhat more distinctly in the primary articles index, there are significant seasonal elements. In this respect, the lessons to be

derived from Graph B are illuminating. Each of the six blocks in this graph, representing separately six individual years 1989-90 to 1994-95 (up to December 1994), presents two curves - one actual WPI series of primary articles (other than minerals) and the other seasonally adjusted series. It may be observed therefrom that in the three comparable years, each in terms of a quantum jump in agricultural output, the two years, namely, 1989-90 and 1992-93, experienced a distinct

seasonal fall in the price index of primary articles in the post-kharif period. In the current year so far, there has occurred a fall but the fall has been significantly moderate.

The above phenomenon of higher than expected level of WPI for all commodities and primary articles is better represented in the difference between original index and expected index (applying the monthly seasonal indices) during the period October-December each year (Table 5). By this

TABLE 3: ANNUAL AND CUMULATIVE INFLATION IN WPI AND CPIs

Year/ Month	Wholesale Price Index				Consumer Price Indices					
	All Commodities		Primary Articles*		Industrial Workers		Urban Non-Man Em		Agricultural Labourers	
	Annual Infla- tion Rate	Cumu- lative Increase from March 1991	Annual Infla- tion Rate	Cumu- lative Increase from March 1991	Annual Infla- tion Rate	Cumu- lative Increase from March 1991	Annual Infla- tion Rate	Cumu- lative Increase from March 1991	Annual Infla- tion Rate	Cumu- lative Increase from March 1991
1991-92										
April	11.6	0.6	17.6	0.8	12.2	0.5	12.6	0.6	-0.6	-0.6
May	11.8	1.6	16.2	2.3	12.1	1.5	11.8	1.2	13.7	0.5
June	12.2	3.5	16.9	6.1	13.0	4.0	12.3	3.0	15.4	2.1
July	13.1	5.8	17.9	9.3	13.2	6.5	13.3	5.9	15.9	5.4
Aug	16.1	9.1	21.7	13.6	14.2	8.0	15.1	8.3	18.3	9.1
Sept	16.3	9.8	22.2	14.3	15.7	10.0	15.7	8.9	23.1	13.6
Oct	13.9	9.7	20.7	13.9	14.9	11.4	14.2	9.5	23.1	15.4
Nov	14.7	10.8	22.8	16.8	13.6	11.9	14.0	10.7	21.2	16.4
Dec	14.3	11.2	22.1	17.4	13.1	11.9	13.3	10.7	21.7	17.5
Jan	13.6	12.3	19.9	18.2	12.9	13.4	12.4	12.4	20.4	18.3
Feb	12.9	12.9	17.7	18.3	13.4	13.9	13.0	13.0	20.6	21.0
March	13.6	13.6	17.0	17.1	13.9	13.9	13.6	13.6	21.9	21.9
1992-93										
April	13.8	14.4	16.0	16.9	14.4	14.9	13.5	14.2	22.6	21.9
May	13.8	15.6	15.4	18.0	14.7	16.4	14.0	15.4	23.9	23.3
June	13.0	16.9	13.5	20.4	12.9	17.4	13.2	16.6	21.9	24.5
July	11.7	18.2	12.5	22.9	13.1	20.4	12.8	19.5	20.6	27.0
Aug	9.4	19.4	9.7	24.6	11.5	20.4	10.9	20.1	19.0	29.8
Sept	9.6	20.3	7.6	23.0	10.0	20.9	10.9	20.7	14.1	29.6
Oct	10.6	21.2	7.6	22.5	8.9	21.4	10.8	21.3	11.0	28.1
Nov	9.1	20.9	4.3	21.8	8.4	21.4	9.6	21.3	8.6	26.5
Dec	8.5	20.7	3.4	21.4	8.0	20.9	9.6	21.3	5.9	24.4
Jan	7.6	20.8	2.7	21.4	5.7	19.9	7.9	21.3	5.0	24.2
Feb	7.6	21.4	2.3	21.0	5.7	20.4	7.3	21.3	1.9	23.3
March	7.1	21.6	2.6	20.1	6.1	20.9	6.8	21.3	0.7	
1993-94										
April	6.9	22.4	3.3	20.8	6.1	21.9	6.7	21.9	-0.7	21.4
May	6.9	23.6	3.3	21.8	5.1	22.4	6.2	22.5	-1.9	21.0
June	7.0	25.1	2.6	23.5	5.9	24.4	6.6	24.3	-1.0	23.2
July	7.3	26.8	3.1	26.7	4.5	25.9	5.4	26.0	-2.0	24.5
Aug	8.0	28.8	4.1	29.7	5.8	27.4	5.4	27.2	-2.3	26.8
Sept	8.8	30.9	6.9	31.6	6.6	28.9	6.4	28.4	0.1	29.7
Oct	8.5	31.6	8.6	33.1	7.4	30.3	6.4	29.0	3.2	32.2
Nov	8.6	31.2	8.4	32.1	8.6	31.8	7.3	30.2	6.5	34.7
Dec	8.8	31.3	8.5	31.7	8.6	31.3	7.8	30.8	9.3	35.9
Jan	9.1	31.8	7.6	30.6	9.1	30.8	7.8	30.8	9.4	35.9
Feb	9.5	32.9	8.3	31.1	9.5	31.8	8.3	31.4	10.2	35.9
March	10.5	34.4	10.4	32.6	9.9	32.8	8.3	31.4	11.6	36.9
1994-95										
April	11.8	36.8	13.3	36.9	9.8	33.8	8.7	32.5	12.1	35.8
May	12.0	38.4	15.0	40.1	10.6	35.3	9.7	34.3	13.2	36.9
June	11.8	39.9	15.6	42.7	10.8	37.8	9.5	36.1	12.5	38.6
July	11.6	41.5	14.6	45.2	11.1	39.8	8.9	38.5	13.4	41.1
Aug	10.2	41.9	11.6	44.7	10.9	41.3	9.8	39.6	13.1	43.5
Sept*	8.4	41.9	10.0	44.8	11.2	43.3			12.4	45.8
Oct*	8.7	43.0	10.9	47.6	10.3	43.8			11.6	47.4
Nov*	9.2	43.3	11.0	46.6						
Dec**	9.9	44.3	11.3	46.6						

* provisional

** up to December 17, 1994

+ excluding minerals

yardstick the expected index of WPI for all commodities for December 1994 should have been 267.80 against the actual of 276.60 thus suggesting an excessive increase of 3.3 per cent; in the WPI for primary articles (other than minerals) such excessive rise worked out to about 3 per cent.

POSSIBLE CAUSES

The macro-economic data obviously suggest distinct contra-indications in regard to inflation during the recent period. If agricultural output is considered as having a dominating influence on inflation in India, these contra-indications are true of the entire period since the beginning of 1991-92. These are further reinforced by a comparison of the recent developments in regard to inflation with those of the 1980s. The decade of the 1980s was generally marked by some moderation in the rate of inflation. The annual average of the inflation rate as measured by the WPI worked out to about 7 per cent during the decade 1980-81 to 1990-91 despite a high level of money supply growth (17 per cent per annum in M_2) and a series of macro imbalances such as the large internal and external debt incurred by the central government, sizeable budget deficit and, above all, a phenomenally high-level of monetised deficit. Agricultural growth, which is a major factor on the supply side, showed vast year-to-year fluctuations during the decade. Even so, it did show a decent growth of about 3.6 per cent per annum (compound).

The first four years of the 1990s so far have also experienced a similar growth in agriculture. The overall monetary growth has been around 17.6 per cent (if 17 per cent growth is assumed for 1994-95). A significant aspect of the monetary growth in the 1990s has been the curtailment of the centre's borrowing from the Reserve Bank of India, that is, the size of the monetised deficit. Despite these reasonably favourable supply-demand factors, the underlying inflationary phenomenon has persisted in the post-reform period. An answer to this phenomenon has to be found in certain specific factors that have operated during this period giving rise to significant sectoral price pressures, some of which are directly related to the stabilisation and structural adjustment programme.

First, the policy of reducing subsidies in some of the commodities has led to higher prices for them. Since March 1991, the WPI of fertilisers has shot up by 100.6 per cent; similarly, electricity tariffs have gone up by 65.9 per cent and coal prices by 58.1 per cent. Secondly, the devaluation of the rupee with simultaneous emphasis on export-promotion has put some pressure on the prices of import-based and export-oriented industries. Because of the operation of other forces such as the simultaneous reduction in customs and excise duties, it is difficult to pinpoint the effect of these factors on specific commodity prices.

Micro-level studies have, however, brought out that prices of imported drugs, which did not carry high customs duties in the past and hence have not enjoyed any substantial reductions, have sky-rocketed because of the devaluation of the rupee. Likewise, aggressive export promotion of many primary commodities has pushed up their prices in the domestic market.

A third, and probably the most important, factor responsible for the acceleration in the inflation rate since the beginning of the 1990s as compared with the 1980s is the high levels of procurement and minimum support prices granted to agricultural commodities. Between 1980-81 and 1990-91, the procurement price for the common variety of paddy was raised from Rs 105 per quintal to Rs 205 per quintal, i.e., an annual increase of a little less than 7 per cent or roughly equivalent to the general inflation rate, whereas in the next four years, the increase has been from Rs 205 to Rs 340 per quintal, i.e., at the annual rate of 13.5 per cent which is much higher than the average inflation rate of 10.7 per cent during the period. The contrast in the increases in the procurement prices of wheat for the two periods has been even more glaring: from Rs 130 to Rs 180 per quintal or at the rate of 3.3 per cent per annum in the 1980s and from Rs 180 to Rs 360 per quintal or at the rate of 18.9 per cent per annum in the 1990s up to the 1994-95 marketing season. This phenomenon is seen without exception in the entire gamut of price fixation for jowar, bajra, maize, ragi and major varieties of pulses. In consequence, and also as part of the policy of reducing

subsidies, the increases in issue prices of these commodities have been much larger.

A final factor which may have contributed to the accentuation of the inflationary situation is the impetus given to free-market forces in the new economic milieu. Earlier, there was a semblance of control on trade through the Essential Commodities Act and such other administrative restraints against speculation. They have all been given the go-by and hence the holding power of the rich farmers and the speculative proclivities amongst traders must be expected to play a major role in inflation in the coming months.

A broader aspect of the socio-political milieu which will contribute to the strengthening of the inflationary forces relates to the accentuation of inequalities in the distributions of incomes and assets as a result of the new economic policy. Experience shows that a higher rate of economic growth within such a distorted socio-economic structure *ipso facto* requires a higher level of inflation. The government has no doubt begun to take specific measures to contain inflation – for example, RBI's open market operations and monetary control and moderate increase of only 3 per cent in the procurement/minimum support prices for the rabi crops to be marketed in the 1995-96 marketing season. While these measures may have some short-term impact, it is unlikely that they will curb in an enduring manner the underlying inflationary forces, which derive their impetus from the structural features of the economy and which have become all the more powerful in the new socio-economic milieu.

New
from

SAGE

Publishers of the
Professional
Social Sciences

RURAL DEVELOPMENT IN INDIA

A Public Policy Approach

(Second Edition)

SRIRAM MAHESHWARI

This book... is a welcome addition to the rapidly growing literature on India's rural development...

—South Asia in Review

The book will not only be helpful to academicians and researchers, but will also be helpful to policy makers, planners, programme implementers and administrators...

—Tiers Monde
(translated from the French)

280 pages • 220 mm x 140 mm • Rs 295 (cloth) • Rs 150 (paper) • 1995



SAGE PUBLICATIONS INDIA PRIVATE LIMITED

Post Box 4215, New Delhi 110 048

Beware of Bureaucratic 'Doras'

Kancha Ilaiah

The staff associations of the central government employees have submitted a memorandum to the Fifth Pay Commission suggesting revised pay scales and other benefits for IAS, IPS and other government officers. The proposed salary structure indicates a conspiracy by the bureaucrats to squeeze the state's resources in order to indulge in western-style conspicuous consumption, even while the masses become increasingly impoverished.

THE Fifth Pay Commission is in the process of working out the modalities of pay increase for the employees of the central government of India. It goes without saying that once the pay scale system of central government employees is worked out, the pay scale of different public sector units, autonomous bodies such as universities, and the employees of state governments will be worked out based on the pay scales of central government employees. Of course, the constitution of the Fifth Pay Commission is one of the routine processes of the central government as it has to refix the pay scales every 10 years based on the price index, the rate of inflation, etc. As I am not an economist, I am not really competent to discuss the basis of pay fixation and such matters.

What I am concerned with here is a specific question which in many ways is going to condition our socio-economic life in the future. The Delhi University Teachers Association (DUTA) has circulated a newsletter (of October 1994) in which a shocking thing is revealed with regard to the trend of pay scales for which the central government employees are going to ask. DUTA asked various teachers associations of India to suggest the modalities of pay scales, promotion avenues and the structure of other benefits. For the information of the teachers associations, the DUTA newsletter furnished the details of pay scales, promotion avenues and other benefits that the Staff Associations of Central Government Employees (SACGE) suggested in their memorandum to the Fifth Pay Commission. DUTA asked the teacher community to study the pay scales suggested by SACGE and to suggest teachers' own pay scales, so that it can submit a similar memorandum to the pay committee appointed by the UGC recently. The 22 main items that SACGE suggested to the Fifth Pay Commission are given in the tables.

What is shocking is the very mood and thinking of central government employees in suggesting these scales, promotion avenues and other benefits. The suggested pay scale for a cabinet secretary is Rs 60,000 (fixed) per month as against the existing Rs 9,000, and Rs 55,000 (fixed) for a secretary as against Rs 8,000 (fixed) per month at present. For an additional secretary the suggested

pay scale starts at Rs 44,000 with an annual increment of Rs 1,000, ending at Rs 55,000, as against their present pay of Rs 7,000-7,600. The suggested junior scale for IAS officers is Rs 9,000 per month with an annual increment of Rs 250, culminating in Rs 13,500, as against the existing Rs 2,200-4,000 pay

scale. That means the gross salary of a just employed IAS officer would easily work out to Rs 16,000 and more per month. The gross salary of a cabinet secretary would be around Rs 1,20,000 per month.

The other items they asked for are much more shocking. They want their retirement age to be raised to 60 years as against 58 years. They asked for total exemption from income tax and for 100 per cent neutralisation of DA. Their medical facilities need to be changed from government hospitals to non-government hospitals with a guarantee of full medical insurance; their group insurance needs to be raised to Rs 5 lakh. They want free transport and also a vehicle advancement of Rs 2.5 lakh. Having got all this, they need to live in a comfortable house, and so have asked for a lowered interest rate House Building Advance (HBA) of just 7 lakh. Since all this is not enough, they need a reasonable education allowance of only Rs 500 per

TABLE 1. PAY SCALES PROPOSED BY SACGE

Existing	Proposed	
	ICAS	IRS
Junior scale 2200-4000	(a) 8000-250-12000-300-13500 (FAS) (b) 9000-250-12000-300-13500 (IAS)	9000-400-15000
Senior scale (a) 3000-4500 (b) 3200-4500 (only IAS)	(a) 11000-250-12000-300-15000 (FAS) (b) 12000-250-12000-300-15000 (IAS)	13000-400-20000
Junior administrative grade/cadre (a) 3700-5000 (b) 3925-4700 (only IAS)	(a) 15000-400-19000 (FAS) (b) 16200-400-19000 (IAS)	19000-500-21000-750-28500
Selection grade (a) 4500-5700 (b) 4800-5700 (only IAS)	(a) 17000-400-19000-500-21000 (FAS) (b) 18200-400-19000-500-21000 (IAS)	28000-750-31000-1000-44000
Senior administrative grade Grade I-5900-6700 Grade II-New	22000-500-23000-750-26000 (IAS) 26000-750-29000-1000-30000 (IAS)	33000-1000-55000
Super time scale (Additional secretary) ST I-7300-7600 ST II-New	30000-1000-33000 (IAS) 33000-1000-36000 (IAS)	44000-1000-55000
Secretary 8000 (fixed)	37000-1000-39000 (IAS)	55000 (fixed)
Cabinet secretary 9000 (fixed)	Not suggested	60000 (fixed)

Notes: FAS = For All Services; IAS = Indian Administrative Services

TABLE 2. LENGTH OF SERVICE (IN YEARS) REQUIRED TO GET PROMOTION

Service	Junior Administrative Grade	Selection Grade	Joint Secretary	Additional Secretary	Secretary
IAS	8.5	14	16	25/26	31
IFS	9	14	18	29	31
IPS (police)	8.5	14	-	29/30	32/33
IA and AS	8/9	-	17/18	30	-
IPS (postal)	11/12	-	23/24	30	-
IRS	9	18	22/23	31	-

In case of Indian Administrative Services (IAS), the year of admissibility to various grades is as under:

Junior scale (Rs 2200-4000)	- Beginning
Senior scale (Rs 3000-4500)	- 4th year
Junior administrative cadre I grade (Rs 3700-5000)	- 9th year
Selection grade (Rs 4500-5700)	- 14th year
Senior administrative grade (Rs 5900-6700)	- 16th year

Rules of Promotion for IAS:

- Senior scale on completion of four years to be given automatically.
- Junior administrative grade on January 1 of the year in which the officer completes nine years to be given automatically.
- Selection grade when an officer enters the 14th year of service, to be given practically automatically.

month up to a maximum of two children. The mood seems to be that if the government allows this education allowance without limit, they would like to procreate more children so that they can get further Rs 500s per month. A forgotten suggestion seems to be that those who do not want to produce children also need to be given some allowance because that is going to help the state by reducing that bureaucratic family's growth to a negative rate. The Indian bureaucratic class does not seem to be producing children for children's sake but producing them for allowance's sake.

Apart from these substantial monthwise benefits, they asked for lowering the qualifying service for pension to 28 years, raising of pension to 75 per cent of emoluments for full qualifying service, no ceiling for gratuity, encashment of 12 months earned leave, LTC once in two years as against existing once in four years (that must be given even after retirement), so on and so forth. It is quite obvious that the senior IAS officers who can influence the Pay Commission are involved in suggesting such pay scales and other benefits.

There is a criminal conspiracy in asking for and probably getting, if not as it is, but near about scales. The conspiracy is to squeeze the state's resources and indulge in western-style conspicuous consumption in a country where more than half of the population does not get two square meals a day. It is widely accepted that our bureaucracy is a non-working negative bureaucracy which treats the state and its resources as its private property.

If their suggested scales are of absolute necessity for a 'comfortable' life, they must be starving in the present scales. But the reality is not that. Even a person from poor family without any property, within a short time after joining service as an IAS or IPS officer, can acquire urban properties. In a situation of collusion of bureaucrats and politicians their non-salary incomes have no limit. Yet they want these salaries; greed does not seem to have any limits.

We were all witness to the fact that after the revision of pay scales in the 1980s, almost one-third of the top bureaucrats and university teachers entered the 'Maruti car class'. In spite of increasing inflation, as the employees' DA rates were correspondingly increasing, the position of the salaried class is far better than that of middle peasants or small entrepreneurs. The IAS officers, in their memorandum, made it very clear that they want to belong to the 'Maruti class' and hence asked for Rs 2.5 lakh vehicle advance, of course, specifying the price of a Maruti 800.

Do not these 'responsible' officers, a great majority of them meritorious as they did not come under the reservation quota, know the economic condition of the country? Are they not the ones who are handling the economic affairs of the country? Are they not the ones

who are flying across the world to raise loans even to construct a village road? Do they not know that the World Bank and IMF are after us to squeeze us and capture all the markets? Are not the same officers telling us with the help of statistics they themselves collected, that half of the Indian population is living below the poverty line? Yet why are they asking for such salaries and benefits? Is it patriotic for high administrators of this country to draw more than Rs 1,00,000 salary per month?

The conspiracy of this mode of thinking is not an ordinary one. It is very much linked to the liberalisation process. On the one hand the same government is indulging in

disinvestment in sector after sector. Even the selling of shares in the railways is being mooted. All this is being done in the name of 'efficiency' of the public sector. 'Loss showing' in every public sector company has become the logic of the day, so that, that particular company should become privatised in no time.

In the face of all this, if government employees draw salaries at this level, the first thing that will happen is that 'democracy in India' (in whatever form that it exists) will collapse. How? In the face of the tremendous inflation that this salary structure itself is going to create will ruin the economy in all fronts. Since the government would not be

TABLE 3: OTHER BENEFITS

Benefit	IAS	IRS	Joint Consultative Committee
Retirement age	To be raised to 60	To be raised to 60	
Pension entitlement	-	-	5 years of service
Qualifying service for pension	To be lowered to 28 years		30 years
Rate of pension	To be raised to 75 per cent of emoluments for full qualifying service		75 per cent of emoluments for full qualifying service, proportionate increase for qualifying service in excess of 30 years
Minimum pension			Rs 24,00 pm
Gratuity	No ceiling	No ceiling	The ceiling of 16.5 years and Rs 1,00,000 to be removed
Encashment of earned leave	Up to 12 months	Up to 12 months	300 days
LTC	Once in 4 years	To be given once in 2 years	Once in 4 years
Voluntary retirement	after retirement also	after retirement also	to retired persons also
Encashment of half pay leave	Be permitted without any deduction	-	After 15 years of qualifying service
Housing	Raise HRA to realistic levels	Taking houses on lease	Equivalent of the half pay leave accumulated
CCA	In terms of percentage of basic pay	HRA to be realistic	-
Medical facilities	From non-governmental hospitals should also be permitted	Rs 500-Class-A city	-
Group insurance	Ceiling to be raised to Rs 5 lakh	Rs 400-Class-B city	-
Conveyance	Free transport	Rs 300-Class-C city	-
Bonus	Scope to be narrowed down	Medical insurance	-
Vehicle advance	Ceiling to be raised to Rs 2.5 lakh	Ceiling to be raised to Rs 5 lakh instead	-
HBA	Ceiling to be raised to 7 lakh; interest rate to be lowered	Rs 1.2 lakh	-
Computer advance	To be given separately	Provide transport facilities to all	-
Education allowance	Reasonable up to two children	No ceiling	-
Income tax	Income totally exempt from tax	To be raised to exfactory price of 800 cc Maruti	-
DA	100 per cent neutralisation	To be raised to Rs 10 lakh	-

Source (all tables): Delhi University Teachers Association (DUTA) newsletter, October 1994.

able to pay such huge salaries, mass retrenchment would take place. Along with the top industrial class the top bureaucratic class will become thoroughly integrated into imperial markets. Already the gap between the urban and rural economies is enormous (if we exclude urban slums), and this gap is going to increase. 'Americanised' riches and comforts on the one hand, mass poverty and starvation deaths on the other, will become the order of the day. We know that the dalits, bahunjans and tribals will be the victims of this kind of inflation economy.

The same bureaucrats will, then, begin to say that democracy is an inefficient system, and dictatorship controlled by imperialist bosses will be projected as the only alternative.

Whether it is DUTA or other teachers' and employees' associations, they must understand the implications of this kind of salary structure. Instead of asking for such salaries we must, first, fight this very mood of aggrandisement. One only hopes that the teaching community behaves with greater responsibility, not toward one's self and one's own family, but towards the starving masses of this country.

ANDHRA PRADESH

Tribal Forums Unite for Self Rule

B Janardhan Rao
M Bharat Bhushan

In the face of threats to their lands, livelihood and cultural identity posed by state policies – including the proposed forest and land transfer bills and the Polavaram dam – and rising atrocities on tribals, adivasis in Andhra Pradesh are demanding the creation of a separate tribal district of Bhadrachalam and self rule in tribal areas.

SEVERAL forums of tribal people jointly organised a conference on 'Threats to Tribal Identity and Importance of Self Rule' on November 20, 1994 at Bhadrachalam, Khammam district, Andhra Pradesh. The conference, convened by Mokalla Papaiah, addressed issues related to land alienation and displacement of tribals; atrocities against tribal women, tribal employees and tribal sarpanchs; implications of proposed bills on forest and resettlement and rehabilitation; need for tribal self-rule; and the recommendations of the Bhuria Committee. The state level conference was attended by 300 delegates from Khammam, Warangal, Vizianagaram, Vishakhapatnam, Srikakulam, East Godavari, and West Godavari districts and Hyderabad, representing organisations of tribal employees and students, scholars of tribal studies, development NGOs and co-ordination forums at national, state and district levels. Participant organisations at the conference included the Akhila Bharata Adivasi Vikas Parishad, A P Adivasi (Girijana) Samakhya, Koya Abyudaya Sangham, Adivasi Sanghibava Committee (Warangal), Krushi (Warangal), Yard, Secure, Casas, and CPS. After the delegates' conference, a procession of 3,000 people went around Bhadrachalam raising slogans related to the Land Transfer Regulation Act, Forest Bill, proposed Polavaram dam, tribal self rule, Bhadrachalam as a tribal district, common property resources, etc. A public meeting held in the evening was attended by about 5,000 people.

B Janardhan Rao, addressing the public meeting, outlined how development policies

pursued by the post-independence governments have further intensified the process of marginalisation of the rural poor and tribal communities by alienating them from their common property resources. He said that the current economic policy is destructive in general and would lead to the erosion of tribal identity as well as their extinction as distinct peoples. The moves towards lifting restrictions on land transfer in agency areas, he said, would turn the tribals into destitutes and slaves in their own lands. In the long run the process would also uproot the small and middle peasants among non-tribals in the agency areas, as these lands increasingly become the playgrounds of industrial and foreign capital interests. He said that there is an urgent need to extend the Sixth Schedule provisions to all tribal agencies and initiate the process of tribal autonomy to safeguard the rights of tribal communities as guaranteed by the Constitution. Speaking about the Forest Bill, he said that it should be radically reframed to protect forest wealth from becoming the private resource of capital interests. Unless it is amended the traditional rights of adivasis would be totally eliminated, and this would lead to the privatisation of public resources. All development projects hitherto introduced in the agency areas have only developed the tribal region, but not the tribal people. A distinction must be made between 'development' of tribal regions and tribal emancipation, failing which all those programmes aimed at tribal development would further intensify the hold of the migrants and weaken that of the natives, and would only create the illusion of tribal development while the ground reality

continues to be one of growing conflict and contradictions in the agency areas.

The general secretary of the Adivasi Vikas Parishad (AP), G D V Kumar, explained the growing threat of development policy in terms of the physical numbers of tribal communities. He said that the increasing atrocities on tribal employees reflect the unaccommodative nature of modernisation process on one hand, and the threat to the survival of illiterate and powerless tribal men and women, on the other. He argued that the extension of the Sixth Schedule provisions to all agency areas was the only way to prevent the extinction of tribal communities and that around 8 per cent of the national budget must be allocated to tribal bodies to ensure their progress and freedom.

M Bharath Bhushan, environmental activist, said that the current economic policy spells doom to people in rural and tribal areas. Large tracts in the agency areas are to be converted into private estates in the 'national interest'. Several big projects of mining, irrigation and power are being hastily cleared and thrust on the agency areas without the consent or knowledge of the project-affected people. This is conspiratorial and anti-people as this development reduces people to dispensables, he said. "The proposed Polavaram dam across river Godavari would wipe out the Koya community as a whole, causing environmental catastrophe in the eastern Ghats and widening regional inequalities and imbalances", he said. "There would be a serious socio-environmental crisis and social unrest as the Polavaram project threatens to submerge 350 settlements in Andhra, Madhya Pradesh and Orissa and 2.6 lakh acres of land under cultivation, and displace 2,24,724 people among whom tribals are around 1.5 lakh." He said that the loss in terms of forests, wildlife sanctuaries, and archaeological sites would be irreparable. The loss in terms of forest wealth itself would be around 65,000 hectares due to direct submergence and vertical (uphill) migration by the tribals. The Polavaram project was being pursued to suit the interests of political parties in the developed coastal Andhra districts and industrial interests of Vishakhapatnam. He said that the project should be immediately withdrawn, lest it invite severe unrest in the eastern Ghats.

Murla Yerraiiah Reddy, former MLA, said that the moves to withdraw the Land Transfer Regulation Act would deny the right to survival of the tribal communities, and there would be mass uprising in the agency areas against such myopic and anti-poor moves. Only united struggles of tribal forums of various sections and at different levels would arrest the march of encroachment of foreign capital interests into tribal areas, he said. Bodies such as the Integrated Tribal Development Agency, Girijana Co-operative corporation, etc, have strived to meet their

organisational interests like any other trading enterprises rather than adequately addressing the genuine issues and needs of the tribals. They only perpetuate the hold of the middlemen. The political parties in the area failed to address the real issues of impoverishment and exploitation of tribals by organised forces of trade.

Ramesh, co-convenor, Adivasi Sangheebhava Committee, dwelling on the educational and employment concessions given to the tribal communities, said that they are nominal in essence, and even those provisions were being denied to them with a few migrant and developed communities gaining tribal status of late on the one hand, and the discrimination by dominant caste groups on the other. Referring to the repeated torching of a small village of Gothi Koyas (Poongutta village in Pega Panchayat of South Bhadrachalam Forest Division) by the forest department, and the campaign by vested interests portraying Gothi Koyas as criminals, he asked how Gothi Koyas, who cut tens of trees in the reserved forest are termed criminals while Bhadrachalam Paper Board illegally clears hundreds of acres of forest, remains most civilised. He said that calling tribals as criminals was a new device to isolate and demoralise the tribals in their own land. The conspicuous silence or covert support to such anti-tribal machinations and atrocities by the parliamentary left parties was highly deplorable, he said. He requested the left and democratic forces to acknowledge the problem of tribal identity in the true sense and to combat the forces aimed at eliminating cultures and threatening the survival of tribals as peoples, instead of paying lip-services to the issue of tribal oppression and exploitation.

Mokalla Papaiah, convenor of the conference, said that the tribals are facing several threats to their survival. During the past two years several tribal women, sarpanches, and employees have been subjected to assaults and murder. Tribal women in large numbers were subjected to sexual exploitation, concubinage, and desertion in roadside villages and mandal headquarters. Recently, a tribal woman was murdered and made to look like a suicide in a lodge in Bhadrachalam, while a sarpanch in Chintoor mandal headquarters was tortured for three days and killed by a group of contractors a few months ago. Similarly several tribal employees in ITDA and ICCS are being discriminated against, harassed and some even kidnapped. The government machinery in the agency areas is highly negligent of the growing threats to tribal survival. He said that first the lands of the tribals were looted, then their women were cheated, now the tribal leaders and youth upholding tribal interests are being physically eliminated and their women are being forced into prostitution and sexual exploitation. Papaiah said that the demand for declaring

Bhadrachalam a tribal district is now urgent and essential to ensure basic security for the tribal people. He said the moves to amend the Land Acquisition Act 1894 (1984) and the Land Transfer Regulation Act (1 of 1970) were aimed at facilitating easy and total control over the natural resources of the agency areas. Until now it was a sort of internal colonialism, disguised and covert, in the agency areas, which is inconvenient for the speedy exploitation by multinational corporations. Now the new economic policy wants to facilitate the process of unhindered and overt colonisation, which he said, has to be fought by tribal and non-tribal poor jointly. He said that the current phase of tribal transition is critical, as it would either eliminate tribals as peoples if there is no concerted resistance, or would become a new era of dignity and pride to the tribal people through self rule if they succeed in resisting the current changes.

Other speakers included Sri Ramulu, Tribal Teachers Federation; T Bharati, president, Adivasi Vikasa Parishad, Vizianagaram district; Aswapati, BSP contestant for assembly elections from Bhadrachalam; Kunjam Venkateswarlu, tribal leader; Kunja Sitaramulu, secretary, Tribal Teachers Federation; P Laxmaiah, Adivasi Sangheebhava Committee; and representatives of tribal student and youth organisations. Tribal cultural activists Paayam Muthayya, Girijana Kumari, Sri Ramulu, Jagan and others presented cultural programmes.

M Papaiah read the resolutions passed by delegates conference in the public meeting. These are:

(1) The demand for a separate tribal district constituting agency areas of Bhadrachalam and Burgampad is several years old and is supported by several political parties. The area has large tribal population and is a contiguous region. Bhadrachalam district must be carved off Khammam as a separate tribal district immediately to ensure safety to tribals and effective implementation of development programmes and participation of tribal people in governance.

(2) The moves to lift Land Transfer Regulation Act are anti-tribal and anti-poor in the agency areas of the state. Already the illegal control and hold of non-tribals over the tribal lands is rampant. Instead of enforcing the legislation into practice to ensure tribals livelihood with dignity, the present moves to lift the act are retrograde. Such moves would result in making lakhs of tribal people into landless within a short time. It would legitimise ill practices that are considered criminal or offences in regard to the tribals according to the existing legislations in the agency areas. Such moves are severely condemned. The LTRA should not only continue to operate without any amendments but also must be implemented effectively.

(3) The proposed Polavaram dam across river Godavari submerges above 350

settlements, predominantly or exclusively tribal, in the agency areas of Bastar, Malkangiri, Khammam, East Godavari and West Godavari. The dam would result in cultural genocide of the Koya tribe as it would disintegrate around half the population of the community. Attempts by the state government to get clearances and financial support without any rehabilitation programme and consent of the oustees is highly anti-people. The state government must immediately declare the project as withdrawn to avoid severe ecological imbalance in the eastern Ghats and extinction of one of the largest tribes in the state. Ecologically and economically the project is a catastrophe and it must be withdrawn.

(4) Several clauses in the proposed forest bill are against the interests of tribals. Clauses like 'carrying capacity', 'powers of settlement officers', 'classification of the forests', give arbitrary powers to the forest officials which deny the rights of the forest dwellers guaranteed by the earlier and present forest legislations. The free play of the smugglers in the forest areas with the covert political patronage would further intensify as the proposed forest bill further alienates the tribals from the forests.

(5) Atrocities against the tribal people in general, and tribal women and their leaders are growing in the recent past. The responsible authorities employed for checking such atrocities are inordinately delaying the justice due to the victims, obviously under the pressure of local vested interests. As a result the feeling of insecurity among tribal people is visibly growing. The conference condemns the growing atrocities on tribal people.

(6) The conference unanimously urged three-fold alternative solutions to end the growing atrocities and multi-pronged assaults on tribals, viz.

- (a) granting self rule to the tribal regions by effective application of the Sixth Schedule of the Constitution,
- (b) introducing three-tier system in the tribal region as specified under the Sixth Schedule and granting district adivasi council with full legislative and executive powers to deal with the affairs related to land and forest management, utilisation of water resources and all other matters related to the normal civic life in the villages.
- (c) Altering the law enforcing agencies in the immediate context to deal with the offenders in regard to the land, forest, tribal women issues.

(7) Until the provisions of Sixth Schedule are put into vogue, the elections to the local bodies in the agency to be held under 73rd Amendment (Panchayat Raj) must be kept in abeyance.

It is emphatically urged in the light of constitution of the Bhuria Committee by parliament to look into the varied dimensions and possibilities of operationalising tribal self rule.

Latin American Liberalisation and US Global Strategy

James Petras
Todd Cavaluzzi

Liberalisation is not merely a 'development strategy' elaborated to facilitate Latin American integration into the world market. Nor is it an inevitable product of some immanent 'globalisation process'. Rather liberalisation is a product of US economic policy-makers, bankers and multinational corporations allied with Latin American transnational capitalists. It is specific class and state interests (not world system imperatives) that dictate the new liberal political economy. In this sense reversing liberalisation must begin at the national level within the class structure and move upward and outward.

THERE are a number of explanations for the liberalisation policies that have been applied in Latin America. One school argues that there is a nationalist-populist policy cycle, which begins with state intervention, nationalisation and protectionism; consolidates an 'import-substitution' development strategy, then enters into crises because of growing state and trade deficits, macro-economic imbalances and declining competitiveness leading to the initiation of the 'liberal revolution'. Another line of argument focuses on the growth during the 1970s of a class of transnational Latin capitalists linked to the world market and benefiting from state sponsored export strategies who became the central nucleus defining the strategy of liberalisation. A third school emphasises the role of foreign debt and the leverage and influence of the World Bank (WB) and the International Monetary Fund (IMF) in imposing the liberal agenda as a condition for refinancing the debt. Others emphasise class conflict and the changing relationship of class forces, both internally and externally. According to this line of inquiry a coalition made up of the national bourgeoisie, the working class and peasantry, which formed the basis of the import-substitution strategy, broke apart as a result of a 'squeeze' on profits and state resources, leading to a new coalition of military regimes, linked to an export bourgeoisie in partnership with MNCs. Parallel to this internal shift the collapse in eastern European 'socialism' eliminated an alternative source of funding and markets, forcing Latin regimes to adapt to the demands of the remaining global powers – the advanced capitalist countries.

There is no doubt that all of these explanations provide us with a partial explanation. The import-substitution model did enter into crises – though it is not clear that it had exhausted its economic potential. The possibility of 'deepening substitution'

of moving from consumer to durable goods to capital goods production and investment in high technologies was at least a theoretical possibility. What is clear is that *politically* the social coalition had reached an end – with the class issues dividing labour and capital creating difficulties in sustaining a common policy. Though the liberal transformation is thus in part a *product* of class conflict, that does not explain the particular economic policies adopted, particularly those unfavourable to national capital.

The second line of reasoning, the growth and hegemony of a 'new' capitalist class linked to overseas circuits and thus a determinant force in bringing about the liberal transformation does refine the previous argument by identifying a particular segment of capital linked to export markets, and overseas financial institutions: a social strata that straddles both the 'internal' and 'international' economy. The problem with this argument is that this segment is *determinant of domestic policy but dependent on external institutions*, both political and economic for its economic strategy to succeed. Moreover the 'transnational capitalist' explanation may explain shifts in *country* policies but it fails to explain the *regional* transformation – liberalisation has taken place on a continentwide basis.

The argument about the class struggle and the fall of eastern 'socialism' may have reinforced and accelerated the liberal transformation but the latter *preceded* the collapse of the Wall by at least a decade. One could just as easily argue that the liberal transformation caused the demise of socialism as much as that the latter brought about the ascent of the former.

The explanatory paradigm in which the IMF and WB play a decisive role in the liberalisation process certainly is a powerful one: their regional reach, the uniformity of their prescriptions, the powerful leverage they exercise and the high correlation

between their prescriptions and regime implementation of their policies suggest that they indeed had a major hand in engineering the liberalisation process.

Nevertheless one is left with several questions. If the WB and IMF are important actors, the internal composition of these institutions reflects the principal donor countries, primarily the US, Germany and Japan. However, the policy impact of liberalisation in Latin America has not had a uniform effect on all three central powers. The IMF and WB strategies are themselves shaped and given substance by the competing economic superpowers.

In this context, liberalisation in Latin America should be examined not merely as an outcome of local ruling segments or MNCs and international financial institutions, but rather shaped by the strategic economic needs of the US state. The primary fact in the post-communist world is the increasing competition for dominance of world markets by the US, Germany and Japan. Each economic superpower has carved out regions of domination from which to reach

TABLE 1 ROYALTIES AND LICENCE FEE PAYMENTS TO THE US FROM LATIN AMERICA, 1962-93
(Million US \$)

Year	Average Payment/Year	Total Payment
1962-71	-2.6	-26
1972-81	-24.2	-242
1982-91	-39.5	-395
1992-93	-189.5	-379

TABLE 2: DIRECT INVESTMENT PAYMENTS TO THE US FROM LATIN AMERICA, 1962-93
(Million US \$)

Year	Average Payment/Year	Total Payment
1962-71	-7.6	-76
1972-81	-417.4	-4,174
1982-91	37.4	374
1992-93	-32	-64

Note: Direct investment payments to the US are made up of profits remitted, non-remitted profits and reinvested as well as distributed earnings

TABLE 3: INTEREST ON US BANK LOANS AND OTHER PAYMENTS TO LATIN AMERICA, 1962-93
(Million US \$)

Year	Average Payment/Year	Total Payment
1962-71	-198.2	-1,982
1972-81	-2,769.3	-27,693
1982-91	-17,360.4	-1,73,604
1992-93	-14,608	-29,216

Note: These payments are made up of approximately 90 per cent interest payments to private US banks, with the other 10 per cent being made up of foreign securities, private corp bonds, and stock dividends.

out to undercut competitors. The US has over the past two decades lost competitive advantages in a number of product areas (automobiles, electronics, etc.). As a result the US has been piling up a huge trade deficit both with Japan (and other Asian countries) and to a lesser degree with Germany. The withdrawal of US troops from Europe/Japan means that NATO and other military alliance no longer serve US policy-makers as 'economic-political leverage'. Threats of 'commercial war' are two-edged swords that can adversely affect US exporters and importers (and low wage domestic consumers of cheap foreign imports). The line of least resistance and the one most congenial and compatible with historic US policies (Monroe Doctrine, Panamerican Union, Alliance for Progress, etc) is a regional bloc strategy in which the US as the major hegemonic power can extract trade, investment, interest and royalty surpluses from Latin America. From this vantage point Latin America (and Canada) are strategic sources for the accumulation and transfer of profits, interest and royalty payments to the US to compensate for the negative transfers to other regions. The US trade surpluses with the Latin American countries serve to compensate for the negative trade balances with Asia and western Europe. Low cost production in Latin America (cheap labour in Mexico, Caribbean) allows US producers to compete overseas and in the US market with global competitors.

In this context the liberalisation of Latin America was essential to providing US capital with access to markets and earnings to remain globally competitive. In this sense liberalisation is intimately linked to US strategic global interests. This policy is a product of a consistent continentwide push by the US from the early 1970s. Liberalisation was pursued via the IMF and WB through US representatives: Latin dictators who promoted liberalisation were financed and supported; electoral transitions were brokered by Washington on condition that the new electoral regimes deepened the liberalisation process. In a word liberalisation as a regional strategy is part and parcel of US strategic global policy: Insofar as liberalisation 'works', it has worked primarily for the benefit of US MNCs and banks but most importantly for the US political economy as a whole. Liberalised Latin American economies provide strategic benefits to the US in balancing its external accounts. In the following section we will analyse the different forms (types) of return by which US has benefited from its hegemonic relation – through MNC investments, bank loans and royalties.

ROYALTY AND LICENCE PAYMENTS

The US battle to include 'intellectual property' clauses in the GATT agreement

is based on the fact that royalties and licence fee payments have become increasingly important to the US balance of payments (Table 1). Between 1972 and the first quarter of 1994 royalty and fee payments totalled 1.06 billion dollars. Between the 1960s and the 1990s royalty and licence payments skyrocketed: 1962-71 average payments per year were \$ 2.6 million; 1972-81 they grew to average payments of \$ 24.2 million and in 1982-91 to \$ 39.5 million and during 1992-93 the yearly average was \$ 189.8 million. Royalty/licence payments are a form of *rent* that are not based on either investing in productive facilities or financing production. Royalty and licensing payments withdraw income without adding value.

The growing importance of 'rentier income' to US external accounts is evident when we compare US earnings from investments to payments for royalty and licences. Between 1961-71 total licence and royalty payments were one-third of total profits from direct investment, \$ 26/76 (in millions); between 1972-81 the royalty and licence to profits ratio declined to 6 per cent, \$ 242/\$ 4,176 (in millions); during 1982-91 royalty payments amounted to \$ 395 million dollars while direct investment to Latin America resulted in a \$ 373.9 million dollars loss. Between 1992 and 1993 the net royalty and licence payments were three times greater than profit remittances.

DIRECT INVESTMENT PROFITS

In the 20-year period between 1962 and 1981 US multinational corporations remitted \$ 4.25 billion to the US. This was the boom period of the Latin American economies. Particularly during 1972-81 US corporations benefited from the first wave of liberalisation and the huge influx of overseas financing (Table 2).

However with the onset of the world recession in 1982, the debt crises and the Structural Adjustment Policies (SAP) caused the Latin market to shrink, consumer spending declined and most economies in the region went into a tailspin. The negative effects of massive channelling of resources to meet debt led to a precipitous decline in direct investment payments to the US. During 1982-91 there was a net loss of \$ 373.9 million. As we shall see below, there is an inverse relationship between interest payments and profit remittances: as the banks extracted vast sums of interest and principal payments, profits from productive investments declined. Nonetheless the debt crises provided leverage for the IMF/World Bank to push for the privatisation of public enterprises – many of which were purchased by US multinationals. As the limited economic recovery took place, US profit remittance also recovered. Between 1992

and the first quarter of 1994, \$ 150 million in profits were remitted – an improvement over the dismal performance of the 1980s but far below the levels of 1972-81. The debt crises, and SAP not only had an adverse impact on the Latin American economies but a substantial negative impact on the profit payments on US MNC.

TABLE 4: CUMULATIVE US TRADE SURPLUSES AND DEFICITS BY DECADE WITH LATIN AMERICA, JAPAN, GERMANY, AND EEC, 1962-93
(Million US \$)

Year	Latin America	Japan	Germany	EEC
1962-71	4,246	-8,795	-2,730	13,892
1972-81	43,445	-75,468	-13,838	47,310
1982-91	-17,250	-4,32,373	90,103	-84,130
1992-93	8,481	-1,09,356	-17,242	5,761

Sources: Unless otherwise noted, all data derived from UN Department of Economic and Social Development, 1992 *International Trade Statistics Yearbook* (E/F 94 XVII 3, Vol I), New York, 1993; data gathered from Special Table B in 1964-93 editions

TABLE 4A. US BALANCE OF TRADE, 1962-93
(Million US \$)

Year	Latin America	Japan	Germany	EEC
1962	-100	0	100	1140
1963	-140	320	82	2300
1964	370	130	121	2380
1965	200	-440	150	1780
1966	280	-660	-230	1360
1967	310	-380	-250	1190
1968	590	-1200	-1008	290
1969	710	-1560	-486	940
1970	1240	-1405	-389	1992
1971	1120	-3600	-819	520
1972	1039	-4042	-1438	-877
1973	1069	-1378	-1562	712
1974	1643	-2366	-1442	2672
1975	5126	-1839	-215	6127
1976	3478	-5860	30	6804
1977	1701	-9507	-1376	2448
1978	2675	-12453	-3182	976
1979	4420	-9271	-2704	5028
1980	8920	-11173	-844	15859
1981	13374	-17579	-1105	7561
1982	3540	-16243	-2683	4051
1983	-11685	-22094	-3958	-2223
1984	-11569	-37887	-7912	-10176
1985	-8657	-44507	-11189	-18638
1986	-2908	-58403	-14563	-23530
1987	-850	-57328	-15322	-25517
1988	1077	-54204	-12172	-12682
1989	-1070	-50964	-7951	-2652
1990	5758	-44763	-9442	-2859
1991	9114	-45980	-4913	10096
1992	6200	-50002	-7592	6728
1993	2281	-59354	-9649	-967

Sources: Unless otherwise noted, all data derived from UN Department of Economic and Social Development, 1992 *International Trade Statistics Yearbook* (E/F 94 XVII 3, Vol I), New York, 1993; data gathered from Special Table B in 1964-93 editions.

INTEREST PAYMENTS

The principal source of private payments from overseas economic activities has been interest payments. The growing liberalisation of financial circuits and the conversion of the US into a 'financier state' or creditor to Latin American private and public investors led to heightened debt burdens. Spiralling interest rates led to a massive increase of interest payments to the US (Table 3). Interest payments from Latin America to the US were an important counter-balance to the US deficit with Japan and Germany. Thus while the US was a creditor to Latin America, it was a debtor to the rest of the advanced capitalist countries. The total interest payments transferred from Latin America to the US between 1972-92 amounted to over \$ 233 billion dollars, of which \$ 206 billion was transferred between 1982 and the first quarter of 1994. These vast transfers had a very negative impact on Latin American growth, imports and domestic demand, but provided the US with a sizeable source of income to compensate for its deficits with Japan and Germany. 'Liberalisation' has the effect of increasing interest and rent payments to the US at the expense of the growth of productive assets. Liberal economic policies increased outflows of interest payments while facilitating the sale of licensing and patent agreements. Privatisation opened public enterprises to buyouts and revived the prospects for the return of profit payments.

The flows of payments to the US show a spectacular overall increase with the deepening of liberalisation – particularly interest and rent payments. It is no wonder that 'free market' policies have become the keystone of US policy and is one reason why US policy-makers are willing to support 'free market' electoral regimes against military coups.

US-LATIN AMERICAN TRADE

If we turn to examining the US trade surplus with Latin America we add another dimension of the asymmetrical relations of the US to Latin America and the underlying reason for US support for 'free trade agreements'.

From the 1960s to the beginning of the 1980s 'debt crises', the US had a substantial trade surplus with Latin America. During 1962-71 the US average annual trade surplus amounted to \$ 426 million; between 1972-81 the annual trade surplus grew to \$ 4,345 million. The surplus turned to a trade deficit beginning in 1983 and continued till 1989. The average yearly deficit during 1982-91 amounted to \$ 1,725 billion (Table 4).

With the 'economic recovery' the US once again began to accumulate a trade surplus between 1992 and 1993, an annual surplus of \$ 2.2 billion. The trade surplus of the US

grew during the first decade of liberalisation (1970-82). With the debt crises and the structural adjustment programmes (SAP) the US exports to Latin America declined while imports increased as part of the Latin American 'export strategy' designed by the IMF to accumulate income to pay the bankers. Nonetheless if we examine the long-term effects of SAP it has opened new opportunities for the US to re-enter and penetrate Latin American markets. If we compare the four years prior to the debt crises (1979-82) to the years after the adjustments (1990-93) we observe that the consequences of deeper liberalisation has been to increase US trade surpluses beyond its historic high points. While on the one hand the debt crises and SAP did result in temporary loss of markets in the long run the structural changes leading to the elimination of protective barriers has led to greater US penetration and takeover of Latin markets.

If we compare the US balance of trade between the US-Latin America to US-Japan in the period between 1970-82, we observe that the US favourable balance in Latin America compensates in part for the deficits with Japan (Table 4). During the debt crises years (1983-89) the US deficit with Latin America was only a fraction of the deficit with Japan. With the economic recovery in Latin America, the US surplus re-emerges but it is only a fraction of the deficit with Japan and barely covers the trade deficit with Germany.

The US loss of trade competitiveness in relation to Japan and Europe was temporarily papered over by the exploitation of favourable trade relations with Latin America. However, the US gains through 'liberalisation' have sufficiently undermined the Latin productive capacity to the point where the surplus from a weak trading region fails to compensate for the deficits with strong trading partners.

CUMULATIVE BALANCE SHEET

If we add the three sources of US income from Latin America (rent, trade interest, profit) and compare to the trade deficits that the US has with Japan and Germany we can begin to understand the strategic importance of Latin America to US global politics (Table 5).

The contribution of Latin America to the US global position can be best understood

by looking at the combined returns from trade, investments, loans and licensing agreements. The data reveal a steady upward movement (the reverse of the US relation with Asia and Europe). During 1962-71, the cumulative return amounted to \$ 6.5 billion; during 1972-81 the cumulative return was \$ 75.5 billion and during 1982-91, \$ 156.4 billion; during 1992-93 the cumulative returns were \$ 38.1 billion (Table 5). The cumulative returns to the US are of strategic importance in reducing the global deficit and compensating for loss of competitiveness in other regions. Without the growing exploitation of Latin America the decline of the US would be more marked and the unfavourable impact on its global position more pronounced.

Between 1962 and 1971 US income from Latin America amounted to three-quarters of its trade deficit with Japan, and was 50 per cent greater than its trade deficit with Germany. In the following decade, between 1972 and 1981, US income from Latin America matched the cumulative trade deficit with Japan. In the past decade, between 1982 and 1991, while the US doubled its earnings from Latin America, its cumulative trade deficit with Japan increased almost five and a half times and its deficit with Germany increased seven-fold. The same pattern seems to hold for the present decade. The liberalisation of Latin America has augmented the surplus appropriated by the US, thereby in part compensating for its growing trade deficits with Japan and Germany. The growing exploitation of Latin America is matched by the declining trading position of the US *vis-a-vis* its main competitors in the world market. As the table indicates, Latin America has been of strategic importance to the US in balancing its trade accounts and covering over its declining global position.

LATIN AMERICAN BILLIONAIRES

Parallel to the heightened US exploitation of Latin America the free market policies have led to a profound polarisation of Latin American societies and the growth of a new class of super-rich Latin American billionaires. (The data are drawn from *Forbes*, July 18, 1994, pp 135, 152, 153.) This class is a direct product of the liberalisation process: in 1987 there were less than six billionaires, by 1990 there were eight, in 1991 there were 20 and by 1994 there were

TABLE 5. CUMULATIVE INCOME FROM LATIN AMERICA COMPARED TO TRADE DEFICITS WITH JAPAN AND GERMANY BY DECADE 1962-93

	(Million US \$)			
	1962-71	1972-81	1982-91	1992-93
Income from Latin America	6,330	75,554	1,56,375	38,140
Balance of trade with Japan	8,795	-75,468	-4,32,373	-1,09,356
Balance of trade with Germany	2,730	-13,838	-90,103	-17,242

41. Most of the super-rich were millionaires prior to free market liberalisation; most became billionaires with the buyout of public enterprises during the late 1980s and 1990s. Essentially this class of billionaires with their vast network of media outlets and allies in the state apparatus, control economic policy and electoral processes. In Mexico through the PRI, in Brazil through the corrupt political class, in Chile through the *Concertacion*, and in Argentina, Venezuela and Columbia through the traditional major two parties, the super-rich have gained valuable mining concessions, telecommunication systems, tourist and manufacturing assets.

There are now more Latin American billionaires (41) than there were in most parts of the world in 1987 when Europe had 36, Japan and Asia combined 40, the Middle East/Africa eight, and almost as many as the US (49). The great concentration of wealth in a small group of families is one of the most significant 'success' stories in Latin America: for, these groups have truly entered the top floor of the 'first world' in every sense of the word. It is they who not only have benefited from liberalisation – at the expense of the massive impoverishment of the majority – but who through their links with the liberal electoral regimes have been the major backers of neo-liberal policies.

The process of economic concentration of wealth occurring in Latin America is part of a global process – product of the 'neo-liberal counter-revolution'. Between 1987 and 1994 the number of super-rich billionaires has increased from 49 to 120 in the US, 40 to 86 in Asia Pacific, 36 to 91 in Europe and from eight to 14 in west Asia and Africa. The decline of welfare programmes and the privatisation process have been instrumental in polarising the world between a small group of very rich business families and hundreds of millions of marginalised temporary workers. The notion of centre/periphery does not capture the super-rich classes north and south linked through a multiplicity of investments, financial and trade circuits as well as licensing and pattern agreements. The integration of the super-rich into the global market place and their capacity to direct and regulate the nation-state to finance and subsidise their international links is the most significant fact of global politics. Globalism is the programme of the super-rich.

The parallel growth of the billionaire class in Latin America and heightened US exploitation are dual outcomes of the neo-liberal counter-revolution. This is most evident in the countries which have advanced furthest on the path of neo-liberal politics: Mexico has 24 billionaires and has been the main source of trade, interest, royalty and profit income for the US, followed by Brazil with six billionaires, Argentina, Chile and

Columbia with three each and Venezuela with two. The basic reason for growing poverty and declining health services and educational institutions is the diversion of public resources to the private sector and within the private sector to the very rich. *'Neo-liberalism' is in essence a euphemism for the reconcentration of income through the international regulation of state policy.* Income is transferred upward and outward – leaving the poor to struggle in marginal 'micro-enterprises', informal employment and hand-outs from projects sponsored by non-governmental organisations.

The importance of the liberalisation and privatisation policy for the concentration of wealth and the emergence of the super-rich in Latin America can be glimpsed by looking at the brief biographies published in *Forbes* magazine of a sample of six Mexican billionaires. (*Forbes*, July 18, 1994, pp 186-190.)

The Peralta family, worth \$ 2.5 billion, is involved in a major joint venture with Bell-Atlantic of the US which has invested \$ 1 billion in a cellular phone company.

The Guitron family enterprises are traded on the US stock exchange, and they have climbed to billionaire status thanks to the fortune they made through investment in Banco Nacional de Mexico (BANACCI), the financial conglomerate that arose from the 1992 privatisation of the Banco Nacional de Mexico.

The Salinas Pliego family, worth \$ 2 billion, was enriched through the purchase of the government-owned Television Azteca for \$ 645 million in a joint venture with US, General Electric-owned National Broadcasting Company (NBC) for programming. Jorge Larrea Ortega and family also invested in and profited enormously from the privatisation of the BANACCI. He bought the state-owned La Cananea copper mine for \$ 500 million and now his Grupo Industrial Mineria Mexico is Mexico's biggest mining company producing 90 per cent of the country's copper, gold, silver and zinc in partnership with ASARCO of the US and Belgian Union Miniere with revenues of \$ 1 billion per year.

The Franco family valued at \$ 1 billion became billionaires thanks to a \$ 400 million investment in the privatisation of Telefonos de Mexico and in 1992 a \$ 200 million investment in BANACCI.

Cosio Arino family also became billionaires with their investment in the privatisation of the Banco Nacional de Mexico. In 1991 with the privatisation of the state-owned Mexican telephones, Cosio Arino clan got 5 per cent of preferred voting stock for \$ 50 million which in 1994 is valued at \$ 400 million.

This sample of Mexican billionaires illustrates the way in which state policy (neo-liberal privatisation) favours the concentration of private wealth and the

growing joint exploitation of minerals and penetration of markets by Mexican billionaires and US multinational corporations.

CONCLUSION

Liberalisation and structural adjustment policies have played a strategic role in opening up Latin America to US exploitation and providing a major source of income to compensate for US declining competitiveness in other regions. At the same time, liberalisation has created a new class of Latin billionaires who increasingly dominate politics and the economy and are major partners with US banks and multinationals. The result is reshaping the regional economic structure with greater integration at the top and increasing disintegration at the sub-national level. The neo-liberal policies have also polarised the class structure: the emergence of a new class of Latin billionaires with major investments in the US, as well as joint ventures in Latin America with US conglomerates. The very rich are indeed an integral part of the first world. On the other side is the growth of an impoverished labour force faced with declining state social expenditures, chronically low paid employment, and landless peasants deprived of influence in politics and economy. The majority is paying the price for the admission of the super-rich into the first world.

Liberalisation as the ideology of the hegemonic power in this hemisphere has become an instrument of global competition – and should be viewed as part of strategic economic goals. In any case liberalisation has not and is not merely a 'development strategy' elaborated to facilitate Latin American integration into the world market. Nor is it an inevitable product of some immanent 'globalisation process'. Rather liberalisation is a product of US economic policy-makers, bankers and multinational corporations allied with Latin American transnational capitalists. It is specific class and state interests (not world-system imperatives) that dictate the new liberal political economy. In this sense reversing liberalisation must begin at the national level within the class structure and move upward and outward.

Notes and Sources for Tables

Notes

- The data on Table 1 came from source 8. For the 1993 Annual data contact Howard Murad at DOC BEA.
- The data on Table 2 came from source 6. For the 1993 Annual data contact Howard Murad at DOC BEA.
- The data on Table 3 came from source 7. For the 1993 Annual data contact Howard Murad at DOC BEA.
- The data on Table 4 for 1992-1993: for LA, came from sources 5 and 9 for Japan, came from sources 10 and 3.

for EEC, came from sources 9 and 4 and for Germany, all data came from source 1

- The data on Table 4A:
 - for LA 1992 came from source 5
 - for LA 1993 came from source 9
 - for Japan 1992 came from source 3
 - for Japan 1993 came from source 10
 - for EEC 1992 came from source 4
 - for EEC 1993 came from source 9
 - for Germany, all data came from source 1
- The data on Table 5:
 - for LA 1962-91 came from sources 8, 6, 7, 2
 - 1992-93 came from sources 8, 6, 7, 5, 9
 - for Japan 1962-91 came from source 2
 - 1992-93 came from sources 3, 10
 - for Germany 1962-93 came from source 1

Sources

- (1) Organisation for Economic Co-operation and Development, *Monthly Statistics of Foreign Trade*, Series A, Paris, 1994
- (2) UN Dept of Economic and Social Development, *1992 International Trade Statistics Yearbook* (E/F 94 XVII 3, vol 1), New York, 1993.
- (3) 'US Balances on International Transactions, by Area and Selected Country' 1990 to 1992', No 1330, p 796. In *Statistical Abstract of the United States*, 1993, 113th ed, Washington: Government Printing Office, 1993.
- (4) US DOC, Bureau of Economic Analysis (June 29, 1994), *Balance on Merchandise Trade* [CD-ROM]. Available: National Trade Data Bank-US Dept of Commerce, Bureau of Economic Analysis: US International Transactions: European Communities: Balance on Merchandise Trade.
- (5) US DOC, Bureau of Economic Analysis (June 29, 1994), *Balance on Merchandise Trade* [CD-ROM]. Available: National Trade Data Bank-US Dept of Commerce, Bureau of Economic Analysis: US International Transactions: LA and other Western Hemisphere: Balance on Merchandise Trade.
- (6) US DOC, Bureau of Economic Analysis (June 29, 1994), *Direct Investment Payments* [CD-ROM]. Available: National Trade Data Bank-US Dept of Commerce, Bureau of Economic Analysis: US International Transactions: LA and other Western Hemisphere-Direct Investment Payments.
- (7) US DOC, Bureau of Economic Analysis (June 29, 1994), *Other Private Payments* [CD-ROM]. Available: National Trade Data Bank-US Dept of Commerce, Bureau of Economic Analysis: US International Transactions: LA and other Western Hemisphere-Direct Investment Payments.
- (8) US DOC, Bureau of Economic Analysis (June 29, 1994), *Royalties and Licence Fees Payments* [CD-ROM]. Available: National Trade Data Bank-US Dept of Commerce, Bureau of Economic Analysis: US International Transactions: LA and other Western Hemisphere-Direct Investment Payments.
- (9) US DOC (December 1993), *Final 1993 Merchandise Trade Tables* [Internet]. Available: Internet-Economic Bulletin Board (UMich): Foreign Trade, Final 1993 Merchandise Trade Tables.
- (10) US DOC, International Trade Administration (June 29, 1994), *US Total Trade*

Balances with Individual Countries, 1980-93 [Internet]. Available: Internet-National Trade Data Bank: US DOC International

Trade Administration: US Foreign Trade Highlights, US Total Trade Balances with Individual Countries, 1980-93.

A Japanese View of Chinese Threat

S P Seth

Japan is perturbed over China's growing naval strength as it may lead to escalation of tensions in the Asia-Pacific region.

CHINA's growing military strength has been a matter of growing concern in the Asia-Pacific region, so much so that voices are being heard in Japan about a security threat from China. The Japanese are generally reticent on this. But not professor Shigeo Hiramatsu who teaches Chinese studies at Kyorin university. In a recent article in *Japan Review of International Affairs* he dwells at length on the Chinese threat. He points to a series of assertive Chinese claims and activities which portend trouble. These are: (1) The promulgation of a law in February 1992 establishing China's sovereignty over south China sea islands, including the spratlys on which claims have been made by other regional countries too. The law also lays claim to the Senkaku islands in east China sea, which Japan claims to be under its control. The law also places, the seas surrounding these islands under Chinese sovereignty. (2) As a sequel, Chinese marines landed on Da Lae reef in the Spratlys to plant a sovereignty post. (3) Further assertion of Chinese sovereignty came, when Beijing awarded a US oil company the right to develop oil resources in an area claimed by Vietnam. The concerned US company was assured that the Chinese navy would defend the former's oil exploration operations from outside interference. (4) Such Chinese claims and activities are backed up by its growing military might, such as: the purchase of 24 supersonic Su-27 fighter-bombers from Russia, 100 S-300 surface-to-air missiles with four launchers, and five Il-76 transport planes.

There are reports that Beijing is likely to purchase more lethal weapons and equipment from erstwhile Soviet republics which include an aircraft carrier, kilo-class conventional submarines, heavy backfire bombers, aerial refuelling technology, and T-72M tanks. Little wonder that China's defence budget has gone up by about 50 per cent in the past few years. The increase could well be greater since official defence budgets in China grossly under-report military expenditure.

It is true that the Chinese navy does not measure up to American or Japanese standards. But there have been both qualitative and quantitative improvements in the Chinese navy since the 80s. According to Hiramatsu, "The ships in the People's Liberation Army's (PLA) navy may be outdated on the whole, but over the past dozen years or so, missile-equipped destroyers and conventional submarines are being built at a rate of one per year, and missile armed frigates at a rate of three per year.

The destroyers and frigates are being upgraded and updated to accommodate sophisticated electronic equipment or carry helicopters. They are being built without portholes and are otherwise sealed to withstand nuclear warfare" China is said to be developing a second generation submarine-launched ballistic missile with three stages and a range more than 8,000 kilometres. It is also building a nuclear submarine to carry these missiles.

Apparently, all this is being done in pursuance of a clear strategic doctrine. According to Lin Zhiye of the Dalian Naval Vessels Academy, where key naval personnel are trained, the PLA navy aims to achieve (i) a fairly large radius of action, including the capability to wage war in the surrounding seas; (ii) the ability to control the sea and the air space in a given area independently; (iii) a strong rapid response capability; (iv) a strong amphibious capability, and (v) the ability to threaten others with its nuclear capability.

However, China does not expect in foreseeable future any major armed conflict in the region, though it predicts certain local conflicts. According to professor Zhang Jingyi, new and old border disputes, such as the Chinese invasion of the islands in the south China sea, are intensifying with each passing day and may not necessarily wait till the next century, a justification, perhaps, of China's annexation of these islands in 1992. Zhang Jingyi finds the direction of future conflict shifting towards the high seas and hence, the importance of naval power to China.

Nevertheless, Beijing hopes that it might not have to use its naval power to achieve its objectives. As Lin Zhiye opines, "Only when a country possesses a mobile fleet can it hope for political and diplomatic solutions whereby one vanquishes the enemy without striking a blow... but when the threat fails, there is the option of delivering an actual strike".

In the context of China's threat to the Asia-Pacific, Hiramatsu is most worried about the wrangle between China and Japan in the east Asia sea, particularly regarding the Senkaku islands. The east China sea is supposed to be rich in oil and marine resources, which also explains China's assertive ownership over the islands in the south China sea. The Japanese fear that though at present China has concentrated on the south China sea, it would not be long before it fixes its eyes on the east China sea. Thus, Japan cannot remain indifferent to the Chinese designs in the east China sea.

Teachers' Salary Scales

Case for a Fresh Look

Amrik Singh

The issue of pay scales for teachers needs to be looked at afresh, especially that of parity between undergraduate and postgraduate teachers. Some differentiation between different levels of teaching needs to be created to encourage academic excellence and to improve the performance of colleges. The concept of an academic ladder needs to be amplified.

I

WHENEVER the issue of emoluments payable to teachers is discussed, generally the emphasis is on the scale of pay that goes with a job at a particular level. This is understandable. In the hierarchical world in which we live, the scale of pay is important. The question generally raised is: is it higher or lower than another equivalent job? In plain words, the question of hierarchy and the related dimension of vertical mobility is seen to be important.

In this respect, the pay commissions which are appointed every few years have on the whole done (within limits) quite a job of rationalising the system. Almost every pay commission claims, amongst other things, that it has brought down the number of pay scales that had been in force earlier. The intention is not to have too many pay scales; a multiplicity of pay scales causes confusion and even leads to malpractices.

In this respect, Pakistan has done an impressive job. In the early 70s, when Bhutto was in power, the system was both rationalised and streamlined. All employees were fitted into one of the 22 scales that the country decided to have for itself. A driver, for instance, wherever he is posted, would be in the same scale of pay, and so on. Skills and responsibilities have been identified and slots accordingly created. For almost a quarter century, the system has run fairly well.

In our country, a kind of breakthrough was achieved in respect of university and college teachers when the 1973 scales were introduced. In respect of university teachers, a kind of parity had existed with Class I officers in the government of India. Now this umbrella of parity was extended even to college teachers. This issue, though important, does not have to be discussed here. But a reference to one minor dimension of the problem might be in order.

When, in 1986 in the wake of the report of the Mehrotra Committee, the issue was being processed, the question arose: with whom to equate university professors? In line with the general thinking that teachers

have to be paid well, it was decided to put university professors one notch higher than a joint secretary. To equate them with a secretary would have been laying it thick. Therefore, a kind of compromise was made and university professors were equated with additional secretaries. It may not be out of place to mention here that the government of India does not have more than 200 persons in this rank. Those in the same scale in other departments number another 250-300. Even a Lt General in the Indian Army is in the same scale.

The more pertinent issue is that there are hardly more than a dozen or so Lt Generals in the army, whereas university professors number around 10,000 already. In course of time this number would increase.

An average teacher is not even aware of this parity having been established at these two levels of appointment. That the job of a professor is highly remunerated is a matter of remote concern to him. Most of them are not likely to reach that level of seniority. What is, however, of much greater concern to him are issues such as: How he is regarded by others? How he is perceived by society in general? Is he given the kind of regard or consideration which others drawing the same scale of pay would receive? What about facilities such as housing, medical care, transport and several other perks which are of much greater consequence to him? All these are issues which concern him intimately and deserve to be looked at somewhat closely.

II

At this stage, a distinction needs to be drawn between private employment and government employment. In the private sector, salaries are high and the perks are equally lavish. It all depends upon the level at which one is working and the responsibility that goes with the job. During the days when everything was controlled by the government, certain limits had been fixed in respect of remuneration, etc., in the private sector. But with the liberalisation of the economy, most of the restrictions have gone and the rest would also go in the years to come. Anyone

working in the private sector, therefore, can look forward to an exceedingly handsome level of remuneration.

In the government or the public sector, things are regulated much more rigorously than in the private sector. Rules are prescribed. Who is empowered to relax those rules, and up to what limit, are also clearly and specifically laid down. In plain words, there is little room for flexibility. In certain jobs, however, there are more perks and facilities than in other jobs. Some of them are therefore much sought after because they promise a better deal.

In the public sector, for instance, access to transport is easier than in the government; the same is true of travel as also entertainment. Therefore, these jobs are coveted. When teachers hear about the lavish hospitality expenses available to some categories, they forget about the parity that they have with certain categories of employees and their attention is immediately switched on to what others have and what they themselves do not have.

Envy is a strong human characteristic and is at work in each country and in every system. It was said about the erstwhile USSR that as many as 18 million persons belonged to what was called the managerial class. It was a privileged class; to some extent it was even a self-perpetuating class. Among the worst sufferers of the collapse of the communist system have been these 18 million employees. During the days of the command economy, they wielded enormous power and that is what set them apart from the rest.

In our situation, the Indian Administrative Service has to some extent established the same kind of pre-eminence over the years. In fact, they wield so much power that it is they who more or less decide what scales of pay, perks and facilities would be allowed to other services. There is a certain kind of undisguised hostility between those who belong to the IAS and the rest. On occasions it even assumes the form of confrontation between professionals and generalists.

It is not necessary to go into these wider issues, but one issue certainly requires to be considered. Should the pay scales of university and college teachers be decided with reference to what is payable to Class I officers? Why cannot these teachers be paid more or less, as the case may be. To link their scales of pay with those available to any category of government employees, even if they belong to Class I, is to concede the point in principle that all decisions have to be made with reference to what is payable to those in the government.

It is true that these employees are very numerous and in sheer numbers they dwarf all others. It is equally true that this system has prevailed more or less from the 19th

century onwards. But now that we are poised to enter the 21st century, is it not time to delink the two spheres of activity? In other words, an integrated and socially rational and just view of what is payable to teachers ought to be taken. This means that teachers at every level, from the primary to the university level, ought to be viewed as members of a distinct profession. How they are to be paid and what differential is to be maintained between the different levels of jobs is an issue that deserves serious and independent consideration.

The Teachers' Commission-II, which dealt with university and college teachers, did not go into this issue except in a general way for the simple reason that a UGC-appointed committee under R C Mehrotra was already at work on it. The other commission which dealt with school teachers was not inhibited by any such consideration. It therefore examined the question of salary scales and made specific recommendations.

The point which deserves to be underlined is that teaching is a distinct profession. Emoluments payable to different categories of teachers do not have to be determined by considerations which are applicable to government employees. Their conditions of work are different and therefore they should be dealt with differently. If there can be any kind of an analogy, it can only be with a related profession like health. Both teaching and health have a good deal in common; both are service-oriented professions. If some kind of parity or correspondence is maintained between the two, that would be in order. To seek to maintain any such parity between teachers and other government employees is not in order.

III

How the issue of salary scales for university and college teachers has been handled can be broadly divided into two phases. The first phase extended from 1947 to 1973 and the second phase which began in 1973 continues to this date.

This is the general picture. In between there are details, and only the more relevant ones may be referred to. For instance, the significance of the 1973 scale was that though university teachers had been generally equated with Class I officers of the government of India, this parity was extended even to college teachers. This was the principal significance of the pay revision in 1973.

Owing to a variety of reasons which cannot be gone into here, even before the next revision took place in 1986, the central government had conceded one thing, which indeed it tried to undo in 1986. After a prolonged strike of 110 days in Delhi university in 1982-83, the centre conceded what came to be called automatic promotion from the lecturer's scale to the reader's scale. This amounted to going beyond what had been sanctioned in 1973.

When the revised scales were announced in 1987, the organised teacher opinion opposed it for two reasons. One, having conceded more than it wished to do, an attempt was made in 1986 to recover the position, and this did not please the teachers. The lecturer's scale was now proposed to be subdivided into three stages and the reader's scale into two stages. While the latter proposal was eventually withdrawn, the three stages of the lecturer's scale were retained. This somewhat amateurish move did not help.

To quite an extent, movement from one sub-stage to another has been more or less automatic. Even in the case of lecturers getting the reader's scale without much fuss the situation is not significantly better. Quite a few lecturers at least in one university have managed to get the designation of reader. Not only that, the internal control system, which normally regulates movement from one stage to another, has become exceptionally weak and ineffective.

Though this is not the only explanation for what has been happening, an important point that needs to be made is that in academic terms, it was a miscalculation of the first order when in 1973, postgraduate and undergraduate teaching were equated with each other.

In any academic system, there has to be a certain hierarchy of jobs. Such a hierarchy exists everywhere. In the academic world, movement from one stage to the other betokens some growth of knowledge and competence and a certain measure of creativity. To prescribe that everyone would be in the same scale of pay, whatever he is teaching and wherever he may be located, may have solved one problem (getting a living wage for everyone), but it has created another problem. It has destroyed for all purposes the notion of climbing up the academic ladder. With that notion undermined, movement from one stage to another declined for the most part. This in turn has led to academic degeneration which is one of the problems that the system has to face today.

Another adverse by-product of this decision has been that autonomous colleges, which had been projected as a feasible solution to the problem of declining standards at the undergraduate level, have failed to take off. The absence of any distinction between these colleges and other colleges was a strong contributory factor. If teachers in both categories of colleges have the same scale of pay, why should anyone prefer to work in an autonomous college? Such a college demands much more of a teacher than what his counterparts in other colleges do or are required to do. There are of course other reasons why autonomous colleges are not being established. One of them most emphatically is that, in terms of salary scales, there is no distinction between the two categories.

IV

Now that the issue of salary scales is to be reconsidered afresh, the assumptions which govern who is paid how much and at what level would have to be re-examined. A question that would have to be asked and answered is whether the 1973 decision to equate postgraduate and undergraduate teachers was academically right and tactically advisable.

As to the academic argument, something has been said already. As to the tactical angle, this was a mistake which it would be difficult to undo now. More than 85 per cent of teachers are engaged in undergraduate teaching. If a decision which affects such a large proportion of them adversely is proposed to be taken, it stands to reason that it would be strongly resisted. This became abundantly clear when an all-India strike took place in 1987. When it was called off, it was the university teachers who felt betrayed. As far as the college teachers were concerned, they may not have got everything that they wanted but they did not emerge too badly mauled. The bulk of the leadership of the strike also came from colleges. It was therefore anxious to ensure that the bulk of its supporters did not feel let down.

As and when such a move is contemplated, the same story would repeat itself – any decision which goes against the bulk of the teachers cannot but be resisted. Whether the policy-makers would be assertive enough to do the right thing would depend upon their political judgment as well as their moral stamina.

About one thing there should be no doubt. To persist with the existing arrangement – lack of differentiation between two levels of teaching – is not sustainable. In financial terms, it imposes an additional burden on the funding authorities. In academic terms, it hits at the very root of academic mobility as also academic excellence. In a way, it is a classic situation where the tail wags the dog. Because the teacher leadership is by and large controlled by those coming from colleges, those working in universities cannot make themselves heard or their point of view accepted.

It may not be out of place to mention here that after the strike had been called off in 1987, it continued for quite some weeks both in Delhi and Bombay. The demands were different in the two places. In Delhi, the teachers did not get anything for having remained on strike. Whatever had been conceded had been won by them earlier.

In Bombay, the demand was for parity of payment between college teachers and those working in junior colleges. Despite a prolonged strike, the Maharashtra government did not accept that demand. To have done so would have obliterated the difference between undergraduate teaching and school teaching.

At the university level the principal issue is exactly the same. To do away with the difference between undergraduate and postgraduate teaching may please those working in colleges, but is not conducive or helpful to the academic process as a whole.

As indicated elsewhere, there is one way in which the centre can deal with this issue relatively easily. Instead of the centre continuing to assist the states with funds to put teachers on the central pay scale, as it has been doing for about three decades, the centre can adopt the attitude that this is something which should be handled by each state as it deems fit. This is not a new proposal; it has been mooted several times and for a couple of decades.

The issue has also been discussed in connection with the working of the UGC. That the UGC should only deal with universities is a manageable proposition. When it is required to deal with more than 7,500 colleges also, it finds it difficult to do so. One solution proposed was that as the states alone deal with school education, they alone should deal with undergraduate education also. Neither the UGC nor the centre nor any other agency should have anything to do with education at that level, though they may indicate what requires to be done and so on. Professional education, however, is a different proposition and could continue to be dealt with through the various professional agencies established for the purpose.

This need not be empty talk – such a rearrangement can be worked out and implemented. The UGC is finding it difficult to deal with several thousand colleges; the establishment of regional centres is a pointer in that direction.

Whether central subsidies to states so as to help them to fall in line with central universities is 50 per cent, 80 per cent or 100 per cent is a matter of convenience, and there is no administrative principle or statutory sanction behind it. If, for instance, at the time of the next revision the centre reduces it to 50 per cent, there would be no problem about it. Different states would act differently once that is done. Even after the 1973 revision, each state did not accept the central formula and at least two of them, Kashmir and Kerala, did not fall in line fully.

There should be no great problem in having different scales of pay in different states though, to be sure, within certain broad parameters. The present situation came about owing to historical reasons and can be reversed. Historically speaking, teachers were grossly under-paid till 1973. In order to improve their emoluments, the centre played an aggressive role. Need the centre continue to promote this notion when the objectives of better productivity and better performance have not been achieved? In this

situation, it would be tactically advisable to let each state deal with the matter as best as it can. The all-India initiative which got projected in the early 70s has not done much for the academic system.

V

Coming to autonomous colleges, two things should be understood clearly. With a large number of substandard colleges being established all over the country, undergraduate education would never get out of the morass into which it has sunk. As argued elsewhere, the real problem is that the examination system has become a drag; and no reform can take place unless the mode of assessment is reformed. To reform it on a large scale (so as to cover a whole university) requires great effort. The system does not seem to be capable of it.

Therefore, the only alternative is that the scale of operations is reduced. Once the college becomes a unit of operation, the scale would become manageable. The next two tasks then would be how to ensure that colleges perform well and, second, how to judge the performance of colleges. Not having crossed even the first hurdle, it seems unrealistic to talk of how to deal with the second hurdle, which undoubtedly it would be.

But colleges refuse to claim autonomous status because in the existing easy-going atmosphere, they are hardly accountable for anything that goes wrong. Things are both diffused and lax. No one can be held responsible if anything goes wrong because no one is given the specific responsibility to do a particular job. If anyone is responsible, it is the principal, and he fails to perform because, generally, he is unable to carry the teachers with him.

As stated already, there is no incentive for colleges to become autonomous. Teachers get the same scale of salary everywhere, and if some of them are committed and more capable, there is nothing to prevent them from performing better as individuals. The system however does not change. Several hundred colleges in the country even today are performing well, though it must be conceded that they could perform much better if things were arranged differently. In point of fact, almost half the colleges in the country have the potential to perform better provided they are put on their mettle and are required to perform.

Parity between undergraduate and postgraduate teaching has thus become an obstacle in the path of academic progress. Because there is no incentive for colleges to become autonomous, not many of them have become autonomous. The hundred or so that are autonomous are unable to generate any momentum. It is when something like 1,000 or so are established that a separate sector of colleges would begin to grow. Perhaps a few hundred of them can be

established without much difficulty and then every year a few hundred more can be added.

Once they cross the magical number of 1,000 and once they are delinked from the colleges and then salary scales are linked with universities, the situation would start changing. The key to unfreezing the existing situation is that autonomous colleges are given the same status as university departments, and the others are not conceded this privilege. Once this happens, the good old academic ladder of climbing from one step to the other would re-assert its primacy and the situation would get unfrozen. Nothing short of such a drastic remedy would unleash the potentially creative forces which now are not being allowed to play a role and assert themselves.

VI

The concept of the academic ladder needs to be amplified somewhat. Everyone must start with a living wage; regarding this fact there need be no misgivings. That this should correspond to what others of equivalent standing enjoy goes without saying; it is after that a differential system should be established. Perhaps an analogy would help. In the armed forces, whoever joins as an officer gets a few promotions based on the length of his service. After that, the element of selection comes in, which is very rigorous, indeed more rigorous than in civil employment.

There is no reason why progress in the academic field should be any less rigorous. In the kind of society which each country is trying to build for itself, the role of education is central. Therefore what kind of talent gets attracted into the teaching profession is a matter of considerable significance. The first important step is to attract the right kind of talent, and the second equally important step is that talent is recognised and nurtured. One way of destroying it is to promote people even when they do not deserve to be promoted. This however should not mean that there has to be a wide margin between the top salary of one who has merit of a high order and one who is lacking in it. As argued by the Mehrotra Committee also, the difference need not be very wide, but the difference must exist so as to underline the point that merit gets rewarded and receives its own recognition.

There is also a related aspect. One of the reactions to the 1973 revision of scales was that the salary gap between high school and college teachers was much too wide. There was some substance in the criticism. Since then attempts have been made to bridge the gap somewhat, but nothing like a rational system has yet evolved. One of these days this would have to be done.

In theory there can be some disagreement about what has been stated so far. The more pertinent question, however, is to what extent

a good deal of it can be implemented. It requires no effort to prove that since all decision-making is political, the calibre of political leadership is crucial. The fact of the matter is that for over four decades a certain strategy of development has been followed. It is open to many objections and these have been articulated meticulously and relentlessly by several people.

The feeling of dissatisfaction with what exists is there, but an alternative strategy has not yet been evolved. Even the much-applauded post-1991 liberalisation has not brought about a shift of gears to the extent required. In fact, the economic changes are not being supported on the political plane as much as they ought to have been supported. That is the sad situation today.

VII

To make any assumption, therefore, that changes of policy, however advisable, would be put into effect may not be particularly realistic. In this connection two further points may be made. The first one relates to the experience of other countries. Except in the USSR, no other country in recent history has paid academics and scientists as generously. That was the only country which made extraordinary efforts to draw abreast of those countries which had gone ahead of her, and even tried to overtake them. That she succeeded to some extent in doing so cannot be questioned even though that country, as a political entity, has ceased to exist today.

In every other country, teaching is at best adequately paid. This fact however has not prevented other countries from attracting talent into teaching. Remuneration is not the only thing that matters; the prestige of the profession and its contribution to national life is equally important. What is called prestige is so difficult to define that to seek to specify or define it would be a vain effort. Basically it is the contribution of a profession like teaching which would tilt the scale in its favour. If academics are performing well and those who pass out go on to make an impact on social and economic life, their prestige would go up. But if their contribution to social and economic life is undistinguished, it would work against them and there is no question of their being looked up to. It is in some such situation that the academics in India find themselves.

Second, to delay a decision on this matter would prove costly. Even in 1986 when the 1973 momentum was still in evidence, everyone was not convinced that the right thing was being done. The experiment of coupling undergraduate and postgraduate education had not proved fruitful. But no one in 1987 had the courage to undo what had been done only a decade earlier. A decade after that, that feeling of dissatisfaction is unmistakable and indeed stronger. Remedial steps such as those dis-

cussed above would have to be taken. Whether they are eventually taken or not would depend upon the quality of political leadership and its capacity to see into the future.

VIII

Before winding up this issue, it may be in order to look at one dimension of the problem which is without question technical in nature. Nonetheless it has some bearing on what is under discussion. When the salary scales were revised in 1973, one of the arguments used then was that since examining students was a part of the job that a teacher had to do, henceforth nothing would be paid either for invigilation work or for the evaluation of the scripts. Though not exactly an integral part of the argument, it was used to disarm the opposition that was being encountered in the cabinet.

It is known widely that two people who opposed university and college teachers being put in the revised scale of pay were Jagjivan Ram and Swaran Singh. Both of them did so more or less in line with the existing social attitudes. These had been shaped largely by the kind of colonial economy which the British had built right from the middle of the 19th century and which, for the most part, remained intact even after 1947.

Indira Gandhi's attitude however was more positive. In the kind of social scenario that was emerging, she wanted to co-opt teachers at this level into the middle class circuit, and therefore she was for accepting the proposal. Not many others opposed it except the two ministers referred to above, and the proposal eventually went through.

As stated repeatedly, it was almost a breakthrough. Till then nobody had defined precisely as to where teachers stood. Did they belong to the lower middle class which had been the situation till then? Or did they belong to the upper middle class – the category into which they were now being inducted? The cabinet's decision was most emphatically for the latter alternative.

This argument about not paying remuneration for examination work began to wear thin within a few months. It all depends upon the kind of examination system in force. If it were a centralised and anonymous system, the kind of public examination which has been followed in India for more than a century, and which, because of the burgeoning numbers, has been more or less sanctified as the system which suits India's social situation, payment of remuneration was unavoidable. What teachers were required to do was not a part of their normal duty; it was something in addition to that. Therefore they had to be paid for it and this is the system that had been followed all these decades. But if the system was going to be modelled on what was being practised in the US – the teacher testing the student and giving him grades or marks as required – no

extra remuneration was required to be made. The then policy-makers were inclined to lean in the latter direction, and they argued that the system of additional remuneration should be dispensed with.

In practice it was found totally unfeasible. University after university discovered that to get the teacher to invigilate without being remunerated and to examine scripts, again without remuneration, just did not work. In fact even when teachers are paid remuneration, quite a few of them evade this kind of obligation. The situation varies from university to university. In certain cases both invigilation and evaluation of scripts are remunerated. In certain others the former is supposed to be a part of their official duty and it is only the latter which is remunerated. Whatever be the details, the fact remains that the original understanding has not been honoured.

By itself this may not be such a material factor in the situation. But it has a direct bearing on the distinction between affiliated and autonomous colleges. In the case of affiliated colleges, the examination would be controlled by the university and would conform to the existing pattern. Additional remuneration would therefore have to be given. In the case of an autonomous college, the job of testing the students could be done by the teachers themselves. To that extent they would have to go without the income which some of their colleagues would have.

By way of a digression, it might be added that what is paid as remuneration is ridiculously low. Because of the fear of having to go against the understanding which was a part of the 1973 pattern, a large number of universities pay only marginally more than what was being paid before 1973. This in turn has worked as a disincentive apart from the fact that a large number of universities charge a very low examination fee and therefore cannot even afford to pay. In other words, neither is the amount attractive enough nor is it paid in time. In consequence results get delayed much more than ought to happen.

While considering the question of revision of salary scales, it may not be inappropriate, if not imperative, to draw a distinction between affiliated and autonomous colleges in terms of what has been stated above. In order to be consistent however, one additional step would have to be taken. If teachers in autonomous colleges are to be equated with university teachers, as is implied, the latter cannot have a title to any extra payment either. A kind of parity would have to be established between the two. The issue therefore is somewhat more complex than might appear at first sight.

Of this, however, there can be no doubt, that unless the scales of pay in these two types of colleges are different, autonomous colleges would not get established so easily – as has been the experience so far.

Indo-Sri Lanka Discord

S Guhan

Pangs of Proximity: India and Sri Lanka's Ethnic Crisis by S D Muni; Sage Publications, New Delhi, 1993; pp 259, Rs 250.

After such knowledge, what forgiveness?
Think now
History has many cunning passages,
contrived corridors
And issues, deceives with whispering
ambitions,
Guides us by vanities.

— T S Eliot, *Gerontion*

ALTHOUGH the literature on India-Sri Lanka relations in the 1980s is extensive, S D Muni's book deserves particular attention because it is from a leading political scientist who has specialised in India's external relations in south Asia. The author begins by situating India's concerns in Sri Lanka in the wider context of its approach to its neighbours and proceeds to chronicle India's involvement with Sri Lanka between July 1983, when ethnic riots erupted in Colombo, and late 1989 when the withdrawal of the IPKF commenced. The concluding chapter summarises the author's appraisal of the involvement and the lessons that could be drawn from it. Eight documentary appendices add to the value of the book.

Muni provides a well-ordered account of each phase of India's involvement in Sri Lanka's ethnic crisis. The first phase (July 1983-October 1984), viz. Indira Gandhi's period, was when, following the ethnic riots, India assumed a mediatory role with G Parthasarathy negotiating the principles of settlement, known as 'Annexure C', between the Sri Lankan government (SLG) and the Tamil groups. A second track that Indira Gandhi concurrently pursued was to promote and encourage, on Indian soil, various Sri Lankan Tamil militant groups under the direction of the Research and Analysis Wing (RAW). As Muni admits, RAW was asked to penetrate these groups "providing them with training, money and arms to limit their militancy, erode their external linkages and bring them under Indian influence".

In the phase that followed (October 1984-July 1987), Rajiv Gandhi continued with both tracks but was no more successful than his mother in either of them. On the diplomatic front, yielding to SLG pressure, horses were changed in midstream as many as three times in three years: Romesh

Bhandari replaced G Parthasarathy; he was replaced by P Chidambaram and K Natwar Singh; and they in turn were replaced with Dinesh Singh. The Tamil militant groups were legitimised in the Thimpu talks, held under Indian auspices, between them and the SLG (July 1985), in the process undermining the moderate TULF leadership. On paper, the December 19, 1986 proposals formulated by Chidambaram and Natwar Singh were an improvement from India's point of view but, not unexpectedly, the SLG did not buy them just as it had earlier stymied Annexure C by putting it through the All Party Conference that lasted during all of 1984 in Sri Lanka. At this point, president J R Jayawardene opted for a military solution and escalated the conflict with the Vadamarachi operation (May 1987). Rajiv Gandhi then decided for a direct interventionist role for India. By boat and air, relief supplies were sent to Jaffna in June 1987 to be followed by the Indo-Sri Lanka Accord in July.

During the next phase (July 1987-March 1990), to use standard journalese, the ill-fated Accord ran its hapless course to a bitter end. The principal objectives of the Accord were to (a) assure the cessation of hostilities between the Sri Lankan army and Tamil militant groups followed by the disarmament of the latter, (b) promote constitutional and other changes in Sri Lanka to enable the Tamils to secure their long-standing demands in regard to ethnic identity, language, legislative and executive autonomy, land control, representation in army and police and the merger of the northern and eastern provinces, (c) to ensure all this within a united Sri Lanka, and (d) to secure India's own strategic interests in insulating Sri Lanka from the influences of other powers, super or regional. As diplomatic theatre, the Accord's theme was inspiring and its script was well-crafted. Rajiv Gandhi even took the final applause for granted when he hailed it as "the greatest event of the 20th century". He also assured the Tamils of India gathered in the Madras beach on August 2, 1987 that "short of Eelam all their demands had been secured". However, despite much prompting, neither of the two principal characters in the play, the SLG and the LTTE, appeared on the

stage, spoke their lines or acted their parts according to cue. The LTTE could not be disarmed; hostilities continue between them and the SLG until today. Nor was it possible for India to induce the SLG to effectively deliver to the Tamils any of their important demands. The unity and integrity of Sri Lanka continue to be threatened. To whatever degree India might have succeeded in weaning away Sri Lanka from other powers, at the end of it all, India itself has been left with little leverage – political or diplomatic – with the SLG on the ethnic problem.

On the other hand, India's incremental involvements in Sri Lanka between the Accord and the end of Rajiv Gandhi's prime ministership in late 1989 entailed enormous costs in terms of lives, financial resources, property, and India's military, political and diplomatic credibility. By September 1987, within five weeks of the Accord, the Indian army was in open war with the LTTE whom the Indian government had bribed and cajoled previously for four long years. In mid-1989 the LTTE was able to diplomatically outflank India by concluding a deal with president Premadasa and succeeded in getting the IPKF fully out of Sri Lanka by March 1990 whereafter, from a better entrenched position, they have resumed their hostilities with Colombo. Militarily, the IPKF operation was a failure with the mighty Indian army not being able to disarm the LTTE even after two years of effort. The IPKF's goals were ill-defined, its command of the terrain and logistics were poor, its morale was not sustained, its intelligence was defective and, most importantly, the local population in northern Sri Lanka rallied behind the LTTE out of solidarity or fear or in reaction to the IPKF's acts of torture, rape and pillage. Indian support right until the end for the puppet EPRLF government in the North-East Province was misconceived and resulted in a political vacuum when the IPKF finally withdrew early in 1990. Indian support for paramilitary units in Sri Lanka such as the Tamil National Army (TNA) and the Civilian Voluntary Force (CVF) and to anti-LTTE militants exacerbated the level and diffusion of arms in both countries. The Indian high commissioner blustered away in Colombo while Doordarshan bluffed at home to dupe the public into believing that all was going well with the Accord. The Indian intervention coalesced anti-Indian sentiments among all political parties in Sri Lanka and provoked the second JVP insurgency in 1987 involving

the loss of thousands of Sri Lankan lives. It also served to fuel the anti-Indian stances of Pakistan, Bangladesh and Nepal in SAARC. The human and financial costs were considerable. The IPKF lost 1,200 and 2,500 were injured. The LTTE probably lost 1,500 with 2,000 being wounded. Casualties among other militants and civilians also ran into thousands. The financial cost of the IPKF operation to India was perhaps of the order of Rs 2,000 to 3,000 crore. Much damage and destruction was visited on private and public property in northern Sri Lanka. Thus, on all counts, the Accord proved to be not just a failure but counterproductive in the extreme.

Muni's account does not substantively go into the ultimate phase between December 1989 and March 1990. During these months, the Janata Dal government under V P Singh had replaced Rajiv Gandhi who had even before the general elections committed India to withdrawing the IPKF. In fact by December 1989, the IPKF had been withdrawn from all districts in north-east Sri Lanka except Jaffna and Trincomalee. The NE provincial government under Varadaraja Perumal, prompted and propped by the IPKF and RAW, refused to step down to enable the reconstitution of the NE provincial council; if it had done so, it might have been possible to avert a political vacuum in the Tamil provinces after the deinduction of the IPKF. The EPRLF government, however, collapsed even in February 1990 and Varadaraja Perumal, along with several of his cadres, fled to India. It was feared that during, and consequent on, the vacation of Jaffna and Trincomalee there could be large-scale violence on several fronts between the LTTE on one hand and the IPKF, SLG forces, other Tamil militant groups and the paramilitary units (TNA and CVF) on the other. This in turn could have resulted in another wave of civilian and armed refugees into India. The credit for avoiding these consequences at the tail end of the deinduction process goes to the Janata Dal government and to the patient discussions with Sri Lankan Tamil groups undertaken on its behalf in Madras by M Karunanidhi, the then Tamil Nadu chief minister. This was an instance in which New Delhi showed a rare wisdom in recognising that federalism within India could help to promote national concerns and was not a threat to them. Muni chooses to be silent on this very critical and sensitive phase except for the convoluted observation (p 174) that "the Janata Dal government of V P Singh felt itself free of any responsibilities to ensure the precise relationship between the execution of the July 1987 Agreement and the continuation or withdrawal of the IPKF". Also, later, he repeats the unsubstantiated canards about

LTTE's 'happy relations' with the DMK government in Tamil Nadu forgetting that their happiest days had been with Rajiv Gandhi and M G Ramachandran.

India's involvement in Sri Lanka during 1983-90 has given rise to a variety of issues and questions with both normative and consequentialist implications. Muni's evaluations and judgments in respect of them are, in most cases, evasive, inadequate, inconsistent or aimed at justifying establishment policies. Overall, he does conclude by saying (p 181) that "The most desirable way for India to approach the question of internal conflicts in the neighbouring countries is to work politically to pre-empt them, and then deal with them if necessary. In this approach, the temptation to get militarily involved must be resisted, notwithstanding the nature of pressures and compulsions." However, his appraisals of each stage of the incremental involvement tend to justify the actions that were actually taken instead of attempting to explore choices and alternatives that could have avoided progressively deeper entanglement. To start with, in his view, India "did not have to wait for any invitation from the combatants in Sri Lanka" to initiate the mediation process in 1983; as an affected and interested party, it had the right to intervene *suo motu*. He justifies the training and arming of Sri Lankan militants by India in terms of 'leverage-based mediation' adding, in scholarly fashion, that it is a "viable subject for serious and systematic theoretical exploration". Also, "India's moves through its political, bureaucratic and intelligence agencies to multiply the numbers of the militant groups and create and exploit their mutual inter-ethnic contradictions were also aimed at enhancing and activating the leverage". For him, mediation having failed, India had to intervene in 1987 to safeguard its regional interest and status and its internal credibility in Tamil Nadu. While admitting that Rajiv Gandhi in "his inexperience overlooked the complexities of the issues and the actors involved", Muni gives him credit for "a considerable account of sincerity of purpose in his thinking". Despite various infirmities in the structure of the Indo-Sri Lanka Accord, which he himself analyses, Muni sums it up as "a sincere compromise". In his judgment, the Accord "still provides the most appropriate and viable basis for resolving the Tamil question amicably". If the Accord broke down, it was only because both the critical actors, the SLF and the LTTE, were not forthcoming "to extend the desired co-operation to India", a development that could not have been foreseen "except perhaps by someone blessed with astro-

logical foresight". All allegations on the IPKF's role in rigging the NEPC elections of November 1988 are dismissed by Muni as 'politically motivated'. Although the IPKF did not succeed in disarming the LTTE or in making them accept the Accord, he sees its role as "positive and substantial in the overall analysis". To Muni, Indian peace-keeping was "not a case of intervention" at all and was only seen as such because the political change in India (viz, from Rajiv Gandhi to the Janata Dal) 'legitimised' president Premadasa's call for the withdrawal of the IPKF. It is only on the subject of the RAW's operations that Muni chooses to call a spade a spade. He points out that RAW "lacked a political perspective on the policy; it also lacked accountability for many of its acts of omission and commission while supporting and monitoring the activities of militant groups or setting them up against each other". He refers to reports that "some of the RAW agents were also in league with foreign intelligence agencies working on behalf of the Sri Lankan government in order to subvert the Tamil movement" and to the 'deep resentment' that the IPKF itself felt for RAW for not providing it with adequate or reliable intelligence. Yet, Muni does not go into the deeper implications for foreign policy or for domestic governance in carrying out covert operations through an agency that could be neither politically nor administratively reined in.

In sum, the book is a piece of apologia rather than an exercise in serious political analysis. It uncritically takes for granted the paramount legitimacy of India's perceptions of its so-called strategic and ideological interests. All things – good or bad, expedient or foolish – in the pursuit of such interests are justified on grounds of honest intentions or in terms of historical necessity. All things that went wrong in the conduct of policy are blamed on the intransigence of the SLG and/or the LTTE with no critical assessment of India's failures to anticipate, provide for and counteract it in the context of an intervention which not having been mutually accepted in the first place by both the principal actors in Sri Lanka was vulnerable to disruption at different junctures by one or both of them. Accordingly, Muni's study is not so much an exercise in evaluation or explanation as in extenuation and explaining away. As such, this darbari contribution is likely to satisfy only Rajiv Gandhi loyalists in our political, foreign office, and military establishments and their academic clientele. For them, it has always been a case of 'the Indo-Sri Lanka Accord is dead, long live the Accord'.

Small but Not Alone

Keshabananda Das

Technological Dynamism in Industrial Districts: An Alternative Approach to Industrialisation in Developing Countries? UNCTAD-GATE, United Nations, New York and Geneva, 1994; pp xx + 346, price not stated.

FOR about a couple of decades now significant changes in the industrial organisation, especially in the industrialised west and, of course, in Japan, have drawn attention of both the policy-makers and academicians worldwide. In the face of disturbing recessionary tendencies during the period, that witnessed the large, vertically integrated units constrained to grow, the small and medium enterprises (SMEs) seem to have performed remarkably.

Allowing for equivocality in establishing the degree and extent of this performance, the SMEs have surely proven their ability to respond boldly to crises and to chart out means of survival and growth. A conspicuous aspect of the 'achieving' SMEs has been their being 'small but not alone'. The economies of spatio-sectoral clustering of units, what Alfred Marshall termed industrial districts (IDs), have arguably acted as a catalyst.

Eventually, in a dynamic setting the potential of IDs has to be understood through inter-sectoral linkages, internal production organisation and above all as a socio-cultural entity containing an ensemble of competitive and co-operative relations. What are the notable features of SMEs in IDs in the developed nations? Do they have any policy implications, especially technology related, for the developing nations? Keeping this in view, the UNCTAD-GATE symposium Geneva, November 16-17, 1992 deliberated on 'The role of industrial districts in the application, adaptation and diffusion of technology'. The papers, proceedings and synthesis of the symposium form the book under review.

Outlining the conceptual basis of IDs, a confluence of views has been presented that range from Meinc Pieter Van Dijk's search for an 'ideal type' to individual instances, mostly in the Italian context (Ash Amin, Marco Bellandi, Bjorn Asheim and Zeljka Kozul-Wright). The micro-level evidence does differ substantially in its specific operational and organisational mechanisms manifesting differing socio-political and administrative environs within which IDs function. This, to a large extent, sets the parameters of performance. Elsewhere, cases from the industrialised west point to similar patterns in the manifestation of IDs [e.g. Pyke and Sengenberger 1992].

For one thing, a strict definition of IDs, though desirable, on the lines of a typical

Marshallian or the later stylised version of Mark II districts, has remained elusive and often not so useful in the contemporary complex systems of industrialisation. The distinctive features of IDs within/between developed nations point to the tedious and frustrating search for an equivalent 'model' in the developing countries at various stages of industrial achievement. The authors and discussants of the symposium have recognised this very well.

What, however, has been examined are the special features of IDs. The crucial aspect focused concerns what Asheim calls 'endogenous technological capacity-building'. As exemplified through a variety of cases (Part II) the scope for a synergic outcome of innovative activities has been seen to be vast. Inter-firm co-operation can serve as a solid base upon which technological upgradation could be possible. The degree of innovativeness would depend, of course, upon internal resources and level of competence. The enhanced functional integration of SMEs in IDs into the global capital network in the context of structural reforms has led to external control by MNCs or large units, adversely affecting the benefits of 'embeddedness' accruing through territorial integration.

While such a trend at the macro level causes concern, as Fernando Villaran suggests, conscious promotion of innovative activities in SMEs remains the real challenge for policy-makers. Improving clusters through provision of real services and institutions fostering technology transfer can be worthwhile intervention in this direction. The linkages between 'national' R and D 'regional' SMEs, Kozul-Wright demonstrates, are essential for high innovative performance of the latter.

An excellent synthesis of discussions (Part IV), detailed and thoughtful, by Brigitte Spath places the issues and policy implications in order. This is useful as it reflects the view of a range of scholars and policy-makers, who had not contributed papers but actively participated in the deliberations. Highlighting the critically of flexible, dynamic and supportive interventions/institutions in upgrading IDs she underscores the imminence of both empirical and theoretical research "adapted to the specific conditions of developing countries". This is an important lesson the symposium brought forth.

The moot question, however, is whether the European experiences have been studied with adequate analytical rigour so as to establish a direct/causal link between the role of formal institutions and innovative activities in the IDs. Again, institutions at different levels – local, national and global – can have varying impacts or no impact at all. Whereas most research 'details' the processes at the micro level little is known about its broader implications, especially towards promotion of technological dynamism. A recent comprehensive review of European IDs by Schmitz and Musyck (1994) clearly points this out. According to them, "There is little systematic assessment of the role of governmental or non-governmental institutions in the European industrial districts. In some cases it is hard to tell whether this is so because such institutions were unimportant or because they remained under-researched" (p 904).

This leads to the subsequent question of replicability. Even in the European context one may draw 'wrong conclusions' by universalising Italian or Japanese experiences. Kristensen's (1994) reflections on the responses of the Danish local 'spectator communities' in organising production in SMEs, operating in an open volatile global economy, elaborates this effectively.

Whether and how useful are these lessons from developed nations to the developing ones? Providing a critical backdrop to this issue, Khalid Nadvi has surveyed the experiences of IDs in developing countries. His analysis of the available studies, scanty and scattered, presents the diverse and complex systems of production organisation and points to the tremendous possibilities of collective efficiency of clusters. Even here, there exists a dearth of studies focusing primarily on the whole gamut of issues on the 'actual mechanisms' involved in technology transfer, upgradation, product and process innovation and adoption in IDs of developing countries. This acts as a barrier to 'import' the European model, if there is one, to the developing countries. The evolution of technological dynamism depends so much upon the nature and degree of inter-firm relationship and also the character and function of the 'social milieu', given the 'incipient' industrialisation of the developing countries. In fact, the strong role of state intervention and supportive sectoral institutions remains a crucial aspect of technologically activating the IDs. Both the case studies presented, one on the Okhla ID in Delhi and the other on the sophisticated Singapore Technology Corridor, are deficient in insights: the former has a very limited base of enquiry and the latter is certainly not

a 'representative' case of developing nations. One wonders if this reflects a generally casual approach in studying the micro-level dynamics, especially in the developing countries.

Further, the overwhelming presence of surplus labour in these economies "can act as a powerful disincentive to process innovation and, along with being synonymous with poor working conditions, is likely to dampen technological process" (p 229). The evidence at hand presents a mixed picture making it imperative to study as many diverse cases, both regionally and sectorally, as possible. Policy implications can then be understood better.

Silent Cry

Rinki Bhattacharya

Marital Violence in Canada by Lise Lachance; Research Centre for Women's Studies, SNDT University, Bombay, 1994; pp 94, Rs 40.

RECENTLY, the Research Centre for Women's Studies of SNDT university released the first title of a series under the general caption, 'Women of the World Series'. The inaugural title, *Marital Violence in Canada* by a visiting journalist from Montreal, Lise Lachance, is of particular significance for several sound reasons. The title however coincides with the UN declaration of 1994 as the International Year of the Family (IYF). Lachance's detailed and systematic evaluations of the abuse of power in a patriarchal family structure, its inherent violence, quickly demolishes our fond notions of the idealised 'family'. She establishes the invisibility of domestic violence by the classic 'closed door' and 'silent cry' imageries victims of and workers against violence are familiar with.

Oral histories and excellent samples from Canada's judicial annals in cases of marital violence support Lachance's report, while her crisp journalistic style make it eminently readable.

Lachance confronts readers with some alarming statistics:

A quarter of all Canadian women have experienced violence at the hands of a current or past marital partner. This number which includes common-law unions exploded on the public scene on November 18, 1993 when the government launched the report of a survey conducted on 12,300 women of 18 years and above by Statistics Canada on behalf of the Ministry of Health.

Inadequate statistics and research in India on marital violence is forcefully brought

A sure contributor to the debate on SMEs/IDs, this book is timely and thought-provoking.

References

- Kristensen, P.H (1994). 'Spectator Communities and Entrepreneurial Districts', *Entrepreneurship and Regional Development*, Vol 6, No 2, April-June, pp 177-98
- Pyke, F and W Sengenberger (eds) (1992). *Industrial Districts and Local Economic Regeneration*, Geneva, International Institute of Labour Studies
- Schmitz, H and B. Musyck (1994) 'Industrial Districts in Europe: Policy Lessons for Developing Countries', *World Development*, Vol 22, No 6, June, pp 889-910.

home by informed pieces of evidence as this.

One of the main strengths of the report is its successful demolition of the belief that marital violence is only physical brutality. Lachance tells her readers.

Among all the abuses imposed on women, sexual violence is the one victims find most difficult to admit, perhaps because it shakes the very foundations of men/women relations in a society where sexuality - even if taboo - defines the essence of male-female conditioning

Lachance talks about the victims' 'isolation', a known form of mental cruelty, by the deliberate withholding of 'emotional supports' or how "some men resort to emotional and psychological tactics to ensure that a woman cuts ties with her nuclear and extended families", concluding, "a woman who has been battered by her partner may have been raped by him, maligned, psychologically scared and financially deprived." The writer reminds us, "In each case the aim is the same; destroy in order to control."

The author affirms the absolute vulnerability of victims. It is curious too the report should confirm that "most violent men are great consumers of pornography." Feminists had always insisted, in fact, established the nexus between pornography and violence. That pornography reinforces violence against women. Lachance now reaffirms the same in an intimate relationship.

Reviewing Lachance's report without frequently quoting her is nearly impossible. Each line of her report is dense with

meaning, furthering our quest for understanding a form of violence that is different precisely because it does not "appear suddenly between strangers but always in the frame of a privileged relation... at one end of the scale is intimidation, at the other end even death."

In less than 100 pages (exactly 94) Lachance has provided us not merely an overview of marital violence, but a perspective. Better still, a comprehensive approach - urgently required - to understand a complex, misunderstood, and underscored crime, enjoying social sanction in many cultures. Lachance recalls,

... male violence is accepted in our society, in all but its most extreme forms. Therefore any attempt to stop wife battery must address those social values which support violence

A most valuable, indeed, inspiring, part of the report is Chapter 4, titled 'Justice'. This section deals with landmark judgments, from recent court cases in Quebec. There is a welcome change in the judicial perception of marital violence, recorded through quotes. Lawyer Sylvia Schirm, whose practice consists of assaulted women, states, "As long as marital violence will not be treated in the same drastic way as drunken driving, it will not come down." She believes women judges would bring greater sensitivity to cases of wife abuse. Another senior judge observes, "marital murder is a second-class crime".

The 1990 Canada Supreme Court judgment by justice Wilson acquitting a battered woman who shot her common-law husband one night, when she feared her death, was unique for its compassion to victims of marital violence. Justice Wilson went on record, asserting, that the 'learned helplessness' of victims and the cyclical nature of their abuse was tantamount to "their murder by instalment". Wilson reiterated, "far from protecting women the law historically sanctioned the abuse of women within marriage as an aspect of husband's ownership of his wife and his 'right' to chastise her".

Wilson displayed a rare understanding of the issue, stating bluntly: "It was not for the jury to pass judgment why an accused battered woman stayed in the relationship". Undoubtedly, these judgments opens a more egalitarian way for men and women.

Lachance reserves the inevitable question, 'How can we help a battered woman?' for her finale. The answer is 'believe her' urges Lachance.

Direct, spontaneous, even impassioned, Lachance's report, quite simply, is invaluable to workers against marital violence. And to the victims.

Financial Sector and Economic Reforms in India

Arjun Sengupta

Of all markets, the market for financial services is most prone to imperfection and, therefore, to failure and that failure occurs because the price of financial services more often than not fails to clear that market. In regard to reform of the financial sector, therefore, we must admit that we do not have answers to all the questions, that we have to move step-by-step, looking at the objective conditions which normally are widely different from the ideal and take decisions to reach our goals through trial and error in a practical world

THERE is so much trash that is written about economic reforms in India and there is so much slogan mongering that one is quickly driven to taking positions on many issues without considering all the aspects so that one is not identified with categories as pro-reform or anti-reform. A man from the world of finance cannot afford to do that. He must admit that theoretical and professional literatures do not provide an unequivocal answer to all the questions. Only politicians and theologians are cocksure about their positions. A practitioner of prudent behaviour, dealing with other peoples' trust, must admit that we do not have answers to all the questions, that we have to move step-by-step, cautiously, looking at the objective conditions which normally are widely different from the ideal and take decisions to reach our goals through trial and error in a practical world.

Let me give a few examples of the limitations of the real world in the context of economic reforms. First, it is obvious that a policy of free entry in any economic sector cannot be successful if it is not matched with a policy of free exit. If a production unit finds that it cannot be viable in the given conditions of the market or, in an even weaker sense, it is not going to make in any existing line of business as much profit as it would make in an alternative activity, it should be able to wind up its business at a reasonable cost. In the real world, it can very seldom be done quickly and flexibly. Even in many industrial countries, exiting from a business involves so much liability-settlements and litigation possibilities that the cost of exit can become quite large, and more importantly, quite uncertain. In a country like India, the exit possibilities become even more remote because of our extremely difficult labour/redundancy legislations. There is little chance that these conditions will change drastically in the near future, and all that we can hope for is that conditions would be created through the provisions of generous compensations, re-training facilities and other insurance benefits, so that eventually non-viable units

manage to close down. If a policy does not take into account the possible cost of such exit and a relatively slow pace of its materialisation, it cannot be considered realistic.

Similarly, if there is over-staffing in any production unit, in the sense that with a reorganisation of the staffing pattern the unit can produce the same level of output with a lower number of people employed, the unit must be able to shed those staff in order to play the competitive game with efficiency. The units do not have to close down but only rationalise its labour force in order to be competitive in this situation. Again, all that we can hope for in the near future is that if the units are prepared to incur a substantial cost of compensation or re-training it can negotiate a settlement with the trade unions for rationalising its labour force. Otherwise, it has to wait indefinitely for the natural course of attrition to do that justice. If a bank with a large surplus labour tries to adopt policies on the assumption that the surplus can be retrenched in a short time with little cost, it is going to come a cropper without much loss of time.

Similarly in case of privatisation, however much it may be desirable for our production units or commercial banks to be privatised and even if there is no technical reason why such privatisation cannot be completed, it does not seem possible to do so on a large scale in India in the near future. We can disinvest the shares of these units and if such disinvestment process is preceded by an appropriate restructuring of the assets and liabilities of the units, the revenues of such disinvestment may turn out to be sufficiently attractive. It could then encourage the process of disinvestment, but still the decisions to go below 50 per cent of public share may take quite a long time to come. It is of course possible to be critical of this situation and condemn the government for its lack of commitment to economic reforms, because obstacles to privatisation in most cases are political without any economic or technical justification. But governments are political entities and policy-makers must take into

account the political compulsions to assess the feasibility of a policy and work towards the ultimate desirable goal.

REAL LIFE CONSTRAINTS

There are many such instances of the real life constraints on the operation of economic reforms, but I have chosen these specific examples to highlight a point, namely, if these limitations are accepted then the emphasis of policy in the near future has to be somewhat different, at least for some time in the near future. Instead of wishing away the existence of public sector units, whether they are banks or firms, we have to think of how to improve their operations, how to increase their autonomy and how to make them better their performance even when there is public ownership. For units with surplus manpower the emphasis would be how to organise the operations of the unit, disengaging this surplus labour force efficiently, until they can be shed or retrenched effectively. Similarly, corporatisation of the units and restructuring their assets to maximise the returns from eventual divestment should get a priority over the outright sale of the units. For loss-making units, however, which cannot be made viable or whose viability would involve too high a cost, the policy should be to effect a closure immediately without allowing the operations to linger on indefinitely.

Another such real life constraint is the inability of the government to reduce public expenditures below a particular level. Reduction of deficits is a *sine qua non* of reforms. But if that has to be done without raising the tax rates, public expenditures have to be brought down. However much we may wish to cut defence expenditure, or costs of administration, involving wages and numbers of government servants as well as all kinds of subsidies on food, fertiliser, kerosene, etc., there may be an effective limit below which the government may not be able to go. Deficit reduction would then imply either a reduction of public investment or an increase in tax

revenues. If tax-compliance and tax-coverage cannot be improved through proper enforcement and administration, tax rates will have to be raised to increase tax-revenue. If a reduction in the tax rates, across the board, is also made an essential element of economic reforms, the only option left would be to reduce public investment. But if public investment is a crucial determinant of both private investment and the rate of growth of our economy – a proposition for which there is a large empirical evidence – a fall in public investment may actually lead to an increase in the deficit as a proportion of GDP even with the same absolute amount of total fiscal deficit. Clearly, the empirical situation points to a number of trade-offs between different policies, between deficit reduction, tax rates reduction and increase in public investment. The answers have to be based on the realities of the situation and not on some pre-conceived biases for and against some policies. If it is a fact that reduction in public investment over the years would reduce the overall rate of investment in India and thereby reduces the rate of growth, it would be necessary, for the sake of a successful implementation of economic reforms to provide for an increase in public investment, even if that means no further reduction of tax rates, and a vigorous enforcement of tax-compliance. Some of us feel on the basis of several empirical studies that when we have come down from the earlier 90 per cent tax regime to 40-45 per cent tax rates, a marginal increase in tax rates, and an expansion of tax coverage would not significantly affect output and employment. If the latter is completely unattainable, it may be necessary to raise the fiscal deficit on the margin, especially if that is the only way to protect public investment. I must hasten to add that I am the last person to support an increase in the fiscal deficit and in any case, that should be the last resort. What I am trying to emphasise here is that we must use all the policy variables, flexibly, to achieve our objectives depending upon the trade-offs given by the empirical relationships.

ESSENTIAL ELEMENTS OF REFORMS

At this stage, I think I must define what I meant by the essential elements of our economic reforms. The measures that we adopted in 1991 were not terribly novel and unheard of. They have been practised in many countries of the world which have adopted the Fund-Bank programmes in the past. Many of these measures were adopted in 1981 when we went to the IMF for an EFF programme. Several economists had argued for the adoption of such a programme, with or without the Fund-Bank assistance, for quite some time in the past and at least since 1987 when the short-term debt of our

country started rising at an increasing rate. What is novel about the economic reforms of 1991 is the timing and the fact that it was introduced as a package of measures to meet a specific liquidity crisis for which such an elaborate package was really not necessary. These measures were meant to correct 'systemic distortions' and it was extremely courageous of the government to adopt that package at that time.

There are three essential elements of this package of reforms. First, deregulation and liberalisation of all markets; second, increasing competitiveness in all spheres of economic activities; and third, living within our means or a strong budget constraint on all economic agents.

The third element is self-evident because one cannot live beyond one's means of current and borrowed income. If expenditure exceeds income, current plus borrowed, prices will increase to make them equal. However, there is a degree of freedom in one's ability to borrow and this is where the financial institutions have a role to play – commercial banks in the case of individuals and the central banks in the case of governments. They have to ensure that current borrowing matches with the future streams of income without which an essential plank of economic reforms based on pricestability will collapse. Indeed the maintenance of this budget constraint or the fiscal discipline may be regarded as an essential pre-condition for a successful implementation of other elements of economic reforms, as without that the economy would be exposed to expectations of rising inflation, which could distort all the price – and income – signals for appropriate allocation of resources by the market. There may not be anything sacrosanct about a particular figure of the rate of inflation such as that it should be less than two-digits or so. What is important is inflationary expectation which depends upon fiscal discipline or a visible tightness of the budget constraint.

There is now very little disagreement about the desirability of deregulation and allowing the market forces to have full play. The Indian economy has always been a market economy with an overwhelming bulk of all transactions being settled in the market place. What we have learned from our experience is that the only way to influence the market would be to play with the market forces, with price and income-related instruments, because any attempt to control or regulate those market variables would normally create parallel markets and generate pockets of scarcities and rents, frustrating the implementation of those policies. The days of licence and control are over and if there are still some vestiges left, they will have to be given up as soon as possible.

This, however, does not mean that markets do not need guidance or 'free market' can be the answer to all our problems. Even in theory, competitive markets could ensure what is known as Pareto-efficient resource allocations, leading to the maximum potential output, only under stringent assumptions. There are many cases when the markets fail, the most pervasive case being incompleteness of the markets or imperfection of information, which make practically all actual market situations failing to meet the Pareto-efficiency conditions. If national objectives are not confined to only maximising output but also changes in the distribution of incomes, either inter-personal or inter-regional, market failures become almost endemic, because non-distortionary redistributive measures are rarely available. The second best theorems go even further, suggesting that when there are several distortions, removing one of them and moving the economy closer to free market solutions may not be welfare improving. I must hasten to add that presence of market failures does not justify widespread government intervention. All they mean is that markets left to themselves need not be Pareto-efficient and there may exist some form of government intervention, respecting the practical limitations on markets which could raise welfare. In other words, when one recommends a government intervention one must be able to demonstrate that it is less expensive and less distortionary than the operation of market forces. Clearly, government interventions would have to be highly selective.

I have gone into these details of exposition only to strike an appropriate note of caution, that we must not be swayed by theologians either on the side of free markets or on the side of government intervention. The real world is very much complicated and pros and cons of every measure have to be weighed in practical terms before its adoption.

MARKET FOR FINANCIAL SERVICES

Of all markets, the market of financial services is most prone to imperfection and, therefore, to failure and that failure occurs because the price of financial services more often than not fails to clear that market. The basic difference between financial markets and other markets is clearly brought out by the following passage:

In capital markets, money today is exchanged for a promise of returns in the future. The promise is always, in effect, a contingent promise: in the case of a bond the promise takes the form, 'I will pay a certain amount provided that I can; and if I can't, certain other consequences follow'. In the case of equity, the promise takes the form, 'I will pay a fraction of my profits. I will decide the fraction, and I will decide how profits are defined. Trust me! If I don't pay you a dividend, I will reinvest the money in the

firm, and you will receive a return in the form of a capital gain'. It is precisely this difference which explains why financial markets are not, and cannot be, run as auction markets; why lenders, for instance, do not simply lend to those who are willing to offer to pay the highest interest rates. Those who promise to pay the highest interest rates may not, in fact, be those for whom the expected return is highest... Prices (interest rates) play a role in the allocative mechanism – they define, for instance, the opportunity cost of funds; but the allocative mechanism is fundamentally a *screening* mechanism, in which prices play a secondary role (Bruce Greenwald and Joseph Stiglitz, 'Information, Finance and Markets: the Architecture of Allocative Mechanisms', working paper No 3652, National Bureau of Economic Research, Cambridge, Mass.)

Let me confine myself to the market for loanable funds where the banks perform, besides the usual agglomeration function (pooling together limited savings of single individuals) and the transfer function (transferring resources from savers to investors), also the selection function (selection among alternative use of funds and the control function (to encourage prudent behaviour of those who have been provided funds). Both these last functions are susceptible to failures. The control function, which involves by now the famous principal-agent problem, is crucial because efforts of the borrower affect the return on the loan, and without perfect and costless information the banks cannot stipulate all the actions which the borrower should undertake, nor could they formulate the terms of the loan contract in such a manner that the borrower is induced to take the right actions to make the outcomes of the loan a success. Banks, therefore, may not be expected to make loans of the same size and same repayment schedule to be offered to two different borrowers at the same interest rate, if the reputation for prudence of one borrower is worse than that of the other. The selection function is even more difficult to perform, because by varying the price of the loans (interest rates) the banks may not be able to get the best allocation of loanable funds. The individuals who are willing to pay higher interest rates may on an average beat worse risks, willing to undertake projects with lower probability of success but higher profits when successful.

In a classic paper published in 1981, Joseph Stiglitz and Andrew Weiss ('Credit Rationing in Markets with Imperfect Information': *American Economic Review*, June 1981) showed that a loan market in a situation of imperfect information may be characterised by credit rationing, where the interest rate could be in equilibrium (in the sense that bankers would not have any incentive to change the rate once it is reached) but where there could still be an

excess demand (in the sense that among loan applicants who appear to be identical, some receive a loan and others do not, and the rejected applicants would not receive a loan even if they offer to pay a higher interest rate). The conditions under which such credit rationing emerges appear to be quite general and, therefore, applicable fairly universally. They can be summarised simply as follows: as the real interest rate charged to any one class of borrowers increases the probability of default on loan contracts also increases. As a result the expected return by the bank increases less rapidly than the interest rate and beyond a point would actually decrease. This is mainly because of two reasons: first, 'the adverse risk selection effect' under which, as the interest rate increases a higher proportion of riskier borrowers come forward for the loan; and, second, the 'incentive effect' under which any one borrower will tend to change the nature of his own project from a safer to a riskier one, because he can take away the extraordinary profits if the project succeeds, but walk away, maybe with some cost, with default if it fails, especially because the bank cannot perfectly monitor his actions.

Ronald McKinnon (*The Order of Economic Liberalisation, Financial Control in the Transition to a Market Economy*, John Hopkins University Press, 1991) has developed the Stiglitz-Weiss model and presented it in terms of a chart which is reproduced here. The real interest rates on bank loans is different from the real expected return on such loans (taking into account the probability of default). Suppose the loan applicants can be divided into different risk classes, and the number of applicants in each class is sufficiently large with a defined distribution. The figure shows three distinct risk classes, R_1 , R_2 and R_3 in ascending order of expected returns and variance in their return. Class R_1 is perfectly safe with no variance in outcome and with the maximum interest rate that the borrower can pay being r_1 which is also the expected rate of return. The graph R_2 covers riskier projects with a higher expected yield but it lies below and to the right of the 45-degree ray because of the incentive effect and adverse risks selection and expected return to the bank increases more slowly than the loan rate. The maximum expected return occurs when the loan rate is set at r_1 after which the influence of adverse risks selection on bank profits more than offsets increases in the rates of interest. The borrowers in class R_3 would be offering investment opportunities with higher potential returns but also with higher potential default. Because the real expected return of R_3 projects would be lower than that of R_2 projects, the banks lending would be restricted to the R_2 category (with interest rate at r_1) and all borrowers

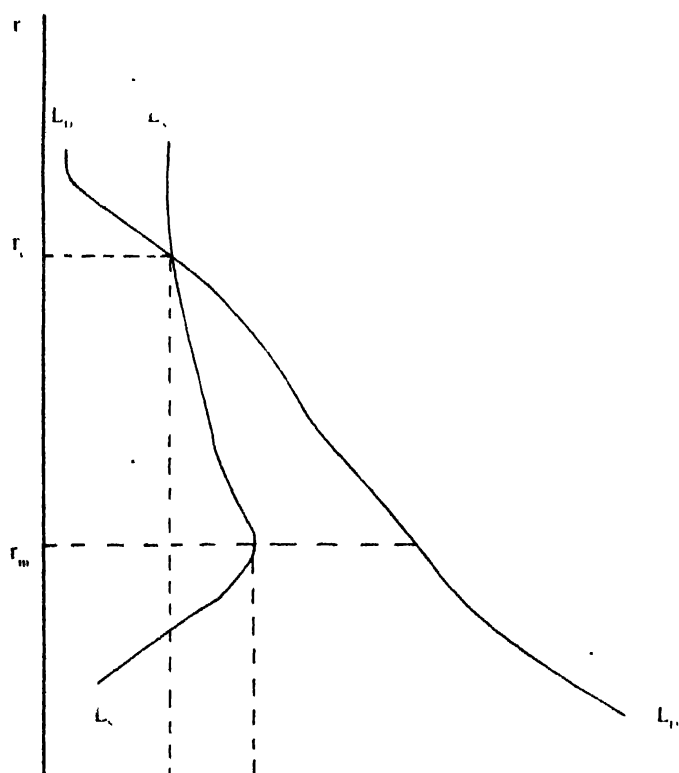
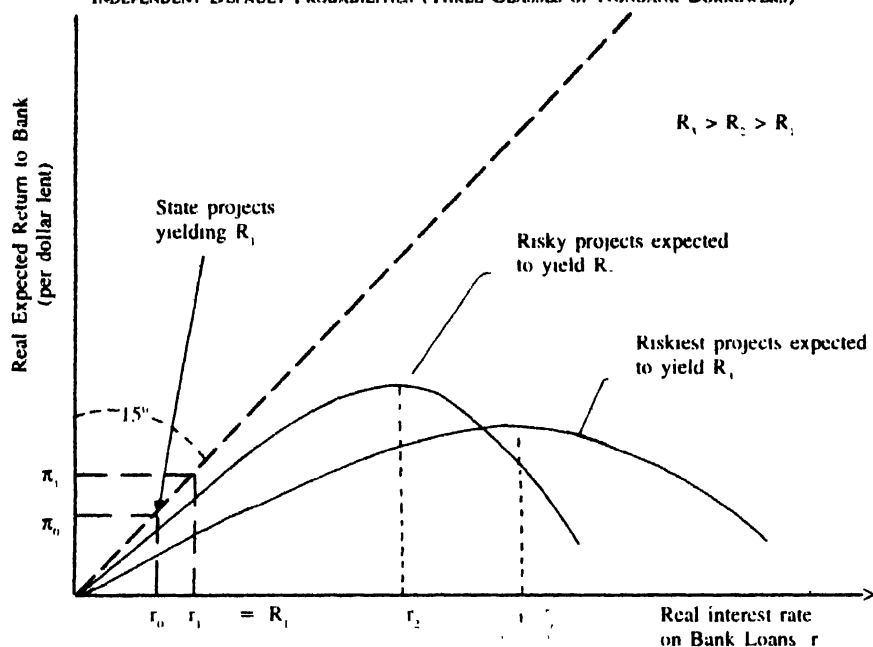
in R_3 category will be rationed out, even though they have more productive projects, although with larger variance in their internal returns. The point to note here is that the interest rate r_1 at which credit is rationed out is also the equilibrium rate, because if the cost of the loanable funds to the bank is independent of the nature of the projects they finance, the banks profits also maximise at the interest rate r_1 . The other classes of loans will be ignored unless the total of loan applications at r_1 falls short of the supply of loanable funds.

The lower panel of the figure brings out this excess demand situation more clearly. L_D is the usual demand curve, for loans as a function of the real rate of interest ' r '. To derive the supply curve of loans, we have assumed that bankers freely compete for depositors and the interest rates received by depositors would depend upon the expected return per rupee of loans, as derived from the real interest rates according to the relationship described in the upper panel. Under the usual zero-profit competitive equilibrium, the deposit rates would be equal to the expected returns for any particular interest rate. Accordingly, there is a maximum deposit rate that banks would offer after which deposit rates will fall with the rise in the lending rate, and the supply curve of loans will take the shape of L_s as given in the lower panel. The equilibrium interest rate is r_m , at which there is an excess demand. There is a market clearing interest rate, r_c , at which the demand and the supply of loans are equal, but that is not the equilibrium interest rate, where the banks' profits are maximised.

ADVERSE RISKS SELECTION

Within the assumptions of the Stiglitz-Weiss model where the macro-economic conditions are stable and the distribution of returns in the projects of borrowers is statistically independent of one another, the banks who are following prudent policies would on their own practise a ceiling on their interest rate, without being dictated by any regulatory authority. However, if there are conditions of macro-economic instability with inherent inflationary pressures and real exchange rate instability, the expected return on bank loan, taking into account the probabilities of default, may fall much below the actual real rate of interest especially if there is a positive co-variance among the expected returns to project within any one risk class. Without the regulatory authority trying to restrain the interest rates, the banks may try to take undue risks. The incentive to make high-interest, and therefore, high-risk loans can be very tempting, because a favourable outcome may lead to very high profits, while they can walk away when there are heavy losses. The banks

FIGURE: BANK PROFIT MAXIMISATION WITH ADVERSE RISK SELECTION AND STATISTICALLY INDEPENDENT DEFAULT PROBABILITIES (THREE CLASSES OF NONBANK BORROWERS)



would tend to ignore the fact that under macro-economic instability the default rates among the borrowers are not uncorrelated, especially if the banks concentrate their lending to a few large borrowers who are willing to pay high interest. This tendency would get compounded if there is a deposit insurance cover when there is a real moral hazard. The expected profits from risky lending could be very high in the case of

favourable outcome when the banks would try to keep extraordinary profits, without having to pay the full cost of the probability of unusually large losses, which can be passed on partially or fully to insurance agencies. The problem of moral hazard is multiplied when the banks are not privately owned and do not face at least the risk of bankruptcy or loss of their ownership claims in the event of unfavourable outcomes. With or without

a full deposit insurance cover, nationalised banks may behave as if they want to incur risk and not as risk averse, appropriately regulated, prudent banks.

Ronald McKinnon refers to the Chilean experience from 1976 to 1982, when uncontrolled interest rates coupled with implicit deposit insurance of the banks led to adverse risks selection among the borrowers and severe moral hazards in the banks themselves. Even though the macro-economic conditions were unstable subject to large changes in the rate of inflation and the real exchange rates, Chile had removed interest rate ceilings on deposits and loans in a mistaken form of financial liberalisation and their financial system almost collapsed. Like Chile, Argentina and Uruguay had also made similar efforts to deregulate and privatise their banks without sufficient fiscal and monetary controls in place. Interest rates on both deposits and loans were completely freed, leading to unexpectedly high lending rates, enterprise bankruptcies and bank failures, to prevent which the governments had to re-introduce regulations. McKinnon observes that "even in the highly developed capital markets of the US, the federal deposit insurance is creating severe problems for bank supervisors in curbing undue risks taken by commercial banks as well as savings and loans institutions". This problem can be much more severe in a developing country which does not still have a very well developed equities market, where the standards of accounting and supervision are still in their infancy, where the macro-economic stability has not yet formally entrenched its roots, where nationalised commercial banks, with or without deposit insurance are the principal lenders in the market and where more often than not there is a concentration of loans to a few borrowers.

A situation like this is particularly relevant for the present stage of economic reforms in India. As I have said earlier, there is very little disagreement here about the principles of our economic reforms, or about the logic of the different measures. The debate is basically about the design of the reforms-package and the sequencing of the measures, keeping in mind both the desirability and the practical feasibility of the different measures. I do not think anybody today would be arguing against liberalisation of the financial sector or deregulation of the banking system. I have noticed an almost universal consensus about the major tenets of the Narasimham Committee recommendations. But the questions still remain about how to package these measures and sequence them, especially since we have a large number of banks with substantial non-performing assets, quite a few of them making huge losses and a number of them having surplus manpower with inadequate discipline

and back-dated technology.

I do not think there is much disagreement even about the need for privatisation. Some of us may still believe that bank nationalisation of 1969 was a historic necessity. But that does not mean that the banks have to remain under public sector even today. If the regulatory system is properly worked out and if the Reserve Bank is allowed to enjoy the autonomy that central banks should, public ownership is no longer necessary to guide the financial market, to achieve the objectives of financial growth and balanced development. But then a hard-headed analysis of our problem must also recognise that privatisation of the banks is not going to solve all our problems or that privatisation, or divestment of ownership of the public sector banks can be achieved overnight. In the meantime, the banks have to be restructured and restored to health so that the values of their assets increase and the revenues that can be realised through their divestment can expand.

The policy for opening up the banking sector, allowing free entry, subject to the regulatory norms, would be an essential element of improving competition in this area. There should be a significant increase in competition, in providing banking services, both in terms of quality and quantity. All elements that work against such unleashing of competition must be withdrawn, and all facilities must be provided for improving the productivity of the banks and the technology of their operations, so that they can build up their competitive strength.

DEREGULATION OF INTEREST RATES

Let me not dwell on these issues very much about which I think there is not much controversy. Let me come back straight to the issue of deregulation of interest rates. There also I do not think there is much disagreement about the need for simplification, the removal of highly complicated and varied structure of interest rates. The Reserve Bank has rightly moved in the direction of reducing the number of interest rates, which can be regarded as relevant. I would also agree that eventually all the concessional interest rates should be withdrawn. I am not yet convinced that the system of directed credit should yet be completely dismantled. If the logic of the credit rationing argument that I have given above is accepted, there may still be some valid reason for continuing with a limited amount of directed credit, especially for certain sectors which have large social benefit and which are in their infancy in their stage of development. But it would be difficult to support the provision of such directed credit on concessional terms. After all, the interest rates reflect the opportunity cost of capital and the banks should be able to select projects, even in the so-called priority sectors, in the

light of that opportunity cost. In any case, since money is fungible, and kerb markets exist, concessional rate to one sector could easily degenerate into provision of rents to some selected interest groups, without even doing the screening function, if not the allocating function proper, that the interest rate is supposed to perform.

There can hardly be any disagreement with the Reserve Bank about its policy of the reduction of SLR. If the securities that banks hold as a part of SLR increasingly earn market-related interest, stipulating a precise figure for SLR would soon become redundant. There can be some disagreement about the CRRs. A minimum fraction of CRRs may have to be retained for transaction purposes and even that should probably get some remuneration, no matter how valuable the service that RBI's regulatory activities provide to the banking system – an argument which has been used to justify non-payment of remuneration on these reserves. But if CRRs are used to impound a part of the liquidity of the banks and thereby restraining the expansion of credit, I am afraid there may not be much case in their favour. A proper open market operation would be a much more effective way of doing the same job and it is always better to use the instrument that is transparently aimed at a specific objective, rather than transmitting a confusing signal to the system.

The trouble with open market operations is that they tend to increase the interest rates, especially on government securities and Treasury Bills. It is good that the earlier limitations on such interest rates have been withdrawn. But we must also recognise the implication of such policies for the deficit management of the government. With the mounting interest burden on government expenditures, we are introducing a substantial element of inertial deficit in our system, which can soon become quite explosive as happened in many Latin American countries. Indeed, if a fiscal deficit cannot be eliminated, the argument that most of it should be financed by borrowing and not by money creation, is not quite self-evident. A decision has been taken recently by which RBI financing of budget deficit is expected to come to zero very soon. Taken in isolation, and in a system with a huge liquidity overhang, this is a laudable objective. But if the fiscal deficit cannot be reduced significantly and if there is already a large interest burden that the government has to bear, a case can be made that some amount of inflationary tax which is associated with the RBI's financing of the deficit may still be desirable, provided the growth of money supply does not go out of hand.

The primary objective of policy, however, must be the control of fiscal deficit and to my mind, that is the essential prerequisite for any success of our economic

reforms. I started by saying that living within our means is the essential plank of our economic reforms and by that I mean our means, not of only today but also of tomorrow, on the basis of borrowing which we can do prudently, and prudence in borrowing depends on how the funds are spent. In other words we need not make a fetish of any particular number as a maximum fiscal deficit. If a fiscal deficit is essential to support a public investment programme either in infrastructure or in a major sector that can be executed efficiently and increase our productive capacity and potential income, it may have to be justified, if the alternative is to go without such public investment programmes. But the most important condition is, as I have noted earlier, the demonstrable adherence to fiscal discipline so that there is no expectation about rising inflation, which can disrupt macro-economic stability. Of paramount importance here is the elimination of revenue deficit both at the centre and the states and a demonstration that every effort is made to restrain overall demand pressures on the system.

In that context, there is no room for any relaxed monetary policy and I am afraid no case for an immediate deregulation of interest. By non-relaxation of monetary policy, I would mean giving out signals that we would not only keep a control over money supply but also at least for some time over the interest rate. We have now a temporary situation created by the unintended increase in our foreign exchange reserves. I call it temporary because most of the increase in our reserves is due to the fact that our imports have not grown to the extent necessary to absorb this extra inflow of foreign capital. That again is largely a result of inadequate growth in our economy. Both these situations cannot last for long and we should not be unnecessarily worried about the accumulation of these reserves. However, so long as these reserves are increasing they should not be mistaken as increase in the supply of loanable funds, allowing for a possible lowering of the interest rates. The loanable funds can increase only if savings increase or extra resources are provided by the foreign sector through import surplus. When that is not taking place, the extra liquidity must be mopped up by the central bank and I see no alternative but to sterilise these reserve inflows. I have some sympathy with the proposal made in the RBI's *Annual Report* about a small tax on these inflows, although I would like to avoid it, lest it gives a wrong signal to the international community. A better method may be extending the period of short-term capital gains tax, from one to three years, which may be a damper on those investors who are after purely short-term capital gains and not motivated by the long-term potential of our economy. But with or without these measures for dampening the

inflow of these reserves, there is every reason why they should be sterilised if their accumulation is unintended. There would of course be an upward pressure on the interest rates, with their implications for the problem of debt management of the public sector. But that is a price we have to pay for keeping a control over monetary demand. I am not persuaded by the argument that if the interest rates increase, that itself will further attract foreign inflows. The FII investments which are the main factors behind this increased foreign exchange inflows are not so much guided by the current interest rates as they are by the growth potential of the economy and the prospects of capital gains, that basically depend upon the expectation about future fall of interest rates. In other words, the FII investment should continue to flow in so long as the perceptions of our growth potential persist, and our policies should be guided by considerations about the control of aggregate demand, to keep a check on inflation and thereby sustain our growth potential.

If the logic of my presentation is accepted and the description about the credit market characteristics in terms of credit rationing appears realistic, I would submit that we should follow an interest rate policy which has only two elements, a ceiling on the lending rate of interest and a floor on the deposit rate of interest. Subject to that the banks should be allowed to compete with one another in their operations in the financial market. The current policy of a ceiling on the deposit rates and the deregulation of interest rates on loans above Rs 2 lakh has a danger that it would encourage, in terms of the analysis given above, adverse selection and the weaker banks, which already have large over-hang of non-performing assets, would move towards providing credit at higher interest rates, involving higher risks of default. The stronger banks would be competing among themselves for prime borrowers, which may lead initially to a fall in the interest rate. But as the liquidity over-hang is removed, either through sterilisation or through competition with the private placement of commercial paper, there would be increased competition for deposits and a gradual increase in the rates of interest. If my diagnosis is right and if the fundamental characteristics of the Indian financial markets is that of excess demand, I am afraid we shall soon go back to the situation of upward pressure on interest rates if we do not still have a full grip over the macro-economic fundamentals, and until inflationary expectation is squeezed out of the system, we cannot afford to relax on monetary policy. If we do not succeed in imposing a strong fiscal discipline, but still deregulate interest rates, I am afraid our primary problem will be adverse risk selection and the moral hazards associated with them, when most of our banks are still publicly

owned, without having to pay the full social costs of risky lending. Let us not make the mistake that the southern Cone countries made in the early 80s. Let us be cautious and not be overtaken by a zeal for so-called 'liberalisation', without thinking through all

its implications. The greatest threat to liberalisation comes from half-baked and ill-conceived designs of liberalisation.

[This paper comprises the author's Sir Purshotamdas Thakurdas Memorial Lecture, 1994, delivered at the Indian Institute of Bankers, Bombay.]

Six Volume Series...

Indian Economy Since Independence

Edited by UMA KAPILA

A comprehensive and critical analysis of Indian economy since independence: 1947-1994

Besides in-depth, analytical articles by eminent economists, these volumes also contain government reports/documents and discussion papers.

- Vol. 1** *Planning, Institutional Framework, Growth, Structural Change and Development Performance*
- Vol. 2** *Agricultural Development — Various Aspects*
- Vol. 3** *Industry & Foreign Trade*
- Vol. 4** *Recent Developments in Indian Economy with special reference to Structural Reforms Part-I*
- Vol. 5** *Recent Developments in Indian Economy with special reference to Structural Reforms Part-II*
- Vol. 6** *Recent Developments in Indian Economy Part-III 'The Ongoing Economic Reforms'*

CONTRIBUTORS include :

Manmohan Singh, C. Rangarajan, Bimal Jalan, V.K.R.V. Rao, A.M. Khuroo, P.N. Dhar, Jagdish Bhagwati, Deepak Nayyar, Amresh Bagchi, C.T. Kurien, T.N. Srinivasan, J.C. Sandesara, C.H. Hanumantha Rao, R. Thamarajakshi, D. Anjaneyulu, Ashok V. Datta, V.S. Vyas, M.L. Dantwala, Pravin M. Visaria, K.L. Krishna, B.S. Minhas, S.D. Tendulkar, Isher Judge Ahluwalia, V.R. Panchamukhi, K. Subbarao, K. Sundaram, A. Vaidyanathan, B. Sivaraman, G. Parthasarathy, G.S. Bhalla, N. Krishnaji, K. Krishnamurthy, K.S. Krishnaswamy, S.K. Ray, L.R. Jain, P.D. Sharma.

**6 Volumes • Hard-Cover, Cloth-Bound • 109 Chapters • Pages: 2174
Price (complete set of 6 vols.) : Rs.2295; US\$230-00 (Airmail extra).**

The books can be ordered from Academic Foundation by :

- (i) sending **Bank Draft** payable to 'Academic Foundation' at Delhi, or
 - (ii) books can be sent through your Bank. We DO NOT supply books by V.P.P.
- Please send Bank Draft by Registered Post or Courier Service.**

PUBLISHED BY:

Academic Foundation

24-A, Sriram Road, Civil Lines, Delhi - 110 054.

Phone : 232966, 233730, 2911852. Fax : 91-11-2911852.

Structural Adjustment and Small Producers

Reflections from Case Studies

Sarthi Acharya
Niru Acharya

The small-scale sector which accounts for a substantial quantity of goods and provides employment has been uniformly affected by the new economic policies on one count or the other. The present policies are also oblivious to the problems of small farmers and other primary sector producers, especially in the semi-arid regions. This article attempts to assess the impact of new economic policies through a set of case studies of units in the small sector.

INDIA embarked upon a policy of economic liberalisation since the mid-80s. However, considerable fiscal indiscipline on the one hand, and exports not keeping pace with imports on the other, resulted in an economic crisis in the early 90s. Borrowings from the International Monetary Fund (IMF) had to be resorted to, and a structural adjustment programme (SAP) and economic liberalisation were set in motion soon after. Entry of multinational corporations (MNCs), decontrol over markets, and steps to integrate the economy into the world system, were some of the measures undertaken.

At this juncture it is important to understand some basic parameters of the Indian economy. Agriculture, to a great extent, is in the small farm sector (over 75 per cent of the farm holdings are small), and it employs about 65 per cent of the total workforce. In the industry sector, large factories contribute about 63 per cent of the industrial output and employ about 28 per cent of the industrial labour force. The unorganised sector (mainly small industries, handlooms, etc.), accounts for the rest. While the output composition of the services sector, by size, is not readily available, its employment composition by organised/unorganised sectors, is much the same as in the industrial sector [CMIE 1993]. These statistics (for early 1990s) show that over 60 per cent output and about 90 per cent workforce is outside the organised/large-scale sectors. It also needs mention that the 'model' of development till recently, advocated investment in machines rather than humans; as a result, about half the population is illiterate.

The structural adjustment and globalisation of the Indian economy have to be viewed in the above context. Existing studies on the three-year progress since 1991 show that while there are large deposits (not trade surpluses) of foreign exchange, economic growth has been well below 5 per cent in the post SAP years. Capital formation is negative, and the capital goods industry is in recession. Also, the presence of MNCs is being increasingly felt and is undermining local manufacturing capabilities as well as R and D. The rising capital intensity is also affecting employment adversely [Kumar

1993; EPW 1994; GOI 1994; Mundle 1992; Unni 1994].

An aspect not specifically studied so far is the impact of SAP on small producers. This paper attempts to assess the impact of the new economic policy (through 1991 to 1993-94) on them. It presents the findings of a set of case studies of units in the small sector. The presentation is such that some generalisations are permissible across sectors. A few alternatives are put forth in the last section. The results are tentative and should be interpreted with caution since the case studies are far too few for a firm generalisation.

NEP AND SMALL PRODUCERS

The fact that India, to a considerable extent, is a small producer economy, has been established earlier. The small producers studied here fall into three broad categories: the primary producers, the traditional extraction/agro-based producers (including fishermen), and the modern small-scale industries. In this section several case studies from each of these three are presented with a view to judge the impact of the new policies on them. The case studies are so presented that they blend with the macro situation in that sector¹.

SMALL FARMERS

Small farmers constitute about 80 per cent of the farming community and operate up to 30 per cent area. Most of these farms are not composite in the sense of being integrated with the agro-processing activities, animal husbandry or allied activities. The total marketed surplus from agriculture does not exceed 30 per cent of the produce; much of the output is either consumed within the rural sector or the producer households. In terms of investments, rural areas are, in general, poorly endowed. Within the rural sector, outside the irrigated belts (that do not constitute more than about 35-40 per cent area), the level of investment is very low.

There is a proposal to declare agriculture into an 'industry', (rather than leaving it 'peasant-oriented'), since the late 80s. A full-fledged policy document was brought out in the 90s. Its salient features are as

follows [Bannerjee 1993] and are discussed with the help of case studies.

(i) Improve crop yields through biotechnology and transfer of knowledge to farmers.

(ii) Focus on selected crops where the country has comparative advantage.

(iii) Reduce post harvest loss by linking farms with agro-technology processing units, which in turn, establish forward linkages for agriculture.

(iv) Globalise agriculture through exports, under the multilateral GATT agreement.

(v) Promote the plantation and tree-crops as major industries.

(vi) Rationalise the existing price-subsidy regimes to promote efficient use of scarce resources.

Farm product exports – mainly rice, horticulture products, tea, coffee, sugar and nuts – had been in the range \$5-7 hundred million annually till about 1991-92 (about \$3b in 1994). The new policy intends to raise this figure several times, beyond \$5 billion. For this purpose, additional crops identified include, fruits, flowers, vegetables, oilseeds and wheat, to name a few. Several large companies, often of multinational origin, have begun to buy food for processing, for sale in local as well as export markets. In some cases, contract farming too is practised (e.g. promotion of tomato growing by Pepsi Foods in Punjab). In most of agri-export processes, modern biotechnology seeds are provided from external sources. The prior requirements are, availability of controlled irrigation, farm equipment, capacity to apply high quantities of fertilisers and access to working capital. Since these preconditions are permissible in regimes of plenty only, this policy has been beneficial to the already well endowed areas and large farmers. It is widely believed in business circles that small farmers have low marketable surplus; they would not be able to handle the sophisticated biotechnology; and they have little access to (capital intensive) drip/sprinkler irrigation systems. Finally, the procurement agencies find it easier to deal with a few large suppliers rather than a large number of small farmers. The prices too of the products marketed by the 'gentlemen farmers' are high and often linked to 'incentives' for growing these crops.

The regime thus is tilted against the small producer.²

The export policy is being promoted to an extent that experts are finding the upper ceiling on landholdings as an impediment (quoted in *Business India*, December 6, 1993). In the coastal regions of Andhra Pradesh and Tamil Nadu small-scale paddy farmers are being displaced from their land (they are becoming migrant labourers) to give way to prawn farming by large companies for export.³ These prawn farms not only absorb little labour, they ecologically degrade the earth by the inlet of brackish waters. In yet another case, it has been observed that goat meat export has reached very high proportions. Goats are often reared by small farmers to supplement their incomes/consumption and their droppings are used as manure. An estimate shows that such indiscriminate export may hurt the small farmers as well as create shortages of organic manure (observations made in Maharashtra and Andhra Pradesh). India has already begun import of manure from Holland (*The Times of India*, April 3, 1994).

Next, the agricultural modernisation programme (within the overall agricultural policy) has three elements, irrigation expansion, rationalisation of the cropping pattern for integration into the market, and use of fertilisers. The irrigation schemes of the surface type are displacing a large number of small peasants – the damming of the Narmada river is a case in point [TISS 1993]. The waters of large surface irrigation dams have a distribution system in which the small farms, often located at the tail, receive very little water (observation made in Orissa).⁴ Also, since 1991, the canal irrigation charges have been rising at about 20 per cent per annum, which disturbs the financial balances of small farmers more than those of the large (observation made in Maharashtra). In places where the reliance is more on the underground aquifers, the water tables have dropped beyond 2-500 hundred feet, and motors up to 10 horse-power are required, to pull the water. This is particularly true in the semi-arid areas. The small farmers are unable to access, or use to full extent, motors and pumps of that magnitude; as a result, they have to rely on the scanty and uncertain rains.

Use of electric power for irrigation is crucial. One of the conditions of foreign companies to invest in the power sector, is ascertaining a high rate of return on invested capital. Presently, most electricity boards in India are running in losses due to power plant inefficiency, transmission losses and theft. As of today, farmers pay a flat tariff rate based on the horsepower of the motor installed (seen in Maharashtra). The government intends to raise the tariffs steeply and meter each watt used so as to pay for the losses and guarantee returns to the

investors. Considering the fact that even today, small farmers survive by imputing their own labour at abysmally low wages in the semi-arid areas, their economy would be completely jeopardised by this tariff rise (inland Maharashtra, West Andhra Pradesh, Northern Karnataka) [Acharya 1993].

Fertilisers were subsidised to an extent of Rs 40-60 billion in the 80s [Gulati 1989]. These are now being phased out. The prices of nitrogenous fertilisers (urea) have risen from Rs 4 to Rs 6 per kg, while phosphorous-based fertilisers from Rs 8 to Rs 15, through 1991 to 1993. Many small farmers (as observed in south-eastern Maharashtra) have reduced their inputs of phosphate fertilisers by 30-35 per cent, and raised the nitrogenous fertilisers as substitute. Phosphorous strengthens the stem, fibre and seed of a crop plant, while nitrogen helps in plant growth. The result is obviously not the same by the substitution: the grain yield is less and the plant has more leafy growth. The crop is more fit for fodder than human consumption. Small farmers, who, to a significant extent, sow for self-consumption, lose because their need is more of grains and less of fodder.

The policy envisages rationalisation of prices and subsidies, again to integrate agriculture into the market system. A survey of small farmers in south east Maharashtra showed that small farmers mainly sow sorghum and millets while large farmers grow oilseeds, pulses, sugar cane and cotton. The smaller ones, for want of enough land and other inputs, are not able to introduce diversity in their cropping pattern. The input prices, for reasons stated earlier, are rising for all crops, but the output prices show a corresponding increase only in the latter. The stagnation in the prices of coarse grains (at Rs 2.30 - Rs 2.50 per kg) over 1991-93 has resulted in a less than Rs 1000 per hectare net earning to the small farmer (early 1994 data).

Even the price of Rs 2.30 stated above is not always available to them. Agricultural markets fluctuate considerably – the prices of sorghum dropped to Rs 1.40 per kg. in January 1994 in some local markets. The capacity of the small operators to wait till the market rises again or transport their produce to distant markets, is limited; as a result they lose further. There is a government scheme of fixing floor prices, but the procurement agencies are marked by corruption and delays.

In the early 1970s the disadvantage of the small farmers was recognised and a special set of programmes for them (SFDA and MFALA) were established. In 1980, these were merged with other anti-poverty schemes, thus diffusing their focus [Vyas 1993]. In the 90s, under the SAP, the financial system has become tight. The interest rates are high, priority lending for the rural farm sector is under question, and criteria of

'bankability of projects' are increasingly being imposed. In fact, one of the banking reform committees has recommended closure of 'Joss making bank branches' in the rural areas. While in principle, a bank is expected to be accountable to its creditors, lack of infrastructural development has not permitted the small borrowers to put forth strictly bankable propositions in all cases. They are thus losing on anti-poverty programmes too.⁵ The small farmers are, thus unlikely gainers of the new agricultural policies.

FISHERIES SECTOR⁶

Estimates indicate that about 80,000 fishermen are directly, and about two million indirectly, employed in this sector. Over 80 per cent of the vessels operated are artisanal (small) craft (including catamarans and dug-out canoes) or motorised units (also small); the rest are mechanised units (which include trawlers (about 2,000) or large mechanised boats with modern fishing gear). The small motorised units are 10 to 20-foot vessels which have engines fitted on them.

A mechanised trawler (which has sophisticated gear to trace shoals) can stay at sea for four or five days while the smaller craft cannot sustain for more than a few hours. The fishing season is of seven to nine months. The peak season lasts for a couple of months. On an average, artisanal fishermen/small motorised boats operate their craft for not more than 125-150 days a year, while trawlers can stay beyond 250 days. The average earning of an small artisanal fisherman does not exceed Rs 40 per day.

The total catch of fish in India in 1992-93 was 4.3 million tonnes [CMIE 1993], out of this, about one-fifth was exported. The Maharashtra merchant class (big trawler operators-cum-traders) catches 40 per cent of the state's total fish catch while Gujarat's merchant class catches 50 per cent. These figures show the extent of access, by boat type and size. Both, the small and large fishermen, however, contribute to exports.

Since the time India embarked on the structural adjustment programme, it has feverishly directed its policies towards market-oriented schemes. Augmenting fish production and seafood export earnings is the core scheme of this policy; and valuable fish resource is seen mainly as a source for export for earning foreign exchange. As a follow up of these plans, the government has drawn up an ambitious agenda to additionally introduce 2653 deep sea fishing vessels. These vessels aim to bring to shore, mainly the export variety fish; discarding large quantities of 'trawl by-catch'. Licences are issued to many Indian business houses to import fishing vessels, and to enter into collaboration with foreign companies. Several such licences have already been issued⁷. For instance, Cochin-based Innovative Marine Products have tied up with

four companies – Mitsubishi of Japan, Saudi Fisheries, Gourmet Club of the US, and Sea Products of Italy. Integrated Rubian Exports, Kerala, began commercial operations in October 1992 and has reached a turnover of Rs 160 million. It has tie ups with Denmark and plans to start a joint venture in Bahrain (*Business India*, December 6, 1993).

In addition, the government has removed all barriers for foreign entrepreneurs to invest in India's Exclusive Economic Zone; which in the present scenario may bring in the necessary foreign exchange, but may affect the marine life ecology seriously since trawlers fish everywhere – inshore, offshore, deep sea – and are indifferent to the type of fish netted or the breeding season. This policy promotes big operators. It is also oblivious of the ecology. There is little in it which may be of consequence to the small fisherman.

Detailed talks with the Versova Machhimar Vividh Karya Kari Sahkari Society (Bombay) members and some informed people revealed that the problems encountered by small fishermen here are not very different from those found elsewhere in the state and country. The fishermen and women in this co-operative are engaged, both in indigenous fishing as well as fishing with the help of small motorised units. Fishing remains a traditional and caste-specific activity 'Kolis' in Maharashtra are engaged in it. The other caste workers are engaged in the related non-fishing activities (e.g. auction and sale of the fish catch).

Fishing is a seasonal activity and depends heavily on the environment. In the absence of motorised units with some, their livelihood is directly affected by the changes in the environment. Earlier, the fish in the creek (Malad) area was readily available. This catch has become very scarce in the recent years due to the pollution created by waste disposal from the chemical industries in the vicinity of the creek. The problem has been exacerbated due to the lack of sufficient motorised units which can go relatively further into the sea.

During the 90s, pomfrets and shrimps, which are now available only in the deep seas, are available in smaller quantities. The overall catch quantity has reduced, from 100 kodis to 25 (1 kodi = 22 pieces) per trip in a small boat. This, as per local reports, is due to over fishing in the area by the heavy trawlers harvesting fish beyond sustainable limit, thereby changing the pattern of their habitat. In addition, an analysis of the catch composition shows that many demersal species have declined, confirming indiscriminate and overfishing by trawlers. A similar trend, it was reported, is observed in the coastal shores of Kerala, West Bengal and Andhra Pradesh [Singh 1993]. This change has, as yet, not so much affected the big mechanised units since their reach is far wider than that of others.

In recent years, there is rise in the demand for fin fish, especially those available at some distance from the shore (along with shrimps). This has hiked the price of fin fish. Some small fishermen with improved technology are able to make more trips to the sea, and are able to go greater distances. The motorised boats have saved them from the drudgery and helped them to rapidly harvest shoals at greater distances. Despite this, there is reduction in both, individual and total catch, for reasons stated above. Thus, fin fish too, which a few years back were considered worth little, are vanishing.

Private traders have paved their way in this sector. Beach auctions are common, in which the traders buy the fish from the fishermen, soon after the latter bring in their catch. These auctions take place within moments after the catch lands. The bargaining power with the fishermen is low because of the high perishability of the product and they are not able to get a price similar to what the traders get, when they (the traders) sell this produce onwards. The fishermen have been unable to vertically integrate their activities so as to obtain the full benefits of the market.

Each member is entitled for loan from the co-operative, which is given from the commission the members pay to the co-operative, for arranging the sale. The loan is used for repairs, equipment, and for other personal contingencies. The reduction in catch, along with little price advantage, may affect the loan quantity, it is feared. The presence of private merchants may increase the price of repairs, gear and equipment; which may place further pressure on small fishermen. There is a possibility of fishermen giving in to pressures from auctioneers for further lowering prices.

The story of this co-operative indicates that the co-operatives have not developed linkages with the appointed merchants of export companies, or even with those who sell fish in the markets. As a result, a great deal of the price margin is taken away by the middlemen-traders. As of today, the co-operatives play a significant role only in arranging beach auctions of the catch of the small fishermen.

A reduction in catch, low prices, and limited access to cold storage facilities is likely to hit the artisanal fishermen the worst. They may be forced to seek alternative jobs. Since most do not have any skills other than catching fish, only menial jobs will be left for them. There are cases in Kerala where fishing technology has led to marginalisation of fishermen: they have become casual labourers [Singh 1993].

RURAL ARTISANS

Promotion of crafts and tiny traditional industries has been an oft repeated objective in the post-independence period. A number of manufacturing activities, that are labour-

intensive, use traditional technology, and yield simple products when seen in the context of the extant market demand, have been termed village artisanal industries. In the post-independence period, it was envisaged that some of these activities could be promoted with a view to generate employment, since the capital goods investment was not expected to create much of it. The total production of the village industries (VIs) sector in 1992-93 was about Rs 29 billion, and the employment, about five million persons. Its export was of the order of Rs 80 million [KVIC 1993].

The VIs have been facing stiff competition from the modern manufacturing sector. Their survival has been ascertained only because, (a) there was partial state support, (b) some of the products in the sector enjoy a place in the highly volatile fashion markets, and (c) some products could be marketed in places where the large-scale sector products did not make an entry owing to the wide geographic spread of village habitats. Since the mid-late 80s when the modern industrial sector began to expand rapidly, the VIs have faced a difficult time. It is estimated that at least half a million handloom weavers have been out of job and the earnings of village artisans have not risen beyond subsistence for several years [NCRL 1990]. In the 90s, when the size of the modern sector is rising even faster, its penetration into the rural markets is becoming increasingly viable, and its products are replacing those of VIs. The problem is compounded by the credit squeeze and subsidy reduction faced by the VIs due to the financial sector reforms.

Some small sector producers were interviewed (in peninsular India) for understanding their specific problems. Almost all reported that there was lack of 'level play' between the modern sector and them for reasons pertaining to lack of infrastructure, credit, quality control, investment, and market access. The investment in the VI sector throughout the post-independence period never exceeded one per cent of the total Five-Year Plan outlays, and this figure went down to 0.46 in the early 90s [Singh 1994].

The khadi sector⁸ employs about 1.4 million persons (on full and part time basis) (1992-93 figures) and provides supplementary income to rural households. The emergence of synthetic yarn has reduced the demand for khadi weaving. Even in spinning the finer varieties (30 counts and above) have become the domain of the mill/powerloom sector. Efforts to make polyester blend khadi are slow and limited. In the late eighties and nineties raw cotton/yarn was exported in large quantities. This rapidly raised their price. The mill sector was able to buy large inventories and raise the price of their yarn and cloth. The khadi producers were not able to raise adequate funds for



Institute of Social Sciences

Status of Panchayati Raj in the States of India 1994

General Editor
George Mathew

With the adoption of the 73rd Constitution Amendment, panchayati raj has attained statutory status with all states in the country enacting legislations in conformity with the amendment. What is the history, tradition, structure and functioning of the panchayats in various states of India? What is the status of the local government institutions on the eve of the new panchayati raj system coming into force? These and various other pertinent questions are answered in this book containing twenty-five chapters – one chapter for each state – written by senior officials and academics from the respective states, backed by an expert research team of the Institute of Social Sciences. With maps detailed data about districts, socio-economic profile of each state and an introduction tracing the historical evolution of panchayats in the country from the earliest times, this book gives in one volume all one would like to know about Panchayati Raj in the states of India.

Double Demy 8 vo Rs. 400

Contributors

Ali Ashraf
A. M. Gokhale
Ave Cleto Afonso
B. B. Jena
B. Datta Ray
B. S. Khanna
Buddhadeb Ghosh
C. Nunthara
C. R. Biswas
Debo Prasad Barooah
Dil Kumari Bhandari
G. Haragopal
G. P. Upadhyaya
G. Sudarshanam

K. K. Sinha
Manikchand Surana
M. Aram
Mohammad Sultan
N. K. Datta
N. P. Mitragotri
Pravin N. Sheth
Ranbir Singh
R. D. Sharma
R. P. Singh
S. D. Joshi
Sudhir Sharma
T. R. Satish Chandran
V. Ramachandran

Copies available from

Institute of Social Sciences
B-7/18 Safdarjung Enclave
New Delhi 110 029
Phone: 675451 Fax: 91-11-6885343

Concept Publishing Company
A-15/16 Commercial Block, Mohan Garden
New Delhi 110 059
Phone: 5554042, 5504042

inventory and were not able to raise price since the demand for their products is highly elastic. This sector has 50-80 per cent of its institutions defunct for want of funds and technical assistance (*Business Times*, April 6, 1994). Funds released for capital expenditure are grossly inadequate, with the result that several centres have used up to half of their working capital for infrastructure. The effect: the targeted production is not achieved. The average earnings of a khadi worker have reduced to Rs 8 to Rs 12 a day.

A pulse processing unit in the VI setup consists of two stone blades which grind and polish the pulse. The source of energy is manual. Such a unit, in the small scale, is able to process about 25-100 kg of pulses a day. The large units have a much higher productivity. The (imputed) cost of processing a kilogram in a VI unit is about Rs 0.30, compared to Rs 0.10 in a large one. Costs become comparable only when the earnings of the VI workers (mostly self employed) are imputed at less than the subsistence rates. This is possible in cases where this VI activity is a secondary occupation; which is not always the situation. For a long time, the VI type units thrived because they processed only for people living in small hamlets. Now, with the emergence of rapid transport (vehicles of light commercial type, manufactured in the country since the 80s) the market (procurement and processing) is controlled by some who own these vehicles and the large power driven units. The cottage sector is virtually extinct.

The south and east parts of rural Maharashtra have rich black cotton soil which is ideal for sunflower/safflower production. Under the VI sector, a number of oil extraction units had been set up earlier, which were essentially in the small scale, using bullocks or small electric motors (5-7 horsepower) for energy. The edible oil shortage in the 80s resulted in major incentives to grow oilseeds on a large scale. Following the success of the technology mission on oilseeds, the need to vertically integrate the agro-industrial linkage saw the emergence of large sized oil expellers, which supplied oil to large companies (many in the multinational sector), which further processed, packed and sold the oil under their brand names. The large-scale sector has begun to produce edible oils, priced differently for different sections of the society. The by-product – oil meal cakes used as cattle feed – is a major export item from India, which sold for over Rs 15 billion in the international markets, in 1992-93 [CMIE 1993]. The capacity or perhaps the need for small-scale expellers is now extremely limited; perhaps only for self consumption of the relatively poorer consumers in remote village settings.

The control of the MNCs on the manufacture of soaps and detergents has

recently been enhanced with their merger with major Indian companies. In this Rs 30 billion industry the small producers have a less than 10 per cent share. Small-scale manufacturers of soap use exothermic heat generated by reaction of caustic soda with organic fatty acids in place of external sources of energy. They are therefore energy saving. There are about 5,000 such units catering to the needs of the weaker sections of the society, inexpensive laundries and washermen. About 250 thousand people are employed in this industry, which, besides soap, also manufactures several by-products used in the cosmetic industry. Till 1994 the 'non-power using' soap and detergent manufacturers had been exempt from excise duty. Henceforth a 10 per cent excise duty has been imposed on them which brings them at par with the large manufacturers, says a representative of the Association of Small Soap Producers (*Business Times*, March 8, 1994). Unlike Hindustan Lever (the biggest multinational in the business) that has raised the prices of its soaps five times since 1990, the smaller ones have not been able to raise their prices to any significant extent, lest their market share falls. The profitability, as a result, has come down to 2.5 per cent on sales. Competition from the large sector and the new tax threaten to rapidly make this sector financially unviable, says the Association spokesman.

These short case studies illustrate how the open market policies have exposed in VI sector to unequal competition, since these have had inadequate research and development, low infrastructure, inadequate marketing facilities and lack of credit access. Many units face closure due to which unemployment may rise.

MODERN SMALL INDUSTRIES

Modern small-scale manufacturing industries, as per the present definition, are units which have a fixed capital not exceeding Rs 6.5 million (7.5 million in the case of ancillaries). As per the 1988 Census, there were a total of about one million such units in the country, employing about 3.7 million workers. Their total production stood at about Rs 430 billion. An average (working) unit had a plant and machinery size of about Rs 150 thousand, produced about Rs 700 thousand rupees worth of merchandise per year, and employed about 6 workers.

In the new economic policy reservations are gone which exposes small units to competition. Credit is not so easily available; and transfer of foreign technology is not easy to them compared to the large ones [Sandeshara 1991]. A talk with a representative of an Association of Small Industries brought forth a few issues that related to the small industry activities. First, with the opening up of all markets to all types of producers, the small industrialists

will find it increasingly difficult to compete with the large and multinational companies, in costs, quality and market reach. With the restrictions on the scale of production released, most big producers are choosing to produce at larger scales, so as to allow them to feed almost every segment of the market. For example, with the merger of TOMCO and Levers, the combine will be able to produce soaps for each segment of the market, and there may be little place for others. The Association representative felt that in the future except products which did not enjoy economies of scale, all others would be manufactured in large factories. The small firms will have to play the role of ancillaries and service units.

Even in this role there are restrictions. With the introduction of computerised numerically controlled (CNC) machines and flexible manufacturing systems (FMS), the precision in, say, the high technology machine-tool industry (maybe in some others too) has visibly risen. Many major units prefer to install manufacturing facilities in-house for the sake of this precision rather than resort to a putting out system. If the small-scale industry is not equipped with such high precision technology, it may not be able to act as a successful ancillary [Annavaiah 1993].

A further problem stated was non-availability of skilled labour. High technology firms require highly skilled personnel, which are not so easily available to small firms, due to their incapacity to pay, and limited upward mobility offered by them to the workers. The relatively larger firms in the small sector – say those having fixed capital of Rs 5 million upwards – are able to attract skilled manpower; others find it difficult. Thus, with the proposed restructuring when ancillarisation takes full shape, the relatively large units (in the small-scale category) would have better chance of survival on this count, compared to the relatively smaller ones. In essence, in a country of high illiteracy and overall low skills, the rent on high skills is too high for the small units to afford. This discussion refers to the industry in general. Observations made in some specific modern small firms, as observed from select case studies, are discussed below:

(a) Computer Manufacturing

This is a relatively new industry in India – the first manufacturing unit was set up in the mid-70s. In the early 90s, the computer hardware industry size was about Rs 12 billion, out of which about Rs 600 million (5 per cent) was controlled by the small producers. India does not possess the commercial technical expertise to make integrated circuits (which are fitted on mother boards), disk drives or memory chips. These parts, which are imported, constitute up to 60 per cent of the value of the computer.

The rest, namely, the monitor, key board, power supply unit, etc. are manufactured locally. The manufacturers – big or small – put them together according to a predetermined design.

Most larger manufacturers have either entered into collaboration with foreign companies like Olivetti, Dell or Hewlett Packard, or have opted for outright purchase of electronic designs from overseas companies. The smaller ones import ready-made mother boards. The rest is little more than screwdriver technology, for both, the small and large. The price tag on machines manufactured by the small operators is less by about 20-30 per cent.

The product market reflects a clear segmentation: all government, big industry (private and public), and major commercial organisations, purchase 'brand names' from the larger manufacturers; while individual professionals or small commercial companies buy from the smaller ones. One of the reasons why small producers fail in carving a larger market for themselves, is their incapacity to compete against large tenders or deposit large sums of earnest money. Others relate to the range of their produce (they are able to set up only PC models), lack of advertising/marketing, and limited geographic limits for supply (and service).

Earlier to 1991, the smaller units enjoyed a flat rate of depreciation allowance of 25 per cent. This has now been cut, they get 25 per cent for the April-September period, and only 15 per cent for the October-March period. Next, the excise duty for units with sales up to Rs 1.5 million, was nil earlier. Now there is a 15 per cent *ad valorem* duty for all. With these additional taxes the small manufacturers' margin of profit has reduced. To offset the scale disadvantage, they try keep wages low. As a result they are not able to employ qualified workers, and their after sales services are poor. This further narrows their market."

One of the ways devised by some 'traders' has been to smuggle parts from overseas and sell them in the 'gray' market. These are cheap because no duty is paid on them, but are illegal. In a bid to survive, the smaller makers buy goods from the gray market and sell unmarked computers against cash payment and give no receipts. This kept up their margins – even though illegally – for some time.

In the 1994-95 budget, the customs duty on computer components were slashed so as to reduce smuggling. The excise taxes have however not been reduced. As a result, while the gray market will shrink, the small producers will have to face stiffer competition.

(b) Leather Garments

Leather and leather goods, is a Rs 60 billion industry in India [1992-93 data see

CMIE 1993]. About 40 per cent of the product is exported, which makes it a major export earner. Most leather goods manufacturers are in the small scale, scattered across centres in Tamil Nadu, Uttar Pradesh, and Andhra Pradesh. The tanneries which supply high quality processed leather are mainly concentrated in Madras though there are other centers too. The leather goods exporters principally rely on the tanneries in Madras [CLRI 1990].

A group of small-scale leather manufacturers and exporters (gross sales about Rs 3-5 million each per annum) was interviewed in detail. They stated that the buyers (from overseas) always compare Indian goods with those from China. The Chinese use cutting and stitching machines which are at least 20 to 30 per cent more efficient than theirs. The break downs too in them are less in comparison to Indian-made machines. These (German and Japanese made) machines are not so easily accessible to the small and tiny producers here. Since the Chinese set the standards and prices, the Indians have to follow. Due to this, the rate of return on their efforts is low. This (technical) problem is compounded by the fact that skilled labour is difficult for the small and tiny sector to retain. In reality, the small and tiny units have become training grounds for the fresh workers who ultimately join larger ones for more steady jobs.

Small-sector units, even if they are export-oriented, are not favoured by banks and financial institutions for credit. These institutions look at conventional ratios and size of capital to judge the extent of creditworthiness of the borrowers. Since these are not always satisfied, the credit at times is delayed by up to a year. Letters of credit are not honoured by banks at home, thus denying working capital to these units. The informal market interest rates are as high as 30-40 per cent, which eat into the profit margins. International banks and financial institutions too, do not encourage small and tiny firms to avail of their services. Raising equity in foreign markets is a distant dream.

International marketing is not easy, certainly not for small firms. They have to go through intermediaries which provide brand names – at times more than one – and the units are required to manufacture under their trademark. Considerable value added is taken away by the intermediaries since the cost of marketing (advertising, etc) cannot be borne by the small firms.

The raw material required for production of leather garments is refined leather, which is controlled by a few (Madras-based) dealers. These dealers find it cumbersome and expensive to deal with a large number of small users. They prefer to trade with a few large users. Access to dealers by the small manufacturers has been identified as a major

constraint. At times, they have to go via a few regional intermediaries and pay more; and at others, run up their inventories beyond their needs. These are major constraining factors.

Leather being an export product, the small and tiny producers feel that they should be provided with incentives such as tax reliefs, and stalls to advertise their products in international trade fairs. These facilities, at present, are not provided to them. They further complained that the import-export process is bothersome and requires too much paper work. If the procedures are simplified, their administrative cost would reduce. Lastly, it was stated that little research is done to meet the R and D needs of the small firms. There is emphasis on basic research and not on the problems of small units.

(c) Readymade Garments

Readymade cotton garments export is perhaps the largest net foreign exchange earner (Rs 70 billion in 1992-93). There are large factories which use power driven machinery to produce standard garments mainly for the domestic market. Next, there are a large number of tailoring and fabrication units that are (in most cases) sub-contractees of marketing enterprises. Exports mainly originate from the small sector. Division of labour is achieved by sub-contracting different processes to different units. The capital cost too is laterally spread. This diversification is highly cost effective in this (seasonal demand) industry, since both, capital and labour are cheaply available and can be seasonally activated [Chatterjee and Mohan 1993].

Export of garments is subject to the Multi-Fiber Agreement (MFA), according to which each country is permitted to export, to the US and EEC region, subject to certain quota restrictions. The destinations of over 70 per cent Indian garment exports are in the US and EEC countries, because of which an Apparel Export Promotion Council has been set up to distribute this quota among different exporters. There are over 10,000 units registered with this Council. Only about 250-odd are manufacturers; the others are merchant-exporters that access the produce from the small fabricating units.

An interview with a few Maharashtra-based small stitching and fabricating units revealed that apart from some common problems of non-availability of credit from institutional sources, problems of marketing, and high labour retaining costs, there were some industry-specific problems arising from the new economic policy. These are discussed here.

Most of the trimming equipment is imported, and subject to high customs duty in spite of being employed in 100 per cent Export Oriented Units. There is a provision for part-refund of the duty once it is 'proved'

that the equipment is actually used for export purposes. The bureaucracy here is more than bothersome for the owner-managers. Next, it needs mention that the Indian made stitching machines are only half as efficient (2,000 stitches per minute) compared to the imported ones. Imports are permitted but concessional customs duty is allowed only if the exporters are able to increase exports, equivalent to four times the *cif* value of the imported machine, within a period of 5 years. This implies that the annual net exports to capital ratio, be about 0.80. One exporter calculated that, this policy, if applied to his unit, would imply that he would have to raise his exports by three times the current value within a period of six months. Non-availability of the latest technology shows up in the unit value realisation too: countries in the Far East earn 50-70 per cent higher for the same volume of garment merchandise.

The problem in quality indicated here emerges from the non-availability of fabric too at appropriate prices. Industry sources say that 60-70 per cent of the major yarn counts used for garments are being exported. As such it is alleged that about a third of the 150 odd million kgs. of yarn produced in the country is not of export quality; and yet yarn export is unabated. Since December 1993 till March 1994, the price of yarn (of the 20s and 30s count range) rose by about 50-60 per cent, and of fabrics, by about 30-40 per cent (*Business Times*, March 24, 1994). With the export market being highly quality conscious and price elastic, the small producers are finding it hard to balance between quality and profit margins.

It was mentioned earlier that apparel producers are subject to MFA, due to which quotas are distributed to exporters. Prior to 1991, this was distributed according to volume and price, but later, with a view to attain maximum unit value out of every exported piece, a past performance entitlement (PPE) was stipulated. This requires that quotas would be given, based on the past performance (three to four years) of a company. The quotas would be valid for six months. They can be freely transferred by the quota holders. In principle the PPE policy is sound, but in practice, (a) there is an emergence of 'black market' for the quotas in which the relatively well established units sell portions of their quota to others; and (b) new entrants find no way to enter the market other than through the black market route.

There were a number of administrative difficulties too quoted, all of which raised the unit cost of manufacture. First, most exporters require advance licenses for import. These are issued in New Delhi, and it is expected that producers go to New Delhi for procuring these. Next, merchandise clearance at ports, and the involved paper work; take up to two months in the Bombay port compared to a few hours in, say, Singapore.

Lastly, the export subsidy, which they got earlier, has been withdrawn, as part of the IMF conditionalities.

In essence, the garment exporters said that these problems may not permit them to maintain their 20 plus per cent export growth, as in the recent years.

(d) Mini Cement Plants

The Indian cement industry is worth about Rs 40 billion (1990-91 figures). Most units are established at limestone pit heads, as typical to a weight losing industry. The process of manufacture entails mixing crushed limestone and clay in a rotatory kiln to obtain granular clinker, which is then powdered and refined to make portland cement. Nearly all manufacture takes place in large units of over one million tonnes capacity each per annum. The fuel used for fusion is coal and electric power.

Cement has also been manufactured by smaller units (up to 10,000 tonnes per year) using vertical shaft kilns in place of rotatory ones, which burn coke dust as fuel. This technology was conceived when it was found that steel plants generated a lot of coke dust as a by-product, which otherwise went waste. These (mini) plants are able to produce most grades of cement (e.g., 33, 45, and even 53) depending on the availability of raw materials. An interesting comparison between one large, and 100 small units established in a cluster, was presented by a small mill owner. The summary data are as below.

This table shows that for most grades of cement, small units have a fixed cost and energy advantage, and they provide more employment. Next, a vertical shaft kiln can be fabricated on the spot while a rotatory kiln requires manufacture in large factories. There are several such mini cement plants in operation in China.

One of the main problems in the recent years has been non-availability and high price of coke dust. This product, till recently a waste, was sold at Rs 200 per tonne in 1986 to the mini cement plants. By 1993, its price rose to Rs 1,500. Even at this price the material is difficult to obtain. The small units can match the prices of the larger manufacturers if the coke dust cost does not exceed Rs 500 per tonne (1993 prices). It needs mention that coal, which is used by the bigger factories, still sells at Rs 600 per tonne (up from Rs 150). Many mini cement operators have truncated their operations due to the price of coke dust: they now buy

clinker from the bigger factories, process it into cement, and sell it.

In early 1994 an excise duty of Rs 12 per (50 kg) bag was imposed on production from mini cement plants. This has further eroded the margins of these units. Several of them are shutting down. At another level, the mini plant operators said that in a weight losing industry like cement, if a number of units are located in a neighborhood, railways can effectively be used for transporting in limestone and transporting out cement on a cost effective basis. At present the plants are scattered at distant locations. As a result they are forced to use road transport which is three times more expensive than rail.

Lastly, in a market economy, the buyers – who in most cases are large distributors or users prefer to obtain uninterrupted supplies at minimum administrative cost. As in other cases, they prefer to negotiate with a single large unit (or be appointed agent of, as is the industry terminology) rather than be market agents for small firms. A similar argument applies to input supplies from limestone quarries. A mini plant owner stated that small firms did not require subsidies or protection; what they needed was innovative planning and implementation at the macro level.

(e) Rubber Products Manufacture

The rubber industry, which mainly caters to the tyre and tube requirements (up to 75 per cent), also has a fourth of it producing a range of items like fan belts, household appliances, surgical equipment, packings, etc. The tyre industry is fully in the large scale, but the latter are produced by both, small and larger units. There is some export of rubber products but it does not feature as a major foreign exchange earner.

Most natural rubber products face stiff competition from synthetics. The latter are cheaper and can be used with higher versatility. Till February 1994 there was some tax exemption enjoyed by the small and tiny manufacturers on inputs. Since then it has been withdrawn. In this context, a plea on behalf of 7,000 small and tiny rubber units, was published in a leading newspaper (*The Times of India*, April 4, 1994).

Three small manufacturers were interviewed. Their units make fan belts and some other accessories for automobiles. The owners said that small rubber units are not getting any market direction after 'level playing' with the larger units and international companies has been established.

	Large Unit (One Million Tonnes/Year)	100 Small Units of 10,000 Tonnes/Each
Capital cost	Rs 2-3 billion	Rs 1-1.25 billion
Employment	300	5,000
Nature of employment	High qualified	Mainly semi-skilled/low qualification
Energy use	125-135 units/tonne	90-100 units/tonne
Quality	All grades	Most grades

They also complained that competition from synthetics, and high taxes, have created an environment of uneconomic production. The only reason they survive is the 'gray market' production in parts of northern India (i.e., production for which taxes are not paid). They buy from there and sell in metropolitan cities. They have essentially become traders rather than manufacturers. Import of machines that process synthetic material was ruled out since such machines are not manufactured for small scale production. Small scale rubber manufacture, according to them, is a dying proposition under the present market conditions. These case studies reveal that the small producers are none too happy after the implementation of the SAP. While not all of their problems can be attributed to the said programme, some certainly can.

CONCLUDING OBSERVATIONS

The small scale sector, with its limited productivity and elementary technology, produces a substantial quantity of production and provides an even larger proportion of employment. The case studies data show that the units in this sector have uniformly been affected by the new policies on one count or the other.

The present policies are oblivious to the problems of small farmers and other primary sector producers, particularly in the semiarid regions. While high value added production for export from the already well endowed areas cannot be avoided, concerns of local food security are equally as vital for most other parts of the country. It has been established that marginal lands and small farmers can be viable economic propositions in the presence of infrastructural facilities, appropriate technologies and suitable social organisation [ILEIA 1992]. There is need for a great deal of effort to set up all these. The same argument applies to other primary sectors.

Arguments relating to natural products such as fish are more complex since there is an added dimension of ecological degradation. The case for state intervention is much larger here. The problems of small producers in the artisan and small industries sectors relate to markets (of both factors and products), technology access, credit and quality manpower. These problems are endemic because the big and the small will always be unequal in the market as long as they compete. Forms of complementarity will therefore have to be envisaged if the small scale sector is to survive. A few pertinent elements are stated here:

(1) The place of some small industries as ancillaries can be ascertained through technological strengthening. The problem of access to and assimilation of newer technologies can perhaps be approached by institutional arrangements on the one hand and infrastructural development on the other.

(2) Next, within the modern industrial system in most industrialised countries, small enterprises are extensively engaged in the services sector. In India there are far too many small units manufacturing products which are in competition with large scale production. Some of them need transition to the services sector. It is a recognised fact that most services can effectively be delivered by the small operators.

(3) Lastly, the credit and finance institutions, other things given equal, can afford not to have dual policies for small and large sectors.

SAP has been successful in countries which have had flexibility for change: like developed infrastructure, substantial human endowment, ready access to technology, food security, etc (eg. South Korea, Australia). It follows that small producers can be partners if the conditions for economic flexibility are achieved and level playing conditions established.

Notes

[A larger version of this paper was presented at an ITDG seminar held in Colombo in June 1994. The authors would like to thank the ITDG for financial assistance. Co-operation extended by different small industry associations and individual producers was most helpful. J Kurian, S Joglekar and S Narwade, helped in the preparation of this paper in different capacities.]

- 1 Most case studies here are done on an *ad hoc* basis. For example, no sampling exercises, etc., have been under taken. Effort has however been made to keep a broad, sector specific representation
- 2 The modern biotechnology products promote mono-cropping, as well as high resource intensity. The ecological impact of these could be quite high, according to some experts.
- 3 My conversation with Radhakrishna (Hyderabad) and Shanthi (Madras), have been very useful in this context.
- 4 Informed sources say that such a situation prevails in many irrigation projects in the country
- 5 In a recent event, a sericulture project, meant for the weaker sections of the society in the rural areas, was refused funding by banks on the grounds that poverty schemes were on low priority, even though this project was a sound bankable proposition. The first author of this paper was involved with project.
- 6 We are grateful to John Kurien and M Devraj for introducing to us the different facets of the fish economy in India. This section liberally draws upon Kurien (1993).
- 7 Till recently, when the licensing system was still prevalent, permission to expand production beyond a size was not given to the large scale sector. The units, in turn, did not find it economically feasible to expand marketing beyond the urban areas when their production base was limited.
- 8 All the data in this section are drawn from, business journals, official sources, and case respondents.
- 9 Cottage soaps are manufactured in both, rural and urban areas. Not all units come under the

VI sector. The production and employment figures given earlier may include only a part of the total data pertaining to cottage soap.
10 The London-based 'Economist' (April 9-15, 1994) too voices the excise duty irritant for the small computer producers in India (see pg 77).

References

- Acharya, S (1993) 'Some Aspects of Indian Agriculture', Institute of Social Studies, The Hague
- Annabhajula, J C B (1993): 'Electronic Reorganisation of Manufacturing: A New Techno-Economic Paradigm', *Economic and Political Weekly*, Vol XXVIII, No 22.
- Banerjee, A (1993): 'Impact of New Economic Policy on Agricultural Labour', *Indian Journal of Agricultural Economics*, Vol XLVIII, No 3.
- CLRI (Center Leather Research Institute) (1990). 'Report on Capacity Utilisation and Scope for Modernisation of Indian Tanning Industry', Madras
- CMIE (Center for Monitoring Indian Economy) (1993): *Basic Statistics Relating to Indian Economy*, Bombay
- Chatterjee, S and R Mohan (1993) 'India's Garment Exports', *Economic and Political Weekly*, Vol XXVIII, No 35
- EPW (*Economic and Political Weekly*) (1994): 'Three Years of Economic Reforms in India', EPW Research Foundation, Bombay
- GOI (Government of India) (1994) 'Economic Survey', Ministry of Finance, New Delhi.
- Gulati, A (1989). 'Input Subsidies in Indian Agriculture: State Wise Analysis', *Economic and Political Weekly*, Vol XXIV, No 5
- ILEIA (Information Center for Low External Input Agriculture) (1992): 'Farming for the Future', Leusden (The Netherlands).
- Kumar, A (1993): 'New Economic Policies, An Assessment', *Economic and Political Weekly*, Vol XXVIII, No 50
- Kurien, J (1993): 'Marine Fishery Economy in India', Tata Institute of Social Sciences (Papers of the Doctoral Programme), Bombay.
- KVIC (Khadi and Village Industries Commission) (1993): *Annual Report*, Bombay
- Mundle, S (1992): 'Employment Effects of Stabilisation and Related Policy in India, 1991-92 to 1993-94', ILO-ARTEP, New Delhi.
- NCRL (National Commission on Rural Labour) (1990): *Report of the National Seminar*, February.
- Sandesara, J C (1991): 'New Small Enterprise Policy: Implications and Policy', *Economic and Political Weekly*, October 19.
- Singh, K (1993): 'Marine Fishermen Cooperatives in Kerala', Working Paper No 40, IRMA, Anand.
- Singh, R R (1994): 'Khadi and Village Industry and Rural Industrialisation' in D K Das (ed), *Dynamics of Rural Development*, Deep and Deep, New Delhi.
- TISS (Tata Institute of Social Sciences) (1993): *The Sardar Sarovar Project: Experiences with Rehabilitation and Resettlement*, Bombay.
- Unni, G (1994): *Employment Security in the Context of Structural Adjustment and NEP in India*, GIAP, Ahmedabad.
- Vyas, V S (1993): 'The New Economic Policy and Vulnerable Sections', *Economic and Political Weekly*, Vol XXVIII, No 10.

Bureaucratisation, Corruption and Depoliticisation

Changing Profile of Credit Co-operatives in Rural Haryana

Surinder S Jodhka

Based on a field-study of three villages and three primary agricultural credit societies (PACS) from an agriculturally developed district of Haryana, the article argues that the green revolution technology and the introduction of a new organisational structure in 1976 have brought about significant changes in the working of credit co-operatives. Greater bureaucratisation has led to marginalisation of the elected body in the functioning of the co-operative and has led to the alienation of its members.

UNLIKE other aspects of agrarian processes, literature on primary agricultural credit societies (PACS) is, surprisingly, marked by a near absence of debates and differences among the students of the Indian agrarian scene. Ranging from official reports to the formulations of radical scholars, there is a near unanimity in the literature on the subject to link the functioning of PACS to the prevailing structures of landholdings and power relations in the rural society.¹ Formulated in the 1950s and 1960s, the main argument of this thesis has been the successful manipulation of PACS by the traditionally dominant sections of the village. This helped them to reproduce their dominance in the rural society. It also meant that the small and marginal landowners continued to depend on the informal sources of credit making it difficult for them to adopt new technology or benefit from developmental programmes. Consequently, the PACS, rather than bridging the gaps, have in fact widened the differences between the rich and the poor in the rural society.

This thesis has been best summarised by Ronald J. Herring:

The prevailing system of land tenures tends to be reproduced as a hierarchy of differential rights to institutional credit, after preserving the very distinctions which were the core of the "traditional" agrarian system.

the flow of credit tends to follow the lines of power in the village in the case of primary societies, power in the village typically is a mirror image of the land tenure system.

In summary: (1) tenants are less likely than owners to be members of co-operatives; (2) small owners are less likely than large owners to be members; (3) small holders in co-operatives are less likely to receive loans and the co-operatives meet a smaller percentage of their total credit needs compared to large owners (1977: 121-132 emphasis added).

Similarly, on the basis of his extensive fieldwork in different parts of the country, Daniel Thorner concluded:

... there is nothing in the record of co-operatives to suggest that it is the interest of the weak that will prevail ... the evidence suggests that the structure of village power

has imposed, and will continue to impose its own pattern on the co-operatives (1964).

Though a lot has changed in Indian agriculture since Thorner's fieldwork, there has been very little change in the prevailing understanding of PACS. This can perhaps be attributed to what Pandey, in one of his recent articles on the subject, has described as "ahistoric approach" and the "compartmentalised manner" of understanding various aspects of agrarian transformation [Pandey 1994: 863]. As he rightly argues, we need to understand the working of PACS in relation to the changes experienced in the related spheres of agrarian structure, specifically the successes and/or failures of land reforms and the green revolution technology.

Based on an intensive field-study of three villages and the three PACS selected from an agriculturally developed district of Haryana, the article argues that the success of the green revolution technology and the introduction of a new organisational structure of the PACS have led to significant changes in the working of credit co-operatives.

The green revolution technology helped the big, and the very big farmers to generate sizeable surplus. They no more depended on PACS for short-term crop loans. Their surplus took care of the short-term requirements. They also had substantial bank accounts or standing with 'arhtias' (commission agents in the grain markets) and invested part of the surplus in non-agricultural activities. For capital investment, such as buying a tractor, they approached the commercial banks for long-term loans.

Simultaneous bureaucratisation of the PACS in the mid-1970s shifted the *de facto* power from the managing committee and the elected president to the secretary, an official appointed by district co-operative banks. The office of the president no longer offered a source of power and patronage.

These developments have led to (i) a withdrawal of the dominant interests from the working of PACS leading to a near complete 'depoliticisation' of the institution, (ii) the depoliticisation has transformed the institution into a "typical corrupt organisation of the state government"; and (iii) the PACS

have gradually become a source of credit for middle and small farmers and some 'non-agriculturalist' members.

PACS IN SIXTY VILLAGES

Generally, one PACS covers two to four villages. The PACS' office is located in one of these villages, — often in a comparatively bigger village. Out of the three villages studied, PACS' officers were located within the premises of the village I and II while the village III was attached to a PACS which had its office in a nearby village. All the three PACS were formed in the early 1950s² with the initiative of the big and the medium landowners. While the medium farmers were interested in cheap credit, the big landowners had an eye on the membership of the managing committee and the post of president as a source of influence and power. In some cases, school teachers and shop keepers were also among the founding members of the credit societies.

The elected president and the managing committee appointed a secretary and a salesperson from amongst the members. The president would generally be a big landowner while the secretary and the salesperson would be a medium or a small landowner. The PACS' office would be located in the house of the president or the secretary.

On the recommendation of the RBI the state government introduced a new scheme under which the PACS were brought under direct control of the central co-operative bank. This entailed a formalised set of guidelines regarding the fixing of credit limits and appointment of a secretary to take care of the day-to-day functioning of the society. This new 'caretaker' of the PACS was an outsider, a regular employee of the central co-operative bank who was supposed to work as per the guidelines received from his employer. He kept all the accounts and co-ordinated with the district co-operative bank. The PACS office also got shifted from the house of the president to a different site. The managing committee though elected every three years, no longer had a direct control over the secretary and was denied any financial powers.

The PACS advanced two types of loans – crop loans to the farmers and consumption loans to the 'non-agriculturist members'.⁴ The maximum limit of consumption loans was Rs 1,000 for labourers and Rs 2,000 for rural artisans and petty-shopkeepers. The upper limit for crop loans was fixed on the basis of the size of the landholding of a farmer and was Rs 10,000 for the small farmers and Rs 20,000 for the big farmers.⁵ The consumption loans were made available in cash, but in case of crop loans, half of it was in cash, while the other half was in kind – i.e., fertilisers, seeds, etc. These loans were advanced for a period of six months and differential interest rates were charged on different categories of loans.⁶ Money could also be deposited with the PACS but very few members ventured to do so.

Among the three villages studied, the credit society of village II was most popular since farmers belonging to various strata were its active members. This society was also one of the most successful societies in the district. The PACS of village I and village III were more typical of the "societies" in the region, the PACS of village III being the most unpopular.

WHO BORROWS FROM PACS

The conventional view that co-operative credit is a monopoly of the rich and the dominant of a village had hardly any validity in the villages studied. As per the official information, a majority of the active members in the three PACS were the non-agriculturists (57.21 per cent) and the small farmers (26.47 per cent). The big farmers, owning more than seven acres of land, constituted 16.31 per cent. Significantly many members of the PACS (42.3 per cent) had dead accounts. The number of functioning accounts was as low as 44.4 per cent in the PACS III and was 65.4 and 59.6 in PACS I and PACS II respectively. In case of active members, the proportion of non-agriculturists was highest in PACS I (66.7 per cent) and was 52.3 per cent and 50 per cent in PACS II and PACS III respectively. In PACS II and PACS III 21 per cent and 17.5 per cent of big farmers were active while only 13 per cent of them were active in PACS I.

The pattern was slightly different among the respondents of the three selected villages. Out of 185 respondents, 92 respondents (49.7 per cent) were members of PACS yet only 69 respondents (37.3 per cent) were active borrowers. Table 2 shows that farmers owning land up to 25 acres were the most active borrowers. Interestingly, contrary to the official figures, few landless labourers (labelled 'non-agriculturists' by the PACS) borrowed from PACS. Thus, majority of 'non-agriculturist' borrowers must be rural artisans or other occupational groups.

On the other hand, few very big farmers were active members of PACS. They rarely needed institutional loans for financing crops. Of 22 interviewed 14 reported that they have

surplus ample enough to disperse with the agricultural credit. Most of them belonged to village II and joined the PACS to participate in the elections of the managing committee. This was also true of big farmers. Des Raj owning 20 acres of land from village II joined PACS in 1980 so as to vote in the elections of the managing committee. He is entitled to borrow up to Rs 10,000 but in past eight years, has borrowed only once. Devi Lal, the leader of Lok Dal, during his election campaign in 1986 promised waiving of all institutional loans on getting elected to power. So Des Raj borrowed hoping that there would be no need to return the amount. Incidentally, his loan was not waived and he had to repay it, Sham Lal owning 55 acres from the same village was borrowing avidly, not for short-term requirements but for investing in land.

Moreover, for the big farmers borrowing from PACS was 'status-degrading'. The secretary of PACS III had this to say on the issue:

... big farmers in these villages do not need credit. They also feel that borrowing from the credit society would damage their prestige in the village. Everyone in the village gets to know when someone borrows from the society. And for a Chaudhury to be indebted to PACS is an insult. They would not mind borrowing from a bank or from an arhtia but being indebted to PACS is as bad as mortgaging one's land to a moneylender. These values are particularly strong among the big landowning Jats and Rors.⁷

However, the secretary claimed of having succeeded in the last four years in motivating few big farmers to join the PACS. This he was able to achieve because being a jat himself, he could easily befriend them. The big farmers who borrowed from PACS, instead of using the credit, lent the amount to labourers at a monthly interest rate of two to three per cent. Besides generating additional returns, this assured them of the labour supply during the peak seasons.⁸

REASONS FOR NOT BORROWING FROM PACS

An important observation on the basis of the field data is that many respondents were no longer members of PACS nor did they

borrow from them. Though farmers owning up to 25 acres were members of PACS to a large extent, around half of them were inactive. The most significant factor behind this development was the bureaucratisation of the PACS and the prevailing corruption in them (see Table 3). Charges of corruption were reported more frequently from village I and village III. Respondents of village II did not complain about corruption. Also, the village has a better record of participation in the functioning of the PACS. Thus, it can be concluded that there is an inverse relationship between corruption and participation.

The secretary's office became pivotal with the introduction of the new organisational structure in 1976. The managing committee lost control over the day-to-day functioning of the credit society with the secretary appropriating all the power. All complaints of corruption in PACS were against the secretaries and none against the managing committee or the president. Whenever the members borrow from the PACS they have to pay a bribe of Rs 10 to Rs 50 to the secretary. If the borrower refuses the bribe, the secretary delays the loan and creates other bureaucratic hassles. The secretaries take advantage of the creditors' inability to repay the loan in time. In such cases, he charges his "fee" and re-issues the loan without actually having received it. For a person who has to pay a monthly interest of two to four per cent in the informal credit market, payment of bribe was not an "uneconomic" proposition. Over period of time paying bribe becomes a routine. The secretary asks for his fee even when the loan has been re-paid in time.

This practice created apprehensions among the villagers. Lekha Gujjar, holding four acres from village I, was an active member of the PACS two years ago. Frequent cases of corruption and the demands for bribe made him apprehensive of the society and he stopped borrowing altogether. He prefers informal sources of credit. In his own words:

The society is very useful, especially for a small farmer. But I have stopped borrowing because the present secretary is a cheat. One

TABLE 1 MEMBERSHIP OF PACS (COMBINED)*

PACS	Active Members				
	Non-Agriculturists	Small Farmers (Less than 7 Acres)	Big Farmers (More than 7 Acres)	Total Active Members	Non-Active Members
PACS I	250 (66.7)	76 (20.3)	49 (13.0)	375 (100.0)	195
PACS II	225 (52.3)	115 (26.7)	90 (21.0)	430 (100.0)	292
PACS III	100 (50.0)	65 (32.5)	35 (17.5)	200 (100.0)	250
Total	575 (57.21)	266 (26.47)	164 (16.31)	1005 (100.0)	737

Note: * As in October 1988.

Source: Information provided by the secretaries of the three PACS.

cannot trust him. If I borrow, he may manipulate my account. Being an illiterate, I am scared to take the risk. It is better to borrow on higher interest rate than to land up in a serious problem.

Another farmer, owning 14 acres, stopped borrowing six years back. He stated:

I no more borrow from the society. I have had a very bad experience. When I was an active member the then secretary withdrew money on my name by forging my signatures. When I came to know about it I was annoyed. The present secretary is also corrupt. It is better to keep away from the society. Their loans are of no use to us.

Some respondents had to waste four to five days in getting a loan from the PACS. There are too many formalities and if one has to bribe the secretary, the whole process becomes as costly as informal credit. What Hunter wrote about co-operatives seems to apply quite well to the PACS I and PACS III. To quote him:

In a corrupt society corruption will use any channel which comes to hand, and co-operatives are no more (though no less) condemned by this than any other social institution. Co-operatives are treated as another branch of bureaucracy. The secretaryship is just another job with opportunities for gain (1969, 156-157).

PACS are unanimously perceived as a state government institution. Many respondents did not borrow from PACS because they did not want to get involved with any 'official agency'. Small and marginal farmers expressed apprehensions that if they were unable to repay the loan in time, they would be arrested by the police or their land would be confiscated. Some feared losing their creditworthiness on joining the PACS. The villagers prefer their indebtedness to remain a secret. However, this is not possible. Some find it insulting that the secretary, in presence of other villagers, should ask them to return the loan. This damaged their prestige and discouraged them from borrowing again. A marginal farmer with two acres from village III said:

Society loans are not good for a poor man. A small farmer always lives in uncertainties. If one cannot pay back the loan in time, the secretary humiliates the person in presence of other villagers and relatives. One loses one's status. Only a rich man who has money in his pocket can afford to borrow from society and banks. Even a bania is better than the society.

Similar views were expressed by others. 'Status' worried the small and the medium farmers belonging to the local dominant castes much more than those from the lower castes.

UTILISATION AND DEFAULTS

Utilisation pattern and defaults are directly related to the questions, such as, who borrows from the PACS?, how does

the institution interact with the local power structure?, for what kind of needs do the members borrow? With bureaucratisation, patterns of utilisation and default also have undergone significant changes. A large majority of the respondents who borrow from PACS, expend 'rationally'. Most farmers (80 per cent) spend the credit on the crop for which the loan is borrowed. Some spend a part of it on consumption. In most cases farmers avoided borrowing fertiliser bags or seeds from the PACS. They purchased them at a slightly cheaper rate from the nearby towns. However, in cases where a small or medium farmer was unable to mobilise cash from informal source he procures fertiliser bags from the society, sells them at a slightly cheaper rate to some other farmer and uses the cash for his urgent requirement. But, by and large, the 'in-kind' loans were not popular amongst the members. Similarly, of 18 agricultural labourers, 15 use the loan primarily for consumption purposes.

The change in social composition of active members, the bureaucratisation of the institution and the proper utilisation of the PACS loans has resulted in a significant decline in default. Though there are many dead accounts – mostly because of default – those who are currently active did not default very often. Most of the dead accounts were dead even before the new organisational structure came into existence in 1976. There are some cases of 'wilful default' but most of these are of a contingent nature rather than reflective of any trend. The recovery rate of PACS II, as reported on June 30, 1988, was 83 per cent and of PACS I and PACS III

was 80 and 85 per cent respectively." Defaults were mostly due to genuine economic compulsions. There were many cases of wilful default during the year of the field work but these were yet to be declared as default cases. These defaults were a consequence of the election promise of Devi Lal.¹⁰

LOCAL POWER STRUCTURE AND FUNCTIONING OF PACS

As mentioned earlier, literature on PACS has repeatedly stressed the vulnerability of PACS to the local power structure. Instead of empowering the weak and the dependent, PACS credit a monopoly of the rich and the powerful, helping them further consolidate their dominant economic status in the rural society. The PACS in the selected villages did not function on these lines. Neither the villagers nor the dominant rich farmers saw PACS as a useful source of power and patronage. There are two reasons for the withdrawal of the dominant rich farmers from the institution. First, the bureaucratisation of the credit system after 1976 made the secretary, paramount in the functioning of the society. This marginalised the role of the elected managing committee and the president in the day-to-day activities of the PACS. Secondly after the green revolution, the big farmers have enough surplus to take care of their consumption needs and short-term cash requirements for crops. Badloo Gujjar, owning 50 acres, was a president of the PACS I during the late 1970s. However, he realised that the president's post did not profit him in anyway. The only task he performed was to visit a nearby town to attend meetings. He states:

TABLE 2 CATEGORYWISE PACS MEMBERSHIP OF RESPONDENTS

Category	Active Members	Passive Members	Non-Members	Total
Agricultural labourers	18 (24)	2 (2.7)	55 (73.3)	75 (100)
Small and marginal farmers (up to 5 acres)	17 (48.6)	8 (22.9)	10 (28.8)	35 (100)
Middle farmers (5-10 acres)	12 (50)	1 (4.2)	11 (45.8)	24 (100)
Big farmers (10-25 acres)	15 (51.8)	9 (31)	5 (17.2)	29 (100)
Very big farmers (25+ acres)	7 (31.8)	3 (13.6)	12 (54.5)	22 (100)
Total	69 (37.3)	23 (12.4)	91 (49.19)	185 (100)

Note: Figures in parentheses are percentages.

TABLE 3 CATEGORYWISE REASON STATED BY RESPONDENT (NON-MEMBERS AND INACTIVE MEMBERS) FOR NOT AVAILING PACS LOANS

Category	Do Not Need PACS Credit	Bureaucratic and Corrupt	Afraid of Official Credit	Not Aware	NA	Total
Agricultural labourers	0	19	12	26	18	75
Small and marginal farmers	1	9	5	3	17	35
Middle farmers	2	5	3	2	12	24
Big farmers	5	9	0	0	15	29
Very big farmers	14	1	0	0	7	22
Total	22	43	20	31	69	185

for attending a meeting in the tehsil headquarter they paid me five rupees. A visit to the town takes a whole day. Even a labourer gets more than five rupees for a day's labour. Becoming president was of no use to me.

After completing his term, Badloo Gujjar never again contested the post. The current president of PACS I, Jagtar Singh, owns seven acres of land and has no tractor. He is neither popular nor a powerful member but since there are no contestants for the post, he is occupying it for past three terms. When asked about the powers he enjoys and how far his position is comparable with that of the village sarpanch, he replied

A president of a co-operative society is not a very influential person. Compared to the village sarpanch, he is nothing. Earlier, when the financial powers were with the managing committee, the president had some say. Now the central co-operative bank controls everything. The members have an account in the central co-operative bank and they get a passbook in which they have their photograph. They do not need us for getting loans anymore. The managing committee is only a formal body now.

The big and very big farmers have participated more in the PACS II than the other two societies. Many among them are active members and there have been fierce contests for elections to the managing committee. The farmers aimed for membership of the 'block samiti' via the managing committee which offered status or 'chanda' in the village. Jamal Singh, owning ten acres, was recently elected to the managing committee and was hopeful of being chosen for the post of the president. He was member of the PACS since 1970. He could borrow up to Rs 10,000 but in recent past he has not borrowed anything. He has enough savings which he has deposited in a commercial bank. In fact he himself lends money to other villagers. He was clear about his motive for contesting for the post.

As such the managing committee has a very limited role to play in everyday functioning of PACS. But being a president offers some respectability in the village.

PACS III appeared completely free from village politics. The big farmers did not consider it a source of power or status. There have been no elections for the managing committees of PACS I and PACS III for past ten years. The president of the PACS III, Darya Ram, a small farmer owning four acres, sees presidentship making no significant difference to his social position in the village.

The respondents, including active members from lower classes/castes, mentioned the state government or the secretary as the controlling authority of PACS. Some did not even know who the president was. None of the members opined that the society was controlled by big farmers

or that it belonged to the members. Thorner's observation made in early 1960s about the attitude of villagers towards PACS in the region appears valid even today. He wrote:

... there seemed to be little 'co-operative spirit' in the villages we visited. To the ordinary small peasant and bataidar the co-operative was simply a 'village bank' from which he could get a quite modest loan provided he subscribed to a share. (1964: 111)

CONCLUDING REMARKS

If PACS are to function as a developmental state-supported participatory institution by providing cheap credit and thus becoming an alternative to informal sources of credit which are economically and socially costly in reproducing relations of dependence, the least one can say is that the PACS have only marginally achieved this objective. Though there has been a near-complete transformation of the rural credit market and most of the ex-bania moneylenders have moved out of the villages into urban occupations, the PACS have hardly played any significant role in this process. Nor have the PACS become an alternative source of credit for the farmers and the labourers. Nearly 64 per cent of those interviewed were not even active members of the local PACS. A majority of small/marginal and medium farmers, who need credit for investment in crops, did not see the PACS as a viable alternative to informal sources such as arhtias.

The obvious reason for this is an absence of any kind of co-operative movement from below. PACS do not function as participatory co-operative institutions. Their image is more of a small-scale commercial bank (or the mini banks as some of the respondents called them). The new system did weaken the control the rich and the powerful in the village had on the institution but it also alienated the rest. Bureaucratisation not only led to depoliticisation and corruption but also discouraged participation of those it was supposed to serve.

Notes

1. For example, see RBI Reports, 1954, 1969, Thorner, 1964, Hunter, 1969, Frankel, 1971, Herring, 1977; Nilkant and Das, 1979, Roth, 1983, Oommen, 1984, Joshi, 1985.
2. This paper is a part of a broader study of agrarian change and debt dependencies in Haryana agriculture. Field work for the study was conducted in three medium size villages of an agriculturally developed district (Karnal) of Haryana. The field work was carried out during 1988-89 over a period of six months. Apart from observations and interviews with various people, 185 case studies of farmers and labourers representing different categories were conducted (see Jodhka 1990).
3. The PACS I was registered in 1953 and the PACS II and PACS III started in 1952.
4. For PACS 'non-agriculturists' are those villagers who do not own and cultivate land. The category includes landless labourers, petty-shopkeepers and village artisans.

5. A cultivating farmer who owned up to seven acres of land was considered a 'small farmer' and those owning more than seven acres were considered 'big farmers'.
6. For a loan up to Rs 5,000, the interest charged was 11.5 per cent. For loans between Rs 5,000 and Rs 10,000, it was 12.5 per cent and on the loans above Rs 10,000 the interest was 13 per cent. The interest rate for consumption loans was higher (15 per cent).
7. Jats and Rors are the local landowning dominant castes. In village II and village III almost all the big landowners came from these categories.
8. For debt dependencies of agricultural labourers, see Jodhka, 1994.
9. Information provided by the three secretaries of the PACS. This is particularly significant in light of the fact that the recovery of the agricultural loans advanced by commercial banks was as low as 42 to 45 per cent.
10. After Devi Lal came to power, some loans were waived but only those ones which were taken before March 23, 1986, were not 'dead loans' ('non-defaulting members') and the money was still outstanding on June 30, 1987. A principal amount of Rs 37,000 and interest worth Rs 14,000 was waived in the PACS II. Out of this, an amount of Rs 2,800 was principal amount of non-agriculturists and rest was that of the farmers. In PACS III, Rs 12,700 of principal amount and Rs 6,000 of the interest was waived. Only one non-agriculturist benefited. His outstanding loan of Rs 500 was waived. In case of the PACS I, Rs 15,600 and Rs 8,500 was written off.

References

- Frankel, F (1971) *India's Green Revolution: Economic Gains and Political Costs*, Princeton University Press, Princeton.
- Herring, R (1977) 'Land Tenure and Credit Capital Tenure in Contemporary India' in R E Frykenberg (ed), *Land Tenure and Peasants in South Asia*, Manohar, New Delhi.
- Hunter, G (1969) *Modernising Peasant Societies: A Comparative Study in Asia and Africa*, Oxford University Press, London.
- Jodhka, S S (1990) *Development and Debt: A Sociological Study of the Changing Credit Relations in Haryana Agriculture*, Unpublished PhD thesis, Punjab University, Chandigarh.
- (1994) 'Agrarian Changes and Attached Labour: Emerging Patterns in Haryana Agriculture', *Economic and Political Weekly*, Vol XXIX, No 3 (Review of Agriculture).
- Joshi, P L (1985) *Institutional Finance in India*, New Delhi.
- Nilkant, V and A N Das (1979), 'Subversion of a Co-operative Institute - Case Study from Purnia' in A Nilkant and A N Das (eds), *Agrarian Relations in India*, Manohar, New Delhi.
- Oommen, T K (1984) *Social Transformation in Rural India*, Vikas, Delhi.
- Pandey, V N (1994), 'Agrarian Transformation and Co-operatives: Continuity and Change', *Economic and Political Weekly*, April 9.
- Reserve Bank of India (1954) *All India Rural Credit Survey*, RBI, Bombay.
- (1969) *Report of the All India Rural Credit Review Committee*, RBI, Bombay.
- Roth, HD (1983) *Indian Moneylenders at Work*, Manohar, New Delhi.
- Thorner, D (1964) *Agricultural Co-operative in India*, Asia, Bombay.

Democracy and the Fight against Communalism

K Balagopal

THIS is a belated response to Sumanta Banerjee's 'Sangh Parivar and Democratic Rights' (*EPW*, August 21, 1993). Belated, but certainly not too late, for the issue he has raised is one that we are living with, and will continue to live with for a long time to come. And the attitudes he adopts are part of the legacy of the left that needs to be critically re-thought.

Banerjee's suggestion that the left and secular forces should be prepared to take on the Hindutva forces physically cannot be faulted, if by that he means that they should be prepared to face force with force in defence of the existence and the rights of the Muslims or other likely targets of the Hindu communalists, such as for instance the dalit communities. If this is all he means, his complaint that the secular forces are hesitant to take the plunge and are seeking tame refuge in issuing pamphlets and holding seminars is a valid complaint too. Though one is sure he does not object to the issuing of pamphlets and the holding of seminars as such.

But Banerjee's complaint and argument do not stop there. Alleging fairly enough that "the left parties have betrayed an unwillingness to engage unhesitatingly in confronting the politico-religious configuration of Hindutva and throw the power of their organised working class base behind such a confrontation", and citing the example of the heroic or tragic efforts of the German and Italian communists of the 1930s, he adds that the left parties justify their merita by chanting the old principle ("now reduced to an almost anachronistic mantra") that "communalism should be fought ideologically and politically, instead of by administrative measures". Let us ignore for a moment whether the organised or other working class is itself interested in being 'thrown' into the confrontation with communalism (for it is always assumed that the working class is ready for all such progressive tasks, and only the leadership is at fault). What is striking in his argument is that he begins with the working class as the possible but neglected battering ram against communalism, and ends with 'administrative measures' as the force needlessly despised by the left. This is not an isolated slip in his argument. Throughout his argument against 'democratic tolerance' towards the Hindu communalists, Sumanta Banerjee is quite ambiguous on the question: whose tolerance is he talking about? That of the democratic forces, or that of the institutions of the Indian state and the political process called the government of

India? It is precisely because Sumanta Banerjee, given his long involvement in civil rights work, cannot be accused of a light-hearted attitude towards democracy and democratic rights, that this ambiguity needs to be discussed.

The Sangh parivar does not believe in democracy, nor in the democratic values expressed in the Indian Constitution. The more it grows, the more it will destroy those values. And so to show the Sangh parivar democratic tolerance is to wantonly destroy democracy. The preservation of democracy and the protection of the lives of the thousands of individuals who are likely to be sacrificed for the rise of the parivar are much more important than the democratic rights of the unholy parivar. This is the crux of Banerjee's argument.

THE DILEMMA

There is no denying that there is a dilemma here. But let us look at all that is involved here - all the elements of the dilemma - before we come to a conclusion. The denial of democratic rights such as for instance the rights of free speech and assembly to any individual or group in society does not only destroy the chances of that individual or group to grow and dominate society. It simultaneously destroys the values expressed by the rights denied, and the institutions responsible for guaranteeing those rights. These values and institutions may be termed 'bourgeois' (I am not imputing this terminology to Sumanta Banerjee) if their historical origin and philosophical expression is traced to the anti-feudal democratic revolutions of Europe which resulted in the domination of capital over society. For the reason of that historical origin the specific meaning and institutional form of the rights do also carry bourgeois limitations. Nevertheless each such right expresses a value that is as much a lasting resource of human civilisation as the steam engine that Marx was immensely impressed by, and each of the institutions evolved by bourgeois society for the implementation of the rights (a professional and independent judiciary, for instance) embodies principles that need to be carried forward while the structural and conceptual limitations of the institutions (such as the equation of total alienation from society with judicial impartiality) are criticised and overcome. Every contemporary civil liberties struggle must strive and does strive not only to protect a given right in a given context (the right of a prisoner against torture, or of slum-dwellers against eviction)

but also the democratic values and institutional principles relating to that right, while critically overcoming the bourgeois expression of the notions and forms in which the principles are embodied, and the institutions in which their realisation is enshrined. This is a complex task that can never be reduced to a black and white 'class character' of rights (such as that bourgeois democracy is honeyed poison, with accent on the poison, or that it is more of a poison because it is honeyed, with accent on the honey), though the class character does enter the definition, conceptualisation and institutionalisation of the rights.

This preface is not intended to imply that Sumanta Banerjee has expressed himself in these terms, it is however necessary to state these ideas in black and white to realise the full implication of Banerjee's argument. He recognises the crudeness of these implications when he posits an argument his critics may offer, if the police are allowed to behave unlawfully with the Sangh parivar they are likely to behave in the same fashion with others. He does not really answer this argument, probably because he does not regard it worthwhile to do so. Yet, one only has to listen to complaints about police misbehaviour in post-Gill Punjab to realise how serious the consequences of wilful erosion of legality in police behaviour can be. (We had a taste of it when some companies of commandos from Punjab were posted in Karimnagar to thwart the Peoples War's bid to forcefully obstruct the election process: the commandos struck terror among women by behaving like privileged studs in heat.) In Andhra Pradesh, policemen who have done a stint in the naxalite affected areas are taking to such lawless behaviour wherever they are posted in the state that the 'public opinion' that condoned police excesses in Telangana because it felt the naxalites did not deserve democratic rights is now rueing its attitude.

But this is only the crudest, and therefore the most easily recognised, implication of his argument. For instance, he also criticises the judiciary for allowing 'democratic space' to the Sangh parivar by merely doing its duty as understood by the judges concerned: for striking down the ban order on a BJP rally in Calcutta, for ordering the Orissa administration to reopen the locked VHP office; for striking down the ban on the RSS and the Bajrang Dal; and for allowing the installation of Ramlalla idols at the site of the demolished masjid. Some of these orders of the courts can be faulted for a lack of judicial impartiality in interpreting facts and the law. Such a criticism is even politically very necessary for it points to the growth of a shamelessly pro-Hindutva outlook in the judiciary and the administration, to the detriment of the values of secularism and the evenhanded interpretation of law. But

such is not Sumanta Banerjee's criticism. He is against the granting of 'democratic space' to the Sangh parivar by the courts irrespective of how judicially correct the orders are. His argument is that because the Sangh parivar is a fascist force, it should not be allowed any democratic space by the courts, quite irrespective of the legal merits of the case. How much harm this can do to the Sangh parivar one does not know, but it will certainly do immense harm to the courts as an institution of democracy – of bourgeois democracy, yes, but as we have said above, that is not an uncomplicated description.

When we move from the judiciary to the armed executive, the plea for greater intolerance towards the fascists becomes positively dangerous. Sumanta Banerjee is allowed to lay down – and legitimise in the name of democratic rights – the principle that fascists do not deserve democracy. But he will not be the one to determine who the fascists are when the time of determination comes. He is careful enough to argue that his contention will not apply (if he can help it) to the naxalites and other radical forces, who too indulge in unconstitutional acts, because their goal is the constitutional goal of socialism, and the democratic goal of upliftment of the oppressed. This is both irrelevant and arguable. It is irrelevant because once 'the left, the liberal intellectuals and the human rights groups' endorse the view that the Indian state need not extend democratic tolerance to fascists because such tolerance will result in the growth of fascism and the throttling of democracy, they are not going to be consulted about whom the Indian state will define as fascists. In his rhetoric, Sumanta Banerjee has already included the 'Punjab and Kashmir terrorists' in the list of the damned with whom the Hindu communalists are to be treated on par and denied democratic rights. Though his prose leaves room for the unhappy supposition that in his view democratic rights groups should only oppose the torture and killing of 'non-involved persons' by the security forces in situations such as Punjab and Kashmir and not of persons who are actually involved in the militancy, I will take it that he intends it only as a rhetorical statement: when the Punjab and Kashmir militants are denied rights on the ground that their arms are unconstitutional and their politics communal, why should not the same apply to the Sangh parivar? The Indian state will be only too glad to use the licence Sumanta Banerjee offers in reverse. Not only the Punjab and Kashmir militants but also the Naga, Mizo and other north-east militants too have arms that are unconstitutional, and some of them at least will probably not ensure the rights of minorities in their regions once they succeed (and in that sense are communal). And yet it is precisely the civil liberties groups that have consistently argued that behind the secessionism and sectarianism of these movements there is a historical legacy and a social reality that need to be tackled at the level of argument and

persuasion and not with guns; that the people who support these movements should be won over if that is at all possible, and not terrorised; that even militants caught red-handed should not be executed extra-judicially but should be tried in a court of law; and that at the end if it is not possible to prevent secession by persuasion, then they should be allowed to secede. This point of view, which was first expressed by a handful of civil liberties groups in the teeth of universal condemnation has now been grudgingly accepted as a legitimate viewpoint that has to be acknowledged and accommodated, howsoever unwillingly. The criterion whether the goals of a political movement are constitutional or not, which Sumanta Banerjee introduces quite arbitrarily to distinguish the radical forces from the Sangh parivar, can be a dangerous one. A political group may honestly want to effect changes which are not visualised by the Constitution, and may take to arms to that end. It would be suicidal for the notion of one's democratic right to espouse politics of one's choice if on that ground civil rights groups allow the state the discretion to deny them the very right to exist politically, that is, to enjoy the right of free speech, peaceful assembly and a fair trial if arrested on charges of violence.

Sumanta Banerjee, of course, has a more solid criterion than constitutionality. This is whether a movement is faithful to the ideals of social, political and economic democracy. He would argue that those who indulge in violence towards ends which are violative of those ideals do not deserve democratic rights. But again, the question arises who is to judge in case of doubt, for doubt there will always be. Most of the minority-nationalities movements in India can be faulted with espousing ethnic self-determination (an element of political democracy) without committing themselves to a democratic form of political life after 'liberation', and also often at the cost of social regression. The communists too can be fairly accused of espousing economic and social democracy at the cost of political authoritarianism. And so on. Indeed, anyone who wants to seriously dispute Sumanta Banerjee's argument that the naxalites can be allowed democratic rights for their goal is the constitutional goal of socialism may well argue (as the more intellectual among police officers are already arguing) that all that the communist revolutions have achieved in this century is the discovery of a rather crude and ungainly road to capitalism – or rather, neocolonial subordination – which state India has any way reached by a more civilised route, and therefore there is no reason why the naxalites should be allowed the freedom to take a lot of lives and impose upon this country an authoritarian government. This argument can no doubt be disputed by exhibiting the material and cultural advancement of poor people's lives under communist regimes, but it is the Indian state and not some well-meaning democrat

that one will be trying to convince. And it would be dangerous for the naxalites and other radical forces if their democratic right to exist politically is predicated on the possibility of proving to the satisfaction of the Indian state that the trade-off between political authoritarianism and material well-being in the erstwhile communist bloc countries has been positive at the end of it all.

Democracy can only be indivisible because in this imperfect world of imperfect human beings and their imperfect politics there can be no dividing line that will ensure by mere logic that all those who deserve democracy will get it, and those who do not will not. It is quite likely, on the contrary, that once such a line is drawn and approved by 'the left, the liberal intellectuals and human rights groups', it is those who do not deserve it that will get it, and it is those who deserve democracy that will get pushed out, for it is not those who have drawn the line that will decide its application, but the likes of P V Narasimha Rao.

But what will definitely happen in the course of this effort is that the notion that the state has the prerogative of deciding who has the right to exist politically and who does not have that right gets legitimised, and that is to the detriment of all that we understand by democracy. If religious fundamentalism can be a basis for fascism, so can state authority if allowed to take arbitrary forms. To call for strengthening the latter to fight the former can be suicidal. In more immediate terms, there is nothing that P V Narasimha Rao would like more than to have the liberal intellectuals and the civil liberties groups egging him on to 'ruthlessly suppress by coercive measures' the Hindutva forces, for when he decides to get tough with them he has all the democratic forces behind him, and when he decides to be indulgent towards them, he is more democratic than all the democrats in the land. It would just suit his kind of unprincipled and opportunist manipulation that is read as ambivalence by some, pragmatism by others, and the quintessential broad-mindedness of an ancient civilisation by the rest.

WINNING OVER PEOPLE

But it is necessary to go deeper into the matter. A discussion of some of the assumptions that lie behind Sumanta Banerjee's argument is necessary, quite apart from the problem of Hindu communalism. Sumanta Banerjee recognises that the ideological battle against Hindu communalism should enable us "to reconquer space in the democratic arena in favour of the anti-communal forces". One would imagine this is the essence of the matter. This space that is to be reconquered is not out there somewhere in society, but in the minds of the people, in the social consciousness of the era. And therefore what he is saying is the same as winning over people to the secular and democratic world view. How is this to be done? Why would or should people be attracted to the secular and democratic

view of life? What is it that prevents people from getting attracted to it? Sumanta Banerjee says at one point that a democratic and peaceful debate with Hindutva is not possible when people are all terrorised or partisan, and rendered somnolent by the bulldozing of Hindutva. Let us admit that more people are partisan than are terrorised, and that what is an opium-induced somnolence for you is conviction born of faith for me. And it is these convinced partisans that are to be won over, or at least made to realise that their ideas will not be allowed the legitimacy that every idea requires to become socially effective. Is that to be done by banning the propagation of the ideas they are convinced of? Certainly, the least likely way of changing people's views is to start by banning the expression of the views to be changed.

In any case, the politics of Hindutva is based on a political and tendentious elaboration of the day-to-day culture of brahminical Hinduism, and while the Viswa Hindu Parishad can be banned, neither this culture nor its myriad organisations can be banned. Can the Indian state place a ban on the Ganesh Utsav Committees and the Dassara Pooja Mandalis? Can it ban the Shankaracharyas and the smaller fry among the brahmin preachers from carrying on Hindutva propaganda? Can it ban the newly created Dharmasansads that are issuing ultimatums to the two brahmins sitting at the top of the Indian state? Can it ban the responsive chord that their dicta strike in the hearts of the two brahmins?

Assuming that it can or will do this (which is to assume the impossible), will it win democratic space for the anti-communal forces? All the erstwhile socialist countries reasoned exactly thus, not only about ideas of religious fanaticism, but all ideas unpalatable to socialism. They only succeeded in creating for themselves the illusion that all reactionary ideas had died out and the 'new man' was born. It only required the removing of the lid to disclose that not a single reactionary idea had died out. And for having been suppressed ruthlessly, religious and ethnic chauvinism have burst out with a maniacal passion unknown in countries which believed that however unpalatable and pusillanimous it may seem, political and ideological freedom is indivisible.

We do not yet know fully what it is in human beings that keeps ethnic, religious or communal violence alive as political passions, and have been content with explanations of why such violence is espoused by whom in a given setting (which is about all that Marxism as popularly understood can tell us); but certainly, the ruthless suppression that Sumanta Banerjee advocates is no way to save ourselves from the cancer. We can on the other hand try to convince the oppressed and exploited classes, castes and other social groups that Hindutva is contrary to their material and cultural interests; we can work for organising such people to resist the forces of Hindutva

physically if necessary; and we can try to appeal to the democratic, humanist and anti-authoritarian values that all human societies possess side by side with values of domination and suppression. The first of the three tasks has been attempted on a sizeable (if still inadequate) scale by the left parties, the dalit groups and other democratic organisations. The second is yet to be attempted on a significant scale, as Sumanta Banerjee rightly complains. But the third is a vital task whose necessity is insufficiently understood by progressive forces because it is not adequately comprehended by radical political philosophies, including Marxism which is the most comprehensive of them all. So long as the fanatical chauvinism of Hindutva is not consciously rejected as a value, or rather as a value-complex that forms part of society's culture and shapes human ideas and behaviour, it will not be fully defeated, and even if it is defeated in one form, it can re-emerge in ever new forms, whether or not related to Hinduism (History is witness to innumerable instances where those who have fought an authoritarianism that oppressed them have themselves turned authoritarian thereafter, for what they have fought is not oppression *as such* but the oppression of the Other that has hurt their interests.)

And it is in view of this need of rejecting Hindu fanaticism as a value-system that the call for an end to democratic tolerance needs to be rejected, for such a prescription allows religious or ethnic fanaticism no content of its own but only the role of an instrumentality in protecting a material interest. Hindutva, on the contrary, is not only that but over and above that it is a set of values, attitudes and norms of behaviour that can only be countered with the aid of alternative values and norms. And this task must necessarily be undertaken by an open and equal debate that calls upon the historically evolved human sense of justice, equity and fairness. Such a debate can never be conducted, and can never win minds and open up democratic space, if one party to the debate is suppressed by being denied freedom of expression. Of all arguments, an argument for justice unfairly conducted can never win approval, even if it is entirely logical and scientific. That would be contrary to the human moral sense.

The alternative values and norms can emerge from struggles against Hindu fanaticism; or rather, they can be recalled through the struggles from the moral storehouse of the human species, itself a historically evolved and contradiction-ridden product of human civilisation. This process of emergence of new values from struggles is not as straightforward a process as it seems in the midst of struggles, but is an intricate pattern of generalisation, consolidation and recovery. A proper understanding of this process requires a more thorough understanding of the moral life of the human species than is revealed by the base-superstructure determinism and the concomitant presumption that social consciousness can be fully

classified in a one to one fashion in terms of the 'base' determinants such as class or caste.

This moral life of the human species is something that it has cultivated as elaborately as its technical skills, and conjointly with it. Any oppressive social structure or practice such as for instance the fanaticism of the majority reflected in Hindu chauvinism gains support by appealing to what is violent, destructive and anti-human in human moral life. Democratic tolerance and the acceptance of social equality as a principle, which are central values of secularism in the Indian context, appeal to the sense of justice that human cultures equally possess. These moral possibilities are intrinsic to human beings as much as they are a product of history, in the sense that they are a historically determined elaboration of innate human potential expressed in spontaneous qualities such as empathy, satiety, revulsion, fear, etc. that are universal to human beings.

In understanding the moral life of the human species, Marx's dictum that Being determines Consciousness must be understood with reference to the specific nature and structure of *human* consciousness and *human* psychology. Social being determines social consciousness by virtue of and through the specific form in which human consciousness is structured. It is easily demonstrable that humane ideals such as equality and justice are born of resistance to conditions of injustice and inequality, whereas inhuman values are born of oppressive social relations, and social practices structured oppressively. But that is not the whole of the matter. Firstly, the values and the norms are the ideal form of expression of immediate needs, interests and aspirations, whether narrow or broad; it is a characteristic of the structure of human consciousness that immediate interests and aspirations – whether just or unjust, whether of the oppressors or the oppressed – get expressed in terms of universal values, ideals and moral precepts. This generalised expression is not necessarily a fraud perpetrated consciously for hegemonic social purposes; nor is the generalised ideal co-equal with the immediate interest or aspiration, an assumption that enters all glorification of the 'class consciousness' of the oppressed. It is on the contrary just what it is: a characteristic feature of the structure of human consciousness, of the nature of human thought, which cannot conceive of immediate interests except in terms of universal values, just as in general it cannot think of the concrete without the aid of abstractions.

And secondly, this universal value in which a particular interest is expressed, or through which a particular life condition is conceptualised, is capable of surviving the particular situation (indeed that is when we realise that it is not co-equal with, nor a fraudulent generalisation of, the particular interest), of abstracting itself from the particular context, and becoming part of the 'common sense' of that society, attaching itself to this and that situation, and acquiring

this and that meaning at later stages. There is thus a continuous process of generation, definition and specification of ethical norms, values and precepts that arise in and are generalised from specific life situations and struggles, which process creates the moral content of social culture which is institutionalised in civil society in the manner described by Gramsci and others, and which in turn shapes human behaviour in society through the kind of conflict typified (though certainly not fully explained) by the Freudian conflict between the Id and the Superego. The ensemble of the values and ethical principles that have accumulated in the history of any society is a very complex structure of norms that carry historically specific meanings and interpretations attached to moral absolutes such as truth, kindness, love etc. A critical attitude towards this moral universe in which one rejects the inhumanity that hides behind high morality and continuously calls forth the humanism that co-exists with it, ought to be an important part of radical political practice.

NEED FOR A FRESH LOOK

All this has a bearing on the need to take a fresh look at familiar Marxist positions, of which Sumanta Banerjee's is but one example. The fight against Hindutva, or against authoritarianism and fascism in general, is not just a defensive struggle to protect democratic rights and values. It is part of the struggle for restructuring human existence on a higher plane. The whole question of this restructuring needs to be rethought afresh, now that the total failure of the communist project – the attempt to put Marx's ideas into practice – is evident. The proletariat has nowhere exhibited the desire imputed to it by Marx to take charge of the affairs of humanity and rebuild its existence on the basis of communist collectivism. And the communist parties that substituted themselves for the proletariat have made a mess of the job, at enormous cost, whichever way they tried, the Stalinist way, the Maoist way, the Titoist way, and even the Sandinista way.

The basics of Marx's prognosis of the future therefore need to be rethought, and hence also the basics of his theory of history. Marxism, as well as other radical and progressive political philosophies, have rightly stressed the necessity of organised struggle against unjust social structures as the only way of defeating them, for mere moral preaching will never put an end to injustice. But the rebuilding of human existence in the form of just structures and on the basis of just social relations is a different matter. This rebuilding has wrongly been seen as a direct continuation of the struggle against injustice. This notion that the force that is necessary to destroy unjust social structures will by itself lead to the reconstruction of society on a just basis through the class rule of the oppressed has been sufficiently proved an illusion by the happenings of this century. Struggle against

oppressive social structures, and the reconstruction of society on the basis of co-operative and egalitarian relations, are evidently linked not through the *dictatorship of the last victors*, but through the *cultural possibilities opened up by the successive struggles*, and there is no last struggle, nor a millennial victory. To understand this, we need a more complete understanding of human consciousness, culture, forms of social behaviour, and the mode of formation of the human personality through the struggle between the universal psychic substratum of human nature and the particular norms of contradiction-ridden social culture, than even a Gramsci ever attempted. (Mao's notion of cultural revolution is politically inspiring but philosophically it goes no farther: than is allowed by the base-superstructure framework.)

The elaboration of its technical capabilities by the human species in its struggle to win a livelihood from nature has been given a central place by Marx in the notion of human progress. This elaboration is based on the specific physical structure of human beings, such as the possession of two hands to work with, and a brain capable of an elaborate learning process. But equally, human progress has involved the elaboration of moral values conducive to a co-operative, collective appropriation of the wealth created by the hands and the brain, which values have been elaborated in a struggle against anti-social values (also generated in the course of the same history) of oppression, domination and violence. This moral evolution is a historical process of elaboration of moral possibilities implied by the specific psychic structure of human beings, a structure that makes both anti-social and social responses intrinsically possible. What human beings have done for themselves with their physical possibilities is made the thread of human history and therefore also the thread of human liberation (for in Marx's understanding, liberation is immanent to history) by Marx. This has given us valuable insights into our past and valuable guidelines for our future. But this understanding is incomplete without supplementing it with an understanding of what human beings have done for themselves with their moral potential, and what future that indicates for the species.

Marx certainly did not 'ignore' the moral history of humankind, but for him this moral history has no parameters of its own but is a derivative of the material history. This is evidently not true. The human species possesses moral as well as physical possibilities – based on its psychic and physical structures – both of which it has elaborated conjointly in the course of its struggle to satisfy its (constantly elaborated) needs. The one is not a derivative of the other. The two are two limbs of the process of conjoint realisation of the total potential of the species on the basis of a given framework of its physical and psychological needs and responses. The physical structure

is the starting point for its technological evolution, and the psychic structure the starting point of its moral evolution, both of which are part of a single process. That the potential of human material development is not unlimited and unbounded as is sometimes implied, in Marx has been well brought out by the ecology movement. Human moral potential is also equally not an unlimited and unbounded one, as imagined in the wilder of Marx's ideas about communism. What we require today is a reinterpretation of all that is true in Marx's theory of history and society from the point of view of the totality of the human subject, the totality of its given humanness, physical as well as psychic, rather than the human subject reduced to an intelligent and acquisitive tooling animal, whose moral possibilities are rendered infinite and irrelevant for political practice by being simply ignored theoretically.

The future revealed by such a reinterpretation may not look particularly rosy right now, and one cannot be denied one's rightful pessimism about any millennium, for while human beings are universally capable of both violence and love, cruelty and generosity, it is violence and cruelty that have constituted the fundamental organising principles of all social structures (e.g., property, caste, family) in all civilised human societies till now, whereas the human capacity for empathy, love and kindness has been subordinated to these violent structures (often in a cruelly distorted form). The only reason for not totally rejecting Marx's utopia is that while all people at all times have indulged in hatred, violence and falsehood, not merely as personal aberrations but as fundamental structural practices, there is no human society that has accepted these modes of behaviour as morally noble. On the contrary, only love, kindness and truth have been accorded that honour in all societies. The anti-social qualities have certainly been sanctioned morally and socially and even mandated as in brahminical dharma, but always in the name of higher values such as truth and equity. (Amartya Sen in his study of inequalities says that even those who defend inequality do so in the name of a higher equality.) Perhaps this paradox of human civilisation understood as a quality of its moral universe gives hope of the possibility of a 'co-operative commonwealth of the working people' (in which everyone does all work), provided that the struggle for appropriating the material wealth it has produced for and by the whole of the society rather than a fraction of it, is joined with a struggle to invert the moral universe of the species so that violence is subordinated in social structure and habitual practice to love and envy similarly to generosity.

But perhaps also not. In any case, if the millennium fails our practice must at least give us a reformed society, which is doubtful if we go on uncritically repeating old ideas and attitudes.

Recent Books on Police Studies/Crimes

Crime against Women: O. C. Sharma	Rs.300/-
Encyclopaedia of Police in India (Vol. I): S. K. Ghosh & K. F. Rustamji	Rs. 700/-
Encyclopaedia of Police in India (Vol. II) (in 2 parts): S. K. Ghosh & K. F. Rustamji	Rs. 1900/-
Drug Abuse and Society: Saroj Prashant	Rs. 200/-
Terrorism: World Under Siege: S. K. Ghosh	Rs. 700/-
Industrial Security Management: S. C. Dey and S. C. Kaushal	Rs. 400/-
Kashmir Politics: Problems and Prospects: Gull Mohd. Wani	Rs. 250/-
Victimology in India: V. N. Rajan	Rs. 400/-
Work Culture in Police Administration: Sunita Singh Sengupta	Rs. 400/-
Ayodhya Imbroglio: T. P. Jindal	Rs. 250/-
Indian Police Today: Sankar Sen	Rs. 400/-
Suicide: Problems and Remedies: Shamim Aleem	Rs. 200/-
Indian Press Role and Responsibility: Krushna Singh Padhy	Rs. 300/-
Freedom of Speech and Assembly and Public Order: S. K. Ghosh	Rs. 350/-
Torture and Rape in Police Custody: S. K. Ghosh	Rs. 200/-
Women and Crime: S. K. Ghosh	Rs. 250/-
Indian Mafia: S. K. Ghosh	Rs. 100/-
The Politics of Violence (Dawn of a Dangerous Era): S. K. Ghosh	Rs. 200/-
Criminology, Victimology & Corrections: V. V. Devasia & Leelama Devasia	Rs. 300/-
Communal Riots in India: Jitendra Narayan	Rs. 250/-
Communal Riots in India: Meet the Challenge Unitedly: S. K. Ghosh	Rs. 150/-
Fair Sex in Unfair Society (Women and Crime): Asha Mathew	Rs. 300/-
Crimes and Criminals (A Socio-Economic Survey) S. Mohanty	Rs. 150/-
Ragging: Unquiet Campus: S. K. Ghosh	Rs. 250/-
Police and Social Change in India: Rashmi Mishra & S. Mohanty	Rs. 300/-
Reflections on Kashmir Politics: Gull Mohd. Wani & Nasir A Naquash	Rs. 150/-



Send your order to:

Ashish Publishing House,
8/81, Punjabi Bagh, New Delhi - 110026.

Show Room: 5, ANSARI ROAD, NEW DELHI-110002



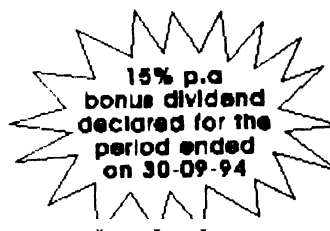
Ensure with Children's College and Career Fund

Investment in UTI's CCCF helps you meet mounting educational expenses, and to achieve your child's career dreams.

H I G H L I G H T S

- An open-ended scheme
- Scheme for children up to 15 years.
- Each unit of Rs 10, minimum investment of Rs 2000, and in multiples of Rs 1000 thereafter
- Growth of the fund will be credited to investors' accounts periodically in the form of bonus units
- Partial withdrawal allowed twice every year - 50% at 18 years' age, with an additional 10% every year up to age 23 years.
- Provision to nominate alternate child
- Bonus units against bonus dividend of 15% p.a. for the period ended 30/9/94 will be allotted to each member on pro-rata basis depending on the date of joining.


**CHILDREN'S COLLEGE
 AND CAREER FUND**
 UNIT PLAN-93
Because you owe it to your child.


 15% p.a.
 bonus dividend
 declared for the
 period ended
 on 30-09-94



**UNIT TRUST
 OF INDIA**

For your better tomorrow.

All investments in mutual funds and securities are subject to market risks and the NAV of schemes may go up or down depending upon the factors and forces affecting securities market. Past performance is not necessarily indicative of future results. Children's College and Career Fund is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or returns. There can be no assurance that the Plan's objectives will be achieved. Please read the offer document before investing.

**ECONOMIC
AND
POLITICAL**

WEEKLY

Sameeksha Trust Publication

Rs 15.00

Vol XXX No 2

January 14, 1995

SHOULD INDIAN RAILWAYS BE PRIVATISED?

**ASSEMBLY ELECTIONS: END OF
POLITICAL IMMOBILISM?**

MONEY MARKET: RBI'S ABOUT-TURN

**NEW WORLD ORDER AND INDIAN
INTELLECTUALS**

**DISEMPOWERMENT OF
BUREAUCRACY: A CLASS ANALYSIS**

 **GENES AND THE 'MORAL
MAJORITY'**

ECONOMIC REFORMS IN LDCs: THEORY AND EVIDENCE

GANESH BENZOPLAST LTD.

Registered Office: 145-A, Dr. Viegas Street, Bombay 400 002. Tel: 8382096/3097 Fax: 8391529

Public Issue of 36,72,800 14% Secured Fully Convertible Debentures comprising of 13,23,800 14% Secured Fully Convertible Debentures of Rs. 210/- each for cash at par and 23,49,000 14% Secured Fully Convertible Debentures of Rs. 210/- each for cash at a premium of Rs. 40/- per Debenture on Firm Allotment basis to Foreign Institutional Investors/Non Resident Indians, Indian Financial Institutions and Indian Mutual Funds, aggregating Rs. 8,652.48 lakhs.

HIGHLIGHTS

- 1 Established profit making Company paying dividend since 1987 being the first year of operation
- 2 Manufacturer and supplier of Benzoate Plasticizers, Benzoic Acid and Sodium Benzoate, an import substitute
- 3 Promoters with over 20 years of experience in chemical industry
- 4 Facilities for chemical storage having great demand
- 5 Sustained growth in profitability and network
- 6 Diversification into manufacture of Refined Iodised Salt and other marine based chemicals
- 7 No raw material required other than sea water for the diversification project
- 8 Expansion of capacity of Liquid Storage facilities from 70,000 KL to 2,35,000 KL at Jawaharlal Nehru Port, Nhava Sheva, near Bombay
- 9 Attractive Conversion terms for Debenture in two stages
 - One Equity Share of Rs. 10/- at a premium of Rs. 85/- on allotment of Debentures
 - One Equity Share of Rs. 10/- at a premium of Rs. 105/- at the end of 12 months from the date of allotment of Debentures
 as against current market price of Rs. 180/- (Ex-Rights as on 9.12.94)
- 10 Convenient terms of Payment Rs. 80/- on application and Rs. 130/- on allotment
- 11 Easy Liquidity - Listing at Bombay, Ahmedabad, Delhi, Calcutta, Ludhiana, Madras, Jaipur and Cochin Stock Exchanges

RISK FACTORS

Internal to the Company

- 1 The Company is yet to obtain pollution control clearance for salt project
- 2 The demand for storage space at bulk liquid terminal is dependent on the import/export of liquid chemical cargo through Jawaharlal Nehru Port. The Company is yet to obtain environmental clearance and requisite certificate under Explosives Act for additional bulk storage facility at JNP, Nhava Sheva
- 3 The proposed project for manufacture of refined iodised salt is to be located on leasehold land of United Salt Work Industries Limited (USWIL), a Company referred to BIFR for rehabilitation. Raw Salt, the basic raw material for the Iodised Salt Project is also proposed to be procured from salt pans owned by USWIL. The promoters of Ganesh Group have submitted a proposal to Bank of India, the operating agency for acquisition and revival of USWIL, who will be submitting the proposal to BIFR for final decision. Any delay/adverse decision of BIFR, will affect the implementation of the salt project
- 4 The data on annual requirements and production of iodised salt are based on the Company's own estimates
- 5 Ganesh Anhydride Limited (GAL), a Group Company, has overdues to institutions/banks to the extent of Rs. 1,175.51 lakhs as on 31.03.94
- 6 The Company is yet to obtain sanction for power for the proposed projects
- 7 The Company is yet to place orders for major plant & machinery for the salt project
- 8 There has been a delay of 8 weeks in despatch of Refund Orders/Share Certificates by GAL in respect of their previous issue
- 9 There has been delay in despatch of Refund Orders/Share Certificates in respect of Rights Issue of 1991 and 1994 and in listing of Securities of the Company on some of the Stock Exchanges in respect of their previous issue made in January, 1994
- 10 The commercial production for manufacture of Benzoic Acid and Sodium Benzoate which was estimated to commence from June 1992 as per Letter of Offer for Rights Issue made in 1991, actually commenced in February, 1993

External to the Company

- 11 The massive expansion of Chemical Storage facilities is proposed in view of the emerging demand on account of bulk imports/exports of liquid chemicals following liberalised trade policy of the Government of India. Any

changes in this policy could adversely affect the potential demand

- 12 The Company consumes imported raw materials for its existing business of manufacture of Benzoate Plasticizers. Any adverse fluctuations in foreign exchange rate will have a bearing on the profitability of the Company

MANAGEMENT PERCEPTION OF THE RISK FACTORS

Internal to the Company

- 1 The projects do not generate any effluents and therefore the Company does not expect any problem in obtaining pollution control clearances
- 2 The liberalised trade policies of the Government of India have substantially increased the potential demand for storage facilities and this demand is expected to go up further. Indian ports are presently short of storage space as compared to storage space in international ports and storage facilities as proposed by the Company will result in substantial savings to the economy owing to better price on bulk imports and faster turnover of steamers at ports. The Company does not anticipate any difficulty in obtaining environmental clearance and requisite certificate under the Explosives Act

3 The proposal submitted by the promoters of Ganesh Group for acquisition and revival of USWIL has been favourably received by Bank of India, which is the operating agency. A payment of Rs. 50 lakhs as directed by BIFR has already been deposited with Bank of India. A favourable decision of BIFR is expected soon. Besides, the Company has approached the Government of Gujarat and Kandla Port Trust for allotment of land near salt pans at Kandla. As such the implementation of the iodised salt project is not expected to be affected. Also, the coastal belt of Kandla is one of the largest salt producing areas in the country and the Company can procure raw salt from other salt pans in the area without any difficulty. For the purpose of profitability projections, the cost of raw salt has been assumed at current market price

4 The Company's estimates are based on detailed study of the salt industry conducted by its internal project team

5 On account of depression in international prices of Maleic Anhydride, GAL had suffered losses. However, it is currently making cash profits and has submitted a rescheduling proposal to the institutions which are awaiting their approval

6 The Company does not anticipate any problem in obtaining the requisite permission for the power

7 Orders for pumps, valves, cables, weighbridges etc. have already been placed. The Company has shortlisted the machinery suppliers for other major equipments and the orders will be placed within the time schedule envisaged

8 The delay was caused by certain disturbances in various parts of the country. However, most of the investor complaints have been redressed

9 The securities were listed on the regional stock exchange within the prescribed time limit. However, there was some delay in listing of securities of the Company on other stock exchanges in respect of the previous issue made in January 1994

- 10 Owing to delay in installation and fabrication of certain critical machineries, there was a delay. However, in respect of issue made in 1994 the Company has fulfilled its promises in respect of project implementation and financial projections

External to the Company

- 11 The commitment of the Government towards liberalised international trade is further reinforced by the signing of GATT agreement. Hence, the Company does not expect any reversal of the liberalised trade policy
- 12 The Company has been increasing its thrust on exports of its existing products. Also there is substantial scope for export of iodised salt. Hence, any adverse fluctuation in foreign exchange rate will be offset by increased export earnings

Investors are advised to refer to the para on 'Justification of Premium' mentioned in the offer document before making an investment in this issue

FIRM ALLOTMENT AT A PREMIUM OF RS. 40/- PER FCD TO

Particulars	Names	Total Amount (Rs. in crores)
IFIs	• IDBI • Unit Trust of India • UTI - IGF • UTI Bank Limited • Canara Bank • State Bank of India • Bank of Baroda • Andhra Bank • Corporation Bank • Karnataka State Indl Invt & Deve. Corp'n Ltd	18.35
IMFs	• Canbank (Offshore) Mutual Fund • Canbank Mutual Fund • Taurus Mutual Fund • SBI Mutual Fund • India Magnum Fund • GIC Mutual Fund • Apple Mutual Fund	18.35
FIIs	India Liberalisation Fund (Life Insurance Corporation Intl TAIB)	5.75
NRI's		16.275

GRAND TOTAL : Rs. 58.725 crores

Lead Managers to the Issue



CANARA BANK
Merchant Banking Division
21st Floor, Mahan Towers F
Luffe Parade
Bombay 400 005



SBI CAPITAL MARKETS LTD
21st Floor, Mahan Towers F
Luffe Parade
Bombay 400 005



CREDIT CAPITAL FINANCE CORPORATION LTD
Brady House
Veer Nariman Road
Bombay 400 001



LLOYDS FINANCE LTD
001, Rahma Centre
Nariman Point
Bombay 400 021

Registrars to the Issue

LLOYDS CAPITAL SERVICES LTD
37, Baroda Street
Off Sant Tukaram Road, Masjid
Bombay 400 009
Tel: 3724596/4801
Fax: 3758639

Trustees for the Debenture Holders

STATE BANK OF INDIA
Services Banking Division
Bombay Main branch
8 S. Marg
Bombay 400 023



PLASTICIZERS



CHEMICAL STORAGE



PHARMACEUTICALS



FOOD PRESERVATIVES



REFINED IODISED SALT

ISSUE OPENS ON 18TH JANUARY 1995

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

A Tale of Two Countries	63
Economic Reform: Let Them Eat Prawns - Maharashtra Still-Born Third Front - Narmada Dam Need versus Greed	64
Current Statistics	66
In the Capital Market	68
Companies	69
Civil Liberties	
Students Rights - A G Noorani	72
Money Market Review	
RBI's About-Turn - EPW Research Foundation	73
Commentary	
End of Political Immobilism? - Ajit Roy	81
Uttar Pradesh Fresh Life for Uttarakhand Movement - Amaresh Misra	82
Karnataka Elections and After - V K Natraj	84
Should Women Be Ordained? Debate in Roman Catholic Church - Jean D'Cunha	85
United States Genes and the 'Moral Majority' - Carol Upadhyay	87
Politics of Population at Cairo - Malini Karkai	88
Perspectives	
New World Order and Indian Intellectuals - Daya Krishna	93
Reviews	
From Club to Karkhana - Sanjay Subrahmanyam	97
One-Dimensional View of Dalit Movement - Gopal Guru	98
Special Articles	
Should Indian Railways Be Privatised? - M Q Dalvi	103
Economic Reforms in Developing Countries Theory and Evidence - Nirupam Bajpai	113
Disempowerment of Indian Bureaucracy A Class Analysis - S K Das	119
Discussion	
TFFG in Manufacturing Industry - D U Sasry	123
Calculating the Fiscal Deficit - I S Gulati	123
Caste and Politics in Andhra Pradesh - K Narendra Mohan	124
Letters to Editor	62

ECONOMIC AND POLITICAL WEEKLY

Hitkari House

284 Shahid Bhagatsingh Road, Bombay 400 001

Phones 261 6072/73 Grams Econweekly

FAX (022) 261 6073

Editor Krishna Raj

Senior Assistant Editor Padma Prakash

Editorial Staff Cleatus Antony, Prabha Pillai

Gautam Navlakha (Delhi)

Circulation A S Shetty, B S Sharma

Advertisement Manager S G S Subramanian

Manager K Vijayakumar

EPW RESEARCH FOUNDATION

C 212, Akurli Industrial Estate, Kandivli (East)

Bombay 400 101 Phones 887 3038/3041

FAX (022) 887 3038

Director S L Shetty

Vol XXX No 2

January 14, 1995

Not By Privatisation

A careful examination of the case for privatising the railways in India, using the framework of the theory of contestability, leads to the conclusion that, considering the social burdens the railways have been required to carry, the gains in productive efficiency accruing to the railways from privatisation will be more than outweighed by the losses of allocative efficiency and other non-commercial benefits which the country has enjoyed from the historical role the railways have played in its socio-economic development.

103

Curio Case Model

The economic reforms being undertaken almost throughout the developing world today are guided by rules-of-thumb and the general equilibrium model of the economy to which these standard rules apply is an unrealistic portrayal of most developing economies. The model holds good only under very restrictive assumptions and only for small economies and not large ones such as India's.

113

Political Thaw

The assembly elections in Andhra Pradesh and Karnataka have brought out some significant shifts in the alignment of political forces. The immobilism which has marked the Indian political scene may be coming to an end.

81

Second Thoughts

Developments in the money markets last month were notable for the about-turn by the Reserve Bank which injected Rs 2,000-2,500 crore into the market, going against the earlier objective of contracting primary liquidity and containing money supply growth.

73

Reverse Scholarship

Countries pursue their own interests the way they perceive them and it is for others not to be deceived by the rhetoric. To understand the interests that are masquerading as values, what is required is a detailed study of the economy, polity and culture of the western world in general and the US in particular, for these are the main protagonists in the contemporary scene without understanding whom we cannot shape our own policies to meet their strategies.

93

All in Our Genes

The ideological shift to the right in the US is being underpinned by certain trends in the social sciences and their popular dissemination. Two recent publications exemplify this.

87

Unpretty Record

The CBI report on the infamous Muzaffarnagar incident has put new life into the Uttarakhand movement - at a time when the Mulayam Singh government's record in its first year in office has come in for sharp criticism from all quarters.

82

In Decline

The process of disempowerment of the bureaucracy which is supposed to have begun with the erosion of the 'licence-permit raj' has to be located in the complexities of the relationship among class, bureaucracy and state power.

119

Issue Evaded

Although the plan of action approved at the Cairo conference on population and development shows the influence of the international women's movement and the issues it has raised, it fails to tackle the crucial question of inequitable development between the north and the south.

88

Caste Balance

Deve Gowda, the new Janata Dal chief minister of Karnataka, is a leader with a mass base, but where he will find himself tested is as a political manager. The vokkaligas and the lingayats have established a hold over the party, but how long the accommodation between them will last remains to be seen.

84

LETTERS TO EDITOR

M Shatrugna

SATYASHODHAK – Centre for Social Research expresses its deep sense of shock and grief at the sudden and untimely demise of M Shatrugna on December 31, 1994. Cheerful and lively, Shatrugna was suffering from liver cancer which was detected to be in an advanced stage only a few weeks before his death.

Shatrugna played an active and significant role in the AP teachers' and civil rights movements during the last three decades and was closely associated with the women and dalit-subaltern causes when they emerged as important questions in politico-ideological discourse from the 1980s onwards. He was one of those rare individuals who embodied the finer aspects of the left and democratic tradition. In his actions and speech one could clearly feel the qualities of frankness, tolerance and transparency.

When Satyashodhak was founded in 1992, Shatrugna was one of the few friends who encouraged us and showed a sustained interest in our activities – an instance of his readiness to appreciate new initiatives and openness to new modes of enquiry. It is difficult to believe that Shatrugna is no more with us.

K SRINIVASULU,
S SIMHADRI

Hyderabad

Changing India

PLEASE forgive this tardy reply to G P Deshpande's review (September 24, 1994) of my book *Changing India* (Cambridge University Press, Cambridge, 1993). The review contains some factual errors which I would like to correct:

(1) The first part of my book *does not* deal with "...the history...of bourgeois revolution and change in India." That is the second part. The first deals with the basic social institutions of the Indian countryside.

(2) I *do not* "open...[my] discussion ...with ...caste" nor does caste occupy "the central place" in my discussion. I open my discussion with a long introductory chapter and then a chapter on families and villages. Of seven chapters, caste is the specific subject of one, the closely related subject

of another, on class, and the occasional subject of other chapters in Part I. In Part II, caste is barely mentioned.

(3) My discussion *does not* give the "impression" that I think the *varna dharma* to be of "Vedic times". I have no thoughts on the matter and imply none. My relevant sentence is, "...Hinduism is disinclined to search the historical past for validation, and the validity of *varna dharma* is not as a memory of the past but as a living ideology" (p 54).

(4) My summary sentences on sanskritisation are, "As it applies to village families nowadays, Srinivas' model [of sanskritisation and westernisation] is too dichotomous and too equating of sanskritisation with village upward mobility... Upwardly mobile village families are sanskritising and westernising: taking from both what serves them best" (p 68). Is this a 'cliche'?

ROBERT W STERN

Sydney

Raw Material Price Rise

INTERNATIONAL prices of key industrial raw materials have doubled or even tripled during 1994. Petrochemicals, newsprint, non-ferrous metals, metal scrap are touching record highs. Press reports suggest that the entry of finance capital into commodity markets is mainly responsible for this state of affairs.

Indian manufacturers have raised prices to match the import price without any justification in terms of cost economics. For example, aluminium price is linked to LME when both bauxite and power are available locally at the old rates. User industry is reeling under the impact of both international and local price rise. A number of small scale units have downed their shutters as they cannot absorb the hike in raw material cost.

The Indian government has, apparently, few options to manage the situation. It has already reduced the customs duties substantially under the liberalisation policy. In some cases, for example newsprint, the duty has been removed altogether. Physical regulation is out of fashion. The issue is also not on the agenda of the international regulators, namely, the World Bank, IMF and GATT.

We call upon readers to express their views, experiences and suggestions on the subject. Our intention is to prepare a report on the issue which will serve as a starting point for a larger debate. A copy of the report will be sent free to all contributors.

ARUN GOYAL, CHALAPATHI RAO,
RAVINDER GOEL, R K ROY,
TAKHAT RAM

Academy of Business Studies,
24/4866 Sheeltara House,
Ansari Road,
New Delhi-110 002.

Moonis Raza

READING Moonis Raza's 'Indian Muslims in Their Homeland' (September 24, 1994) was a moving and poignant experience. He is as, many of us know, no more. His trajectory from a brilliant student at Aligarh (with late Sultan Niazi he was in the Indian students' debating team which went to England and made an impression) to joint general secretary of the underground Communist Party at Kanpur during B T Ranadive and 1949 railway strike terror days to university life and ultimately a career in Indian academic and bureaucratic life was typical of such a proportion of the Left youth of the 1940s. Of course, many others did much more heroic – and also much more unheroic – things.

What marks out Moonis Raza, something which shows so well through the *EPW* piece, is his outgoing forward-looking doggedness to stand up and fight for a secular, modern India – fair and egalitarian to the extent subordinate capitalist development will allow. So many of us, his friends from various quarters, would do so many things differently. But the forthright stand for a secular country and for a fair deal for its largest minority which he took as neither a complaining underdog nor a complacent apologist of the Indian state was characteristic of everything he did – some wrong but much right and effective.

S SHUKLA

New Delhi

A Tale of Two Countries

WHAT has gone wrong in Mexico is the question that people, not just in that country, but all over have been asking. Here is a country which until the other day was held up as a model of successful economic reform, including both liberalisation and privatisation, and was admitted to OECD, the club of the developed countries, in recognition of not just its fast economic growth over the past five years but also its high ranking with the international commercial banks through whom external credit flowed into the country directly and indirectly. Today Mexico's foreign exchange reserves stand drastically reduced from \$ 30 billion to \$ 5 billion, i.e., to a level less than one month's imports. The rate of exchange of the Mexican peso has declined sharply from three pesos to one US dollar to six pesos within days. The domestic inflation rate which was supposed to have been brought under control (it was hovering below 10 per cent per annum in 1994) is once again threatening to escalate to typically Latin American levels.

The answer to the question posed at the outset has to be sought in the sort of resource mobilisation Mexico resorted to in order to finance its economic growth. True, the country attracted sizeable foreign capital whose inflow enabled Mexico not only to finance domestic investment but also to build up its foreign exchange reserves. But the country's economy is in the doldrums precisely because of the composition of the inflow of foreign capital. The outstanding credit extended by the international banks to Mexico stood at over \$ 70 billion by mid-1994 and of this not less than \$ 30 billion (over 40 per cent) was short term. So is it a matter of much surprise if at the slightest indication of a possible weakness of the Mexican economy the country's exchange reserves declined so very sharply within days?

What has happened to Mexico could easily happen to any other country as well. In India the authorities lose no occasion to boast of the build-up of the country's foreign exchange reserves from around \$ 1 billion in mid-1991 to over \$ 19 billion by the close of 1994. But don't we have to remember at the same time how these exchange reserves have been built up? Direct foreign investment so far during these three and a half years does not add up to more than \$ 1 billion. The rest of the growth in reserves can be attributed to sources such as non-resident deposits, foreign portfolio investment and inflows through international banks – all sources of hot money which make a country's

payments position extremely vulnerable. The current crisis faced by Mexico demonstrates how things can go wrong and how quickly if a country depends too much on footloose sources of external finance.

It has become quite fashionable in our country to refer to China, its economic reforms, its ability to attract foreign capital in massive amounts, its industrial upsurge and its sustained high rate of economic growth – supposedly to drive home the point that only through liberalisation and massive inflows of capital can we hope to industrialise fast and get on to a high growth path. Not that China's experience is irrelevant in our context. But we have to be careful while drawing our lessons from that country's experience. To illustrate, how can we ignore the fact that the solid foundations of China's industrial upsurge and fast economic growth are laid in its sustained high rate of domestic saving? What attracts foreign capital, in its various forms, to China is its self-reliance in regard both to the domestic saving the economy generates and the continuously expanding export earnings. So it is not so much with a view to supplementing its domestic saving or export earnings that China has needed foreign capital as to induct technical know-how and thereby to speed up its modernisation. And that is why China has been able to choose and be selective in the import of foreign capital. China's strong bargaining position *vis-a-vis* foreign capital can be gauged from its net asset position in relation to international banks which, as many observers have noted, have increased their overall lending in Asia. Where China stands apart, however, is that even though the banks' outstanding credit to it is substantial, being as high as \$ 50 billion, it is more or less balanced by China's deposits with them. Indeed China has been and continues to be the largest gross depositor with the international banks, as the latest issue of the *Amex Bank Review* brings out. So when one compares China's foreign exchange reserves of \$ 30 billion with those of other countries, one has to bear in mind the relative net position in relation to the international banks and the other sources of capital inflow of the countries being thus compared. If today China faces no crisis in its external financial position in spite of the substantial outstanding credit extended by the international banks whereas Mexico is in deep trouble, it is because of the sound foundations of China's economic growth. What lessons we should draw from the experience of these two countries is clear enough.

ECONOMIC REFORM

Let Them Eat Prawns

PRAWNS produced by brackish water aquaculture have become the biggest component of seafood exports, accounting for 71 per cent of the total of Rs 1,335 crore projected in 1995-96. The trend in aquaculture is toward 'semi-intensive' cultivation on larger farms replacing small-scale farming with low yields. High profit levels and government incentives have encouraged a number of large corporations to enter this field, leading to haphazard development of aquaculture in the absence of adequate government guidelines. Shrimp farming is expected to cover an area of 1,00,000 hectares by the end of the Eighth Plan, producing one lakh tonnes of shrimp per year, as against a production of 63,000 tonnes from 82,500 hectares in 1993-94. The state with the largest area under aquaculture is West Bengal, followed by Kerala, other states engaged in prawn cultivation include Orissa, Andhra Pradesh, Karnataka, Maharashtra, and Tamil Nadu.

According to environmentalists, the social, economic and environmental costs of shrimp farming far outweigh its export earning capacity. Aquaculture is destructive of groundwater resources and agricultural land because of salination; waste from the farms pollutes the ocean and shoreline, leading to a decline in catch; and wild stocks at sea are depleted to stock shrimp farms, thereby destroying the livelihood of local fisherfolk. Although officially agricultural land is not allowed to be converted to shrimp aquaculture, fertile paddy lands are in fact being converted on a large scale due to the higher profitability of this activity.

The environmental and economic damage caused by shrimp farms has led to protest by local people in several affected areas. The farmers and fishermen in Quaid-e-Millath district in Tamil Nadu, for example, have called for a total ban on the aquaculture industry. Farmers there fear that uncontrolled development of shrimp farms may cause salination of the soil, forcing them to sell their lands. Farm labourers are agitated over the loss of employment opportunities; they say that shrimp farms provide little employment and that women are not employed at all (the industry claims that each hectare of shrimp farm can provide employment directly to two persons and indirectly to eight). The local fisherfolk are opposed because shrimp farms have come up too close to the seashore, and the inlet and outlet pipes obstruct their movement along the beach and entangle their nets. The shrimp farms also have caused salination of the groundwater, so that the women have to

walk for long distances to find fresh water. The agitation against shrimp farming in this district resulted in tension and violence; according to a PUCL fact-finding team, last August supporters of prawn farms burned down 40 dwellings of landless labourers and tortured and detained activists opposing the farms.

In spite of local opposition, various states are going ahead with promotion of this foreign exchange earning activity. The government of West Bengal wants to make the state a major prawn exporter, and it expects an investment of over Rs 5,000 crore over the next five years. It has begun identifying one lakh hectares of land suitable for exclusive prawn farming, to be leased to private sector investors for setting up 'semi-intensive' farms. Hindustan Lever has already invested in prawn farms on a large scale in the state, and other companies, including IFB Agro, ITC Agro, Lakhotas, and Andrew Yule, are setting up farms and high-technology processing plants, some with foreign technical collaboration or World Bank aid. The West Bengal government is setting up a large hatcheries project with assistance from the World Bank, from which, not surprisingly, much of the support to aquaculture development is coming. The Aquaculture Foundation of India, which was founded recently to promote the 'blue revolution', plans to establish at least three 'technology development centres', each costing two to three crore rupees, for which the World Bank has agreed to give interest-free loans of up to 80 per cent.

An expert committee appointed in the wake of the controversy in Tamil Nadu has made several sensible recommendations for the regulation of aquaculture, but it remains to be seen whether the state and central governments have the will to formulate and enforce rules protecting the ecology and economy of the coastal areas if such rules contravene the imperatives of export-oriented 'development'. Shrimp aquaculture is a highly wasteful and inefficient technology which feeds the markets of foreign countries while depriving local people of their livelihood, food and drinking water. The results of its uncontrolled development are already being seen in Andhra Pradesh, where shrimp production has been halted on 32,000 hectares by a deadly virus, causing a loss of over Rs 400 crore. Investigators attribute this outbreak to the indiscriminate use of biochemicals and antibiotics and to the unscientific farming practices which have been followed by large corporations as much as by small farmers. Still, the policy of the government, in its quest for the holy grail of foreign exchange, seems to be to

sacrifice equitable and sustainable development at the altar of export-oriented high-technology production.

MAHARASHTRA

Still-Born Third Front

AN attempt to work out a united front of non-Congress, non-BJP-Shiv Sena forces in Maharashtra has ultimately failed. The Progressive Democratic Front (PDF) and Bahujan Shramik Samiti (BSS), the two main blocks of the emerging third front, have parted way and declared their separate plans of seat distribution.

Ever since the last assembly elections of 1990 the state Janata Dal (JD) unit has been facing rough weather. It suffered three splits which greatly reduced its strength in the assembly. First to depart were nine legislators, who left to join the Congress. Next, four legislators belonging to Sharad Joshi's Shetkari Sanghatana, who had been elected on the JD ticket, walked out. Lastly, when George Fernandes formed his Samata Party his followers in the state deserted the JD camp to join the new party. More serious damage to JD's image was done by Sambhaji Pawar, the former president of the state unit, who gave a clarion call to purge the party of 'brahminical' elements like Mrinal Gore, Madhu Dandavate and Bapusaheb Kaldate. Swiftly, Sambhaji Rao Kakade, a traditional rival of Sharad Pawar in Baramati, was made the chief of the party state unit. Thus, PDF which had won 40 seats in the 1990 assembly elections and was composed of JD, Peasants and Workers Party (PWP), Republican Party of India (Khobragade), Shetkari Sanghatana, Datta Samant's Kamgar Aaghadi and the two main communist parties was largely defunct by last year.

In the meanwhile, the Prakash Ambedkar-led Bharatiya Republican Party (BRP) and Bahujan Mahasangha (BMS) combine registered an upward swing. Besides sending two MLAs to the state assembly, the combine captured 15 zilla parishads and 40 panchayat samitis in the state. In these elections, it worked out a winning dalit-OBC-Muslim configuration, popularly known as 'Akola pattern'. The left in the state, in the face of the impending GATT treaty, had joined hands across party lines to launch the Shramik Sangharsh Samiti (SSS). Given the successful performance of BRP-BMS and the redundant nature of PDF, it was but natural that the left should forge an alliance with the former to constitute the Bahujan Shramik Samiti (BSS).

The drubbing the Congress received in the assembly elections in Andhra and Karnataka and the continuance of the BJP-SS alliance in Maharashtra goaded the

secular and progressive forces in the state to attempt a broad third front. The Bahujan Samaj Party (BSP) which was flying high and claiming to contest 288 Maharashtra seats independently had its wings clipped in the Andhra and Karnataka elections. Kanshiram, its leader, started to speak of giving priority to the bahujan movement in place of electoral politics. Yet the parleys between PDF (now composed of JD, PWP and RPI-Khobragade) and BSS continued to vacillate, with each making exaggerated claims of strength. V P Singh tried to inject urgency into the proceedings and was largely responsible for the Shivaji Park rally of January 2. But the rally which was conducted under the banner of Bahujan Shramik Mahapanchayat and witnessed the presence of 17 diverse parties proved to be an anti-climax.

Already a few important sarpanches were missing from the mahapanchayat. Sambhajirao Kakade of JD, Datta Patil of PWP and Mulayam Singh Yadav (who had said that he would attend the panchayat) were absent. Later, it was revealed that the regional leadership of JD was displeased at V P Singh attending the rally against their wishes. Within the JD fold, Kakade is known to be a close ally of Ramkrishna Hegde, who with the recent triumph in Karnataka, is demanding autonomy for regional JD units. Obviously, V P Singh's interference in Maharashtra affairs was not welcomed. Further, there is a backdrop of enmity to the Kakade-Ambedkar relationship. During the Baramati by-election last year, BRP-BMS had fielded its own candidate against Kakade. In this context, V P Singh's display of affection for Prakash Ambedkar by attending the rally was like adding salt to the wound. The mahapanchayat also decided to accommodate the Samata Party which is posing a challenge to Laloo Prasad's JD in Bihar. This development confounded the Maharashtra JD unit on whether to enter into a tie-up with a party which is its avowed rival in another state.

The strain of working out political equations across regional variations was felt by other parties too. The politburo of CPI(M) was not too keen that its state unit should share a common platform with BSP. Kanshiram during his forays into Bengal had voiced his intentions of toppling the Left Front government there. Even Mulayam Singh dispatching his deputy for the rally raised quite a few eyebrows. Apart from Mulayam and V P Singh not seeing eye to eye with each other, it was very doubtful if Mulayam Singh would address an anti-Congress rally given that the survival of his government in UP depends on Congress support. Lastly, the bloated claims for seats made by every party made the process of

seat adjustment exasperating. At one stage, BRP-BMS asked for 212 seats, BSP-SP for 127 seats, Samajwadi Janata Party (Anil Gote) for 120 seats and the communists for 40. Whether this was a deliberate ploy to scuttle the deliberations, is a matter of speculation.

It is now clear that Maharashtra will witness a multi-cornered contest with the Congress and the BJP-SS alliance as the principal contenders. If a united third front had coalesced, the Muslims in the state, given their near-complete alienation from the Congress, would have voted for it. But now they would either remain neutral or vote for the Congress. The PDF and BRP-BMS are trading accusations, the latter alleging that the former had behaved like 'Sharad Dal' throughout the proceedings. It would not be surprising if the PDF and BSS concentrate their energies on defeating each other's candidates in the coming elections. In this process, the hopes of challenging the state's traditional maratha leadership by projecting a mahar alternative will have come to a sorry end.

NARMADA DAM

Need versus Greed

THE belated disclosure of the collapse of a part of the Narmada dam during the floods in September last (news of which had been suppressed by the dam authorities and the government all these months, and which came to light only when leaders of the Narmada Bachao Andolan, the anti-dam movement, met the press in Delhi recently) reinforces the allegations, suspicions and misgivings that have bedevilled the Narmada dam ever since its conception.

To come to the recent disaster, it was apparently caused by what the authorities now describe as 'unprecedented rainfall', as a result of which a massive chunk of the dam structure was washed away by the floods creating a huge crater. According to reporters who recently visited the spot, the crater contains relics of a major component of the dam known as the 'stilling basin'. While the dam authorities are dismissing the disaster as damage 'not uncommon' during construction, representatives of the Narmada Bachao Andolan point out that although the dam was supposedly designed to withstand a 'once-in-100 years' flood (according to official claims), the September floods were nowhere near that intensity. Obviously therefore there must have been something wrong in the design of the dam – a suspicion voiced not only by the activists of the Narmada Bachao Andolan, but by engineering and environmental experts all

these years. One of the casualties of the September floods is the power house of the Narmada dam, which was submerged under almost 20 metres of water, thus throwing out of gear its power generating capacity – the only component of the dam which made it economically viable in the opinion of the World Bank.

While the Narmada Bachao Andolan activists are reiterating their demand that the government stop the construction of the dam, the authorities are sticking to their determination to continue work at the dam site, in spite of the latest disaster which is being attributed by engineers to faults in construction. But technical flaws and the consequent risks are only one, though not minor, part of the Narmada dam story. The displacement of thousands of villagers and their resistance, the obduracy of the government in persisting with the project in spite of a World Bank investigation team's censure of the Indian government's poor plans for rehabilitation, and the international support and solidarity from environmental and human rights groups that the Narmada Bachao Andolan has received are now a part of history.

A film of this history, shown recently in Delhi, ironically enough, coincided with the press leak about the latest scandal surrounding the collapse of a part of the Narmada dam. Ali Kazimi's feature-documentary 'Narmada: A Valley Rises' chronicles the main events in the long struggle that the threatened villagers of the Narmada valley had been waging against the construction of the dam – a misbegotten enterprise which is being touted by New Delhi as 'one of the world's largest 'development projects'. Kazimi's film questions this concept of 'development' – through the voices of both the tribal villagers and the middle class activists who had joined them to resist their displacement from their traditional homeland. One such activist tries to integrate his experience in the struggle with a political perspective as he tells the story of his four-year-old nephew, whom he asked: "What do you want to do when you grow up?" He said, "I want to be a doctor". The uncle felt happy hoping that the boy wanted to serve the people. But when he further asked him what he would do when he became a doctor, he said "I will get a big car. After that, a big house. My mother has said that unless I get a big car or house, she will not live with me." This is the notion of 'development' that has been dinned into the mind of a four-year old boy. Development has become synonymous with the greed of the rich in the perception of the poor. As Baba Amte at one stage in the film says: "It is a struggle between 'need' and 'greed'."

CURRENT STATISTICS

EPW Research Foundation

Though the provisional index of wholesale prices shows the annual inflation rate to have fallen to 9.8 per cent, when the final figures come out the rate will be seen to be above the two-digit level still. The rise in the cost of living indices continues to gain momentum. While monetary growth has been arrested somewhat, the expansion in non-food advances at Rs 20,223 crore so far in the financial year against Rs 276 crore last year has been phenomenal. Share prices have fallen further with the Sensex and the National Index showing over-the-year declines of 7 to 8 per cent for the first time since March 1993. In external trade an export growth of 15.1 per cent has been accompanied by a 32.2 per cent rise in non-POL imports, thus marking the re-emergence of the country's traditional high import propensity

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Dec 24, 1994	Over Month	Variation (Per Cent): Point-to-Point							
				Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	276.7	0.5	9.8	8.6	7.1	8.2	10.8	7.0	13.6	12.1
Primary Articles	32.3	285.4	0.7	11.4	7.8	10.2	10.3	11.5	3.0	15.3	17.1
Food Articles	17.4	315.0	-1.1	10.1	5.0	12.3	6.5	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	301.2	3.6	15.2	11.2	7.5	16.5	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	281.4	0.6	5.3	13.8	1.2	8.7	13.1	15.2	13.2	14.4
Manufactured Products	57.0	270.9	0.4	9.7	8.0	6.6	8.8	9.9	7.9	12.6	8.9
Food Products	10.1	267.7	-0.7	8.6	9.8	6.2	9.8	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	297.6	-1.0	9.6	6.5	10.2	7.6	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-December 24, 1994)	100.0	270.9	-	10.3	7.7	10.5	7.8	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent): Point-to-Point							
			Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	289 ¹⁰	0.3	10.3	7.4	8.2	7.8	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	236 ⁸	0.9	9.8	5.9	6.3	4.9	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1265 ¹⁰	1.1	11.6	3.2	7.7	7.7	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Dec 9, 1994	Over Month	Variation							
			Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
			1994-95	1993-94						
Money Supply (M ₁)	494325	2650 (0.5)	60759 (14.0)	44143 (12.0)	66741 (18.2)	49344 (15.5)	51653 (19.4)			
Currency with Public	95906	1033 (1.1)	13708 (16.7)	11674 (17.1)	13925 (20.4)	7175 (11.7)	8050 (15.2)			
Deposits with Banks	395164	1309 (0.3)	46324 (13.3)	29772 (10.0)	51601 (17.4)	41741 (16.3)	43392 (20.5)			
Net Bank Credit to Govt Sector	221286	5536 (2.5)	17500 (8.6)	25113 (14.2)	27548 (15.6)	17975 (11.4)	18070 (12.9)			
Bank Credit to Comm Sector	256033	1944 (0.8)	18830 (7.9)	6323 (2.9)	17068 (7.8)	32141 (17.1)	16225 (9.4)			
Net Foreign Exchange Assets	70888	-1290 (-1.8)	17161 (31.9)	7854 (31.5)	28775 (15.3)	3726 (17.6)	10645 (100.6)			
Reserve Money (Dec 16, 1994)	164365	3557 (2.2)	25743 (18.6)	21339 (19.3)	27843 (25.1)	11274 (11.3)	11726 (12.4)			
Net RBI Credit to Centre	96582	1442 (1.5)	-201 (0.2)	12007 (12.4)	263 (0.3)	4257 (4.6)	5904 (6.7)			
Scheduled Commercial Banks (Dec 23, 1994)										
Deposits	358475	-57 (0.0)	43343 (13.8)	32047 (11.9)	46560 (17.3)	37814 (16.4)	38216 (19.8)			
Advances	187166	5248 (2.8)	22748 (13.8)	6525 (4.3)	12436 (8.2)	26390 (21.0)	9291 (8.0)			
Non-Food Advances	173734	5130 (3.0)	20223 (13.2)	2760 (1.9)	8272 (5.7)	24317 (20.1)	9127 (8.2)			
Investments	152243	3811 (2.5)	19720 (14.9)	14902 (14.1)	26867 (25.4)	15460 (17.1)	15131 (20.2)			

Index Numbers of Industrial Production (1980-81=100)	Weights	Aug 1994	Variation (Per Cent): Fiscal Year Averages							
			Average for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
			1994-95	1993-94						
General Index	100.0	233.1	227.8 (7.4)	212.2 (3.4)	3.0	2.3	0.5	8.4	8.6	8.7
Mining and Quarrying	11.5	220.2	213.4 (3.9)	205.3 (3.0)	2.5	0.5	0.9	4.5	6.3	7.9
Manufacturing	77.1	224.2	219.3 (8.1)	202.9 (2.3)	2.2	2.1	3.0	9.1	8.6	8.7
Electricity	11.4	305.9	300.1 (6.6)	281.6 (9.3)	7.3	5.1	8.5	7.8	10.8	9.5

Capital Market	Jan 13, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3604	3944	3929	3600	4604	2037	4286	3779	2281	4285
	(-8.3)		(59.7)*					(65.7)	(-46.8)	(266.9)
National Index (1983-84=100)	1732	1863	1870	1765	2176	934	2050	1830	1021	1968
	(-7.4)		(65.6)*					(79.2)	(-48.1)	(234.1)

* variation over Jan 13, 1993

Foreign Trade	Nov 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95					
		1994-95	1993-94				
Exports: Rs crore	6657	50012 (15.2)	43405 (31.3)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2121	15941 (15.2)	13840 (19.5)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	7495	55227 (22.5)	45075 (7.6)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2388	17603 (22.5)	14372 (-2.2)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	1832	13908 (32.2)	10524 (-2.9)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-838	-5214	-1669	-3259	-9687	-3809	-10640
US \$ mn	-214	-1662	-532	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Dec 30, 1994	Dec 31, 1993	Mar 31, 1994	Month Ago	Year Ago	Variation Over				
						Fiscal Year So Far		1993-94	1992-93	1991-92
						1994-95	1993-94			
Rs crore	60752.0	31061.0	47626.0	-262.0	29691.0	13126.0	9753.0	27430	5385	10223
US \$ mn	19392.0	9907.0	15176.0	-11.0	9485.0	4216.0	3109.0	8724	731	3383

Foreign Trade

Commodity Composition of Imports and Exports	Apr-Sep 94		Oct 93-Mar 94		Apr-Sep 93		1993-94		1992-93	
	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn
Imports										
Food and live animals										
chiefly for food	2333(5.8)	744	900(2.3)	287	650(1.9)	207	1551(2.1)	494	1911(3.0)	660
Pulses	273(0.7)	87	376(1.0)	120	191(0.6)	61	567(0.8)	181	334(0.5)	115
Cashewnuts, raw	350(0.9)	112	342(0.9)	109	141(0.4)	45	483(0.7)	154	376(0.6)	130
Sugar	1523(3.8)	485	neg	neg	neg	neg	neg	neg	neg	neg
Crude materials, inedible oils										
except fuels	3055(7.6)	974	2316(5.9)	738	1883(5.6)	600	4199(5.8)	1399	4777(7.5)	1649
Fertiliser crude	189(0.5)	60	235(0.6)	75	155(0.5)	49	390(0.5)	124	459(0.7)	158
Metaliferous ores and metal scrap	1004(2.5)	320	684(1.8)	218	615(1.8)	196	1299(1.8)	414	1922(3.0)	664
Mineral fuels, lubricants and related materials	9717(24.1)	3097	9169(23.5)	2923	10344(30.6)	3298	19514(26.8)	6222	18525(29.2)	6396
Petroleum, crude and products	8654(21.5)	2759	8388(21.5)	2674	9667(28.6)	3082	18055(24.8)	5756	17142(27.0)	5919
Animal and vegetable oils, fats and waxes	244(0.6)	78	118(0.3)	38	48(0.1)	15	166(0.2)	53	168(0.3)	58
Chemicals and related products	5631(14.0)	1795	5224(13.4)	1665	4062(12.0)	1295	9286(12.8)	2961	8913(14.1)	3077
Organic chemicals	1866(4.6)	595	1708(4.4)	545	1174(3.5)	374	2882(4.0)	919	1871(3.0)	646
Fertiliser manufactured	863(2.1)	275	1022(2.6)	326	966(2.9)	308	1988(2.7)	634	2023(3.2)	699
Manufactured goods classified chiefly by materials	6517(16.2)	2077	7609(19.5)	2426	7106(21.0)	2266	14715(20.2)	4691	12455(19.7)	4300
Pearls, precious/semi-precious stones	2447(6.1)	780	3801(9.8)	1212	4483(13.2)	1429	8284(11.4)	2641	7072(11.2)	2442
Iron and steel	1521(3.8)	485	1502(3.9)	479	949(2.8)	303	2452(3.4)	782	2060(3.3)	711
Non-ferrous metals	1096(2.7)	349	830(2.1)	265	659(1.9)	210	1490(2.0)	475	1144(1.8)	395
Capital goods	8772(21.8)	2796	12212(31.4)	3893	6733(19.9)	2147	18944(26.0)	6040	13123(20.7)	4531
Machinery except electrical and electronic	3638(9.0)	1160	4289(11.0)	1367	2583(7.6)	824	6871(9.4)	2191	4786(7.6)	1653
Transport equipment	1624(4.0)	518	2394(6.1)	763	1579(4.7)	503	3973(5.5)	1267	1338(2.1)	462
Project goods	2600(6.4)	829	2583(6.6)	824	1811(5.3)	577	4394(6.0)	1401	3701(5.8)	1278
Others	4047(10.0)	1290	1398(3.6)	446	3032(9.0)	1338	4430(6.1)	1412	3503(5.5)	1210
Total	40315(100.0)	12851	38948(100.0)	12416	33858(100.0)	10794	72806(100.0)	23212	63375(100.0)	21822
Exports										
Food and live animals chiefly for food	5285(14.5)	1685	6048(16.4)	1928	4721(14.6)	1505	10770(15.5)	3434	8084(15.1)	2791
Cashew kernels	641(1.8)	204	542(1.5)	173	500(1.5)	159	1042(1.5)	332	745(1.4)	257
Oil meals	797(2.2)	254	1358(3.7)	433	951(2.9)	303	2309(3.3)	736	1545(2.9)	534
Marine products	1375(3.8)	438	1563(4.2)	498	974(3.0)	310	2537(3.6)	809	1743(3.2)	602
Beverages, tobacco and tobacco manufactures	50(0.1)	16	61(0.2)	19	75(0.2)	24	136(0.2)	43	160(0.3)	55
Crude materials, inedible oils except fuels	2164(5.9)	690	1568(4.2)	500	2480(7.6)	791	4048(5.8)	1291	2798(5.2)	966
Iron ore	592(1.6)	189	694(1.9)	221	663(2.0)	221	1357(2.0)	433	1104(2.1)	381
Mineral fuels, lubricants and related materials	682(1.9)	217	506(1.4)	161	742(2.3)	237	1248(1.8)	398	1379(2.6)	476
Animal and vegetable oils, waxes and fats	210(0.6)	67	159(0.4)	51	185(0.6)	59	344(0.5)	110	162(0.3)	56
Chemicals and chemical products	3479(9.6)	1109	3345(9.1)	1066	2628(8.1)	838	5973(8.6)	1904	4198(7.8)	1449
Drugs, pharmaceuticals and fine chemicals	1086(3.0)	346	1107(3.0)	353	907(2.8)	289	2014(2.9)	642	1533(2.9)	529
Dyes/intermediates/coal tar chemicals	672(1.8)	214	631(1.7)	201	519(1.6)	165	1150(1.7)	367	958(1.8)	331
Plastic and linoleum products	639(1.8)	204	592(1.6)	189	422(1.3)	135	1013(1.5)	323	433(0.8)	150
Manufactured products classified chiefly by materials	20253(55.6)	6456	20921(56.6)	6669	17930(55.3)	5716	38851(55.9)	12386	30752(57.3)	10618
Leather manufactures	934(2.6)	298	1757(4.8)	560	877(2.7)	280	2634(3.8)	840	2512(4.7)	867
Shoe, leather	688(1.9)	219	871(2.4)	278	634(2.0)	202	1505(2.2)	480	1188(2.2)	410
Gems and jewellery	6236(17.4)	2017	6648(18.0)	2119	5880(18.1)	1874	12528(18.0)	3994	8897(16.6)	3072
Cotton yarn, fabrics, madeups, etc	3162(8.7)	1008	2600(7.0)	829	2237(6.9)	713	4837(7.0)	1542	3911(7.3)	1350
Manmade yarn, fabrics, madeups, etc	862(2.4)	275	639(1.7)	204	685(2.1)	218	1324(1.9)	422	1079(2.0)	373
RMG cotton incl accessories	3185(8.7)	1015	3275(8.9)	1044	2890(8.9)	921	6166(8.9)	1966	5156(9.6)	1780
Carpet (excl silk) manmade	652(1.8)	208	780(2.1)	249	631(1.9)	201	1411(2.0)	450	1259(2.3)	435
Capital goods	3229(8.9)	1029	3397(9.2)	1083	2836(8.7)	904	6232(9.0)	1987	4964(9.2)	1714
Metal manufactures	1014(2.8)	323	1190(3.2)	379	984(3.0)	314	2174(3.1)	693	1622(3.0)	560
Machinery and instruments	1022(2.8)	326	1040(2.8)	332	956(2.9)	305	1996(2.9)	636	1569(2.9)	542
Transport equipment	1062(2.9)	339	1047(2.8)	334	793(2.4)	253	1840(2.6)	587	1546(2.9)	534
Others	1103(3.0)	352	1014(2.7)	323	845(2.6)	269	1957(2.8)	620	1192(2.2)	412
Electronic goods	540(1.5)	172	546(1.5)	174	432(1.3)	138	978(1.4)	312	615(1.1)	212
Total	34655(100.0)	11621	36958(100.0)	11781	32442(100.0)	10342	69547(100.0)	22173	53688(100.0)	18537

Notes: (i) Superscript numeral denotes month to which figure relates, e.g. superscript * stands for September. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year.

Prism Cement

PRISM CEMENT, initially incorporated as **Karan Cement**, is establishing a state-of-the-art cement plant with a capacity of 2 mtpa of ordinary portland cement in Satna in north Madhya Pradesh. Production is expected to begin in November 1996. The plant location has the dual advantage of proximity to the cement deficit markets in the northern and eastern parts of the country and availability of limestone, coal and other inputs close to the plant. The plant site is well connected by road and rail. The project has been appraised by Industrial Credit and Investment Corporation of India (ICICI) and International Finance Corporation, Washington (IFC-W) and the cost is estimated to be Rs 575 crore. IFC-W has sanctioned a term loan of \$ 30 million and is participating in equity to the extent of Rs 15.75 crore. ICICI has sanctioned a term loan of Rs 80 crore and is underwriting Rs 20 crore. For part financing the project the company is entering the capital market on January 31 with two simultaneous but unlinked public issues of 7,87,60,000 equity shares of Rs 10 each at par aggregating Rs 7,876 lakh and 37 lakh 13.5 per cent secured redeemable partly convertible debentures of Rs 250 each at par aggregating Rs 9,250 lakh. The company has also made arrangements for buy-back of non-convertible portions of debentures with UTI and HDFC. The issue is to be lead managed by ICICI Securities and Finance Company, SBI Capital Markets, DSP Financial Consultants and Kotak Mahindra Finance.

Shriyam Securities and Finance

Incorporated as **Spotlight Trade and Finance**, **Shriyam Securities and Finance** is engaged in merchant banking, custodial service to mutual funds and other entities, stock broking as a registered member of the stock exchanges, sponsor of OTCEI financing and assisting in providing venture capital. The company has been awarded membership of the National Stock Exchange for both wholesale debt market and capital market. The company is entering the capital market on January 19 with a public issue of 1 crore equity shares of Rs 10 each at a premium of Rs 20 per share

aggregating Rs 3,000 lakh including firm allotment of 20 lakh equity shares to mutual funds and 20 lakh equity shares to financial institutions aggregating Rs 1,200 lakh. The project has been appraised by ICICI. The funds will be used to strengthen the existing infra-structural facilities and to augment resources for further growth and diversification. The issue is to be lead managed by ICICI Securities and Finance and J M Financial and Investment Consultancy Services.

Awas Ayogen Vittingam

Awas Ayogen Vittingam is operating in the field of housing finance. It promotes ownership housing by providing finance. Awas has been classified as a housing finance institution by the National Housing Bank. The company, seeing the growing demand for housing in and around Gujarat, specifically in the rural areas, has decided to undertake an expansion of its current business. For this it needs to augment its long-term resources and capital. To part finance the project the company is entering the capital market with a public issue of 23,80,000 equity shares of Rs 10 each at par aggregating Rs 238 lakh. Bank of Baroda has appraised the project and the cost is

estimated to be at Rs 434.99 lakh. The issue, slated to open on February 9, is to be jointly managed by Doogar and Associates and H M Desai Shares and Financial Consultancy Services.

Indo Holland Agro Exports

Indo Holland Agro Exports is engaged in floriculture and is entering manufacture of greenhouses in a big way. The company has imported the latest Dutch technology for its floriculture project and is focusing on building on India's natural advantages of abundant sunlight, cheap labour and low requirements of energy. To cut the project cost the company has diversified into manufacturing its own greenhouse system which would match the best poly greenhouses available in the world and be highly cost effective. The company expects to cut the cost of greenhouses of equivalent quality and sophistication by almost one-third. It will produce a complete range of greenhouses from simple poly tunnels to huge multi-span greenhouses. Orders for the first batch of greenhouses have been booked. Encouraged by this the company is thinking of hiving off the greenhouses division into a separate company.

Revised Subscription Rates

Inland

(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	-	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	-	325	-	900
Students	-	225	-	-

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign

(in US \$)

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe,				
Japan, New Zealand,				
Australia & Russia	150	100	90	65
All other countries	100	70	70	50

All remittances to **Economic and Political Weekly**

INDIAN SEAMLESS METAL TUBES

Affected by Recession

THE flagship company of the Indian Seamless Group, Indian Seamless Metal Tubes (ISMT) has shown mixed results for 1993-94, with net sales going up by 2 per cent, operating profit falling by 6 per cent and net profit rising by 17 per cent. The boost to net profit was attributed to the 33 per cent increase in other income, 22 per cent decrease in depreciation and a rise in non-operating surplus by Rs 3.26 crore. ISMT declared a dividend of 32 per cent for year against 30 per cent for the previous year. Exports were higher by 25 per cent while imports fell by 59 per cent.

Debt-equity ratio shows a steady decline from 112 per cent in 1991-92 to 68 per cent in 1992-93 and 57 per cent in 1993-94. Short-term bank borrowings fluctuated at 39 per cent in 1991-92, 41 per cent in 1992-93 and 17 per cent in 1993-94. Sales to total assets ratio declined by 18 percentage points after having been steady at 78 per cent for two years, while the sales to gross fixed assets ratio fluctuated at 120 per cent in 1991-92, 130 per cent in 1992-93 and 109 per cent in 1993-94. Remuneration to employees increased marginally.

Operations were affected by the recessionary trends in the engineering industry. To cope with the situation, the company to absorb the increased cost and even reduce prices and extend longer credit to customers. An ultrasonic testing machine for testing bearing tubes and controlled atmosphere arrangement for the cold draw annealing furnace was installed as a measure of quality improvement. During the year, Seamless Tubes and Technologies (India) (STTIL) amalgamated with the company. This being a kind of vertical integration, the company expects to improve its performance with the addition of high value added products such as cold rolled rings and fuel injection tubes. The company was successful in obtaining ISO-9002 certification and this is expected to help in boosting the exports. It is also embarking on a plan to increase its downstream processing thereby enhancing value addition and quality of the products.

Indian Seamless Steels and Alloys (ISSAL), an associate company, commenced commercial production during the year and its output has been steadily rising. ISSAL has established production of quality steels at competitive operating costs. It is now planning to enlarge the product range by installing a downstream rolling mill. With the objective of reducing cost of raw material

the company is installing a mini blast furnace. Indian Seamless Financial Services fared well in 1993-94. It has commenced merchant banking operations and is actively involved in underwriting and issue management. Commercial production at Taneja Aerospace and Aviation started from 1994 and two aircraft have been sold. Commercial production of two-seater all-composite trainer aircraft named Hansa-3, jointly developed with National Aerospace Laboratories (NAL), is to commence in the second quarter of 1995.

CAPRIHANS (INDIA)

Expansion and Modernisation

Caprihans India (CIL), a Kalpataru group company, is a leading player in the soft PVC market manufacturing opaque sheetings, printed films, transparent films and films developed for customised applications. It has one of the largest product ranges among all PVC film manufacturers. Most of the products are intermediate products which are later converted and sold for final consumption to customers. The company has done well in 1993-94, with net sales going up by 23 per cent, operating profit by 14 per cent and net profit by 90 per cent. The 89 per cent increase in other income was balanced by an 83 per cent fall in non-operating surplus. The 33 per cent increase in depreciation was more than offset by a 71 per cent decline in taxation. A 35 per cent dividend was declared for the year against 30 per cent in the previous year. Exports fell marginally while imports were up by 121 per cent. Debt-equity ratio fluctuated at 30 per cent in 1991-92, 23 per cent in 1992-93 and 47 per cent in 1993-94. Sales to total assets and sales to gross fixed assets ratios declined by 32 percentage points and 65 percentage points, respectively, in the past three years. Remuneration to employees has been increasing marginally in the past three years.

The company crossed the rupees hundred crore mark during the year. The company's plan for expanding capacity by 100 per cent at Nasik for manufacture of PVC film and sheetings has made substantial progress. Both the calendaring units have commenced commercial production. This means that raw material requirement would increase substantially. Also, the simultaneous modernisation the company has embarked on has led to the rationalisation of product flows, removal of bottlenecks, upgradation of product quality and cost advantages. The

company faces stiff competition from small scale and unorganised sector units which enjoy a substantial price advantage. During the year the company commenced development of a property in central Bombay which would be a multi-storeyed commercial complex.

Caprihans invested Rs 12 lakh on R and D activities in the year. The major activities that were undertaken were the installation of an R and D unit at its Nasik plant. All the manufacturing units are being provided with facilities for on-line quality control. Also, individual customer-oriented products are being made to meet the specific needs of end-users. R and D efforts have helped the company in containing costs despite rise in cost of raw materials. The company having pioneered the concept of hollow corrugated boards (HCB) in India which is a superior substitute to corrugated paper boxes though also eight times more expensive, is now concentrating on increasing the applications for this product. The company also plans to develop products in the high technology PVC area, particularly for defence applications. Its R and D activities have also helped in the reduction of scrap at manufacturing point.

FINOLEX PIPES

Backward Integration

Finolex Pipes did not do well in 1993-94. Though net sales were up by 17 per cent, operating profit and net profit were down by 19 per cent and 54 per cent, respectively. A fall of 45 per cent in other income and of 76 per cent in non-operating surplus and a 28 per cent increase in interest charges coupled with a 66 per cent hike in other provisions all contributed to the lower margins. Despite this the 10 per cent dividend has been maintained. Debt-equity ratio fell sharply from 642 per cent in 1991-92 to 78 per cent in 1993-94. Short-term bank borrowings on the other hand shot up sharply by 21 percentage points in the span of three years, while the sales to gross fixed assets ratio registered a fall of 39 percentage points in the same period. Remuneration to employees has shown an increase from 3 per cent in 1991-92 to 10 per cent in 1993-94. Net value added to value of production declined by 20 percentage points in the same period.

Sales of pipes and fittings were affected mainly due to the prolonged transporters' strike and the lower utilisation of productive capacity compared to the previous year. According to the company, profits for the

Financial Indicators	ISMT		Caprihans (India)		Finolex Pipes		Lakhanpal National		Burroughs Wellcome	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	10613	10441	9071	7332	11955	10186	9136	8440	15236	12600
2 Value of production	10727	10583	9265	7152	12311	10564	8879	8564	14974	12375
3 Other Income	965	725	423	223	433	794	156	186	283	174
4 Total income	11692	11308	9688	7375	12744	11358	9035	8752	15257	12549
5 Raw materials/stores and spares consumed	6705	6496	4296	3537	9775	8341	5575	6075	5962	5098
6 Other manufacturing expenses	1223	1334	2431	1260	1378	678	294	363	4073	3366
7 Remuneration to employees	572	380	670	597	136	128	635	523	1699	1420
8 Other expenses	909	669	986	844	457	979	1178	791	2005	1639
9 Operating profit	2283	2429	1305	1137	998	1232	1353	1000	1518	1026
10 Interest	1131	986	394	393	232	181	355	429	568	536
11 Gross profit	1478	1442	916	774	1046	2262	1016	574	950	490
12 Depreciation	265	344	171	128	76	124	275	236	103	90
13 Profit before tax	1212	1097	745	646	965	2135	741	338	647	400
14 Tax provision	0	65	85	300	0	0	0	0	301	99
15 Profit after tax	1212	1032	660	346	965	2135	741	338	546	301
16 Dividends	281	206	93	55	1297	916	117	117	146	108
17 Retained profit	931	826	567	291	-332	1219	624	221	400	193
Liabilities/assets										
18 Paid-up capital	882	757	362	182	12893	12832	469	469	748	600
19 Reserves and surplus	6638	4661	3846	2049	19414	19655	2063	1438	3341	1834
20 Long term loans	4353	3723	1983	514	25333	21956	1642	1984	977	760
21 Short term loans	3213	2014	869	1621	6932	231	335	263	1712	2067
22 Of which bank borrowings	470	806	102	275	1808	108	323	401	620	1472
23 Gross fixed assets	9719	8029	5212	3076	62770	50077	4496	4045	2155	2018
24 Accumulated depreciation	2450	2172	1437	1271	101	826	1476	1204	825	744
25 Inventories	2683	1946	2939	2017	5140	1236	1511	1588	2078	2839
26 Total assets/liabilities	17525	13231	10354	6560	74130	63547	5808	5666	8754	7206
Miscellaneous items										
27 Excise duty	1512	1271	1586	1424	212	0	2161	2692	1657	1524
28 Gross value added	3390	2763	1909	1745	1275	3088	2037	1449	3070	2403
29 Total foreign exchange income	373	284	1875	1899	80	80	152	14	1855	911
30 Total foreign exchange outgo	138	315	3253	1450	4268	4270	623	591	1884	1093
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	60.6	78.9	87.6	111.8	16.1	16.0	157.3	149.0	174.0	174.9
32 Sales to total net assets (%)	70.3	93.6	128.5	167.9	18.5	18.6	202.6	203.2	224.8	239.5
33 Gross value added to gross fixed assets (%)	34.9	34.4	36.6	56.7	2.0	6.2	45.3	35.8	142.5	119.1
34 Return on investment (gross profit to total assets) (%)	8.4	10.9	8.8	11.8	1.4	3.6	17.5	10.1	10.9	6.8
35 Gross profit to sales (gross margin) (%)	13.9	13.8	10.1	10.6	8.7	22.2	11.1	6.8	6.2	3.9
36 Operating profit to sales (%)	21.5	23.3	14.4	15.5	8.3	12.1	14.8	11.8	10.0	8.1
37 Profit before tax to sales (%)	11.4	10.5	8.2	8.8	8.1	21.0	8.1	4.0	5.6	3.2
38 Tax provision to profit before tax (%)	0.0	5.9	11.4	46.4	0.0	0.0	0.0	0.0	35.5	24.8
39 Profit after tax to net worth (return on equity) (%)	16.1	19.0	15.7	15.5	3.0	6.6	29.3	17.7	13.4	12.4
40 Dividend (%)	32.00	30.00	35.00	30.00	10.00	10.00	25.00	25.00	22.50	18.00
41 Earning per share (Rs)	13.74	13.63	18.23	19.01	0.75	1.66	15.80	7.21	7.30	5.02
42 Book value per share (Rs)	82.5	69.9	93.0	74.7	25.1	25.3	54.0	40.7	54.7	40.6
43 P/E ratio (based on latest and corresponding last year's price)	12.9	17.6	13.2	0.0	90.9	24.6	8.9	30.5	37.7	45.8
44 Debt-equity ratio (adjusted for revaluation) (%)	59.8	70.4	58.9	37.8	78.4	67.6	64.8	104.0	23.9	31.2
45 Short term bank borrowings to inventories (%)	17.5	41.4	3.5	13.6	35.2	8.7	21.4	25.3	29.8	51.8
46 Sundry creditors to sundry debtors (%)	48.5	41.8	70.8	93.0	216.9	703.4	733.1	1420.0	86.7	136.5
47 Total remuneration to employees to gross value added (%)	16.9	13.8	35.1	34.2	10.7	4.1	31.2	36.1	55.3	59.1
48 Total remuneration to employees to value of production (%)	5.3	3.6	7.2	8.3	1.1	1.2	7.2	6.1	11.3	11.5
49 Gross fixed assets formation (%)	35.5	11.7	199.7	14.3	25.3	170.7	11.1	4.2	6.8	3.7
50 Growth in inventories (%)	37.87	3.68	45.71	-14.43	315.86	-8.17	-4.85	19.04	-26.81	2.16

previous year had been higher because of extraordinary income and income earned by the way of dividend, capital gains, etc, on deployment of temporarily surplus funds raised for the PVC resin project. In the year under review, these funds were used for the project and thus income attributable to this source was lower.

Till 1994, the company was a single product manufacturing unit producing rigid PVC pipes and fittings. It recently undertook a backward integration programme by diversifying into PVC resin production. This project of Rs 630 crore went on stream in April 1994. Encouraged by its performance, the company is planning to expand its capacity by 1.2 lakh tonnes. The entire PVC requirement would now be met internally and therefore the company expects to lower its manufacturing expenses by a significant 20 per cent. De-bottlenecking operations to increase production are also being planned. The company's new product developed in-house, viz, SWR pipes and fittings was to be launched during the year. With shift in demand from smaller size pipes to bigger size pipes, where margins are higher, the company expects to improve its performance and margins. The company has set up an open sea cryogenic jetty at its Ratnagiri plant and this has now become operational, but during the monsoon the Ratnagiri ports are officially declared closed. As there are no breakwaters, the jetty is fully exposed to the weather causing the water to go up around 4-5 meters. This renders berthing and unberthing operations unsafe, thereby seriously affecting the operations of the company. The company was shut from May 29 to June 23, 1994 due to technical problems and this would affect its performance in 1994-95.

The company's R and D department has been undertaking continued development of new types of pipes fittings, new raw material formulations and new production techniques.

LAKHANPAL NATIONAL

Upgrading Technology

Lakhanpal National, a joint venture between Matsushita Electric Industrial Company of Japan and the late DD Lakhanpal, is engaged in the manufacture of dry cell batteries. The collaboration is a technical as well as a financial one with Matsushita holding 40 per cent stake in the company's equity. 'Novino Gold' is one of the popular brands under which the company markets its products. Net sales were up by 8 per cent, operating profit by 35 per cent and net profit by 119 per cent in 1993-94. The 17 per cent fall in interest charges was balanced by the 16 per cent rise in depreciation. Though there was

a fall in other income by 17 per cent, non-operating profit was up by 500 per cent. A dividend of 25 per cent was declared. Exports were up by 985 per cent while imports were up by only 6 per cent. Debt-equity ratio has shown a steady decline from 126 per cent in 1991-92 to 104 per cent in 1992-93 and 64 per cent in 1993-94. Short-term bank borrowing has declined slightly. While sales to total assets went up by 8 percentage points in the past three years, sales to gross fixed assets declined by 5 per cent in the same period. Fall in inventories led to a negative capital growth in the year. Remuneration to the employees fluctuated at 33 per cent in 1991-92, 36 per cent in 1992-93 and 31 per cent in 1993-94. Net value added to value of production has shown a steady rise in the past three years.

With the objective of maintaining its market share in the liberalised environment, the company has been giving a thrust in the areas of quality and least cost manufacturing. Technology upgradation is also being undertaken along with quality improvement to meet the specific needs of the market. As a step towards globalisation, the funds raised through the issue of capital are proposed to be used for expansion of production capacity by establishing a new plant for manufacturing hi-tech eco-friendly mercury free penlite dry cell batteries. Commercial production is to commence this year. There was a quantum leap in the exports of spare parts during the year. The company has also started exporting battery components to other countries.

The R and D centre of the company has the recognition of the government of India. Efforts to indigenise critical high value items, quality enhancement and development of new products are being undertaken. Efforts are on to absorb battery grade separator paper manufacturing technology to suit the requirement of the Indian market.

BURROUGHS WELLCOME

New Drugs

Burroughs Wellcome is engaged in the manufacture of bulk drugs, chemicals, formulations and cosmetics. The company is a market leader in several drugs having therapeutic uses. The net sales of the company went up by 21 per cent with the new third generation drug, Cefizox, faring well in the market along with Tracrium, actified plus tablets, theo-pa tablets, septran and calpol. Operating profit of the company was up by 48 per cent and net profit by 81 per cent. Net sales would have been even higher but for the rise of 204 per cent in taxation of 14 per cent in depreciation and of 5 per cent in interest charges. The increase in other income by 62 per cent helped in holding up

margins. Exports were up by 110 per cent while imports were up by 75 per cent. A 22.5 per cent dividend was announced for the year against 18 per cent in the previous year. Debt-equity ratio has shown a steady decline from 44 per cent in 1991-92 to 31 per cent 1992-93 and 23 per cent in 1993-94. Short-term bank borrowings have fluctuated at 40 per cent in 1991-92, 51 per cent in 1992-93 and 29 per cent in 1993-94. Sales to total asset ratio has been steady at 174 per cent for the past two years while sales to gross fixed assets ratio grew by 83 percentage points. There was a large fall in inventories by Rs 7.61 crore due to which gross capital formation was negative. Remuneration to employees fell marginally.

The company undertook replacement of old machines during the year. The granulation section of the tablet department was renovated and technically upgraded in line with current good manufacturing practices (CGMP). Old machines and vessels in the tablet and liquid departments were replaced with new and high speed machines and vessels thereby increasing efficiency in both the departments. The sterilised product manufacturing facility has been geared up for manufacture of neosporin eye drops after reformulating it. A new automatic high speed blister packing machine with collator and non-fill detection system has been installed in the packing department which has increased the blister packing capacity for tablets. The chemical division has initiated measures for improved processes and products and the use of certain raw materials has been reduced.

The company plans to introduce new drugs. Cefspan an oral drug, an original product of the Japanese Fujisawa Pharmaceutical Company, is now registered by the company in India and is to be introduced shortly. Burroughs Wellcome has obtained permission for marketing two original Wellcome discoveries, Wellferon and Exosurf.

The company incurred an expenditure of Rs 85 lakh on R and D in 1993-94. The company has a well equipped R and D laboratory. Reformulation of existing products, developing new pharmaceutical dosage forms and process modifications are some of the activities that are being undertaken by the department.

Economic and Political Weekly

Available from

Sainath Book Centre
G-11, Mahendra Chambers
V T Magazine Market
Dr D N Road
Bombay - 400 001

Students' Rights

A G Noorani

The issues raised by the Campus Committee for Academic Freedom set up in Bombay University, most importantly that of freedom of speech and expression for students within the campus, should provide the occasion for a serious effort to draw up a charter of students' rights and duties.

THE Campus Committee for Academic Freedom (CCAF) set up on the Kalina campus of Bombay University by its students would do well to invite major students' bodies in the country to co-operate in drawing up a considered and comprehensive charter of students' rights and duties. Politicians who are dying to cash in on students' unrest are best left out.

Aruna Chakravarty of *Indian Express* has done a service by reporting (on December 21 and 23, 1994) on the activities of CCAF. On December 20 students voted in a 'referendum' on a resolution seeking full "freedom of speech and expression" within the campus. Of the 750 votes polled, 719 supported the resolution. The report lists grievances by no means unique to the Kalina campus. Nor are they unprecedented. That, of course, is no reason for taking them lightly, rather for taking concerted action on them. The grievances are:

(1) Students of the Humanities Division Forum were debarred from meeting in the campus library, as they used to regularly, because the discussions could become 'controversial'.

(2) The monthly campus magazine *Challenge* was not permitted to be released or sold for want of 'requisite permission' from the university authorities. The decision was rescinded after a signature campaign against it. Later the authorities demanded information regarding the magazine which led to the stoppage of sales in August this year. The pro vice-chancellor is reported to have said that sale of "anything except canteen food within the campus precincts" was forbidden.

(3) The play '*Dono Mare Jayenge*' written by a student after the Bombay riots in 1993 was stopped from being performed. When the writer/producer, Vijay Akila, persisted, he was thrown out of the campus hostel.

(4) In October this year the University cancelled the booking of the J P Naik Bhavan where a talk by the suspended deputy municipal commissioner, G R Khairnar, was scheduled. When the students went

ahead regardless, a show of force by security guards and policemen was staged.

(5) No elections have been held to the Post-Graduate Students' Union (PGSU) though students have been regularly paying the union fees.

(6) There is no students' council to air students' grievances.

(7) Access to the vice-chancellor is denied to students.

The pro vice-chancellor, V N Gupchup, asserted, "we are not controlling the views of the students". But in some respects he only confirmed the students' grievances: "We stopped the sale of *Challenge* because they used to set up counters for the sale of the magazine". What was so wrong about that? If the counters caused any obstruction appropriate alternative sites could have been arranged. According to students, Gupchup himself had in their presence ordered the deputy registrar to 'take action' against students who sold the magazine. "When we asked him whether we could distribute the copies, he said we would have to give an application and a committee would look into the matter."

Students allege that they were asked to submit applications for permission to collect funds for Latur earthquake victims and there was no response to the applications even after two and a half months. The pro vice-chancellor as well as the librarian denied any ban on meetings in the library. They were 'unaware' of the meetings in the first instance.

Here is an appropriate case for an inquiry by one of the civil liberties bodies. Universities are 'state' within the meaning

of Article 12 of the Constitution and their authorities are bound by the chapter on fundamental rights in the Constitution. That includes the fundamental right to freedom of speech and expression embodied in Article 19(1)(a).

Section 43(1) of the British Education Act, 1986 provides an apt parallel. It deserves incorporation in our University Acts. It reads thus: "Every individual and body of persons concerned in the government of any establishment to which this section applies shall take such steps as are reasonably practicable to ensure that freedom of speech within the law is secured for members, students and employees of the establishment and visiting speakers."

It may be recalled that the authorities of Maharaja's College, Ernakulam, had ordered the suspension of the printing and distribution of the college magazine for 1984-85 a few days after it had been formally released at a function at the college auditorium on September 10, 1985 (see this writer's article on 'Students' Magazines', *Economic and Political Weekly*, October 19, 1985, p 1768). The principal of the college had taken exception to the Malayalam translation of a review by Mrindula Sood of a PUCL report on the Delhi riots published in *Indian Express* of December 9, 1984.

The problem arises because college authorities are generally the 'publisher' of college magazines and Section 7 of the Press and Registration of Books Act, 1867 provides for a legal but *rebuttable* presumption that the editor or publisher shown to be such in a journal shall be held (unless the contrary be proved) to be editor or publisher of "every portion of that issue". No editor or publisher can be held accountable for every portion. In any case this 127-year old statute calls for a review. The ingredient of actual knowledge or mens rea should be written into S 7.

That apart, the wider question of students' rights must be tackled in earnest. It goes without saying that no charter would be complete which does not provide for students' duties as well. In this exercise issues that commonly arise such as police entry on the campus must also be addressed properly.

Back Volumes

Back Volumes of *Economic and Political Weekly* from 1976 to 1993 are available in unbound form.

Write to:

Circulation Department, *Economic and Political Weekly*

Hitkari House, 284 Shahid Bhagat Singh Road, Bombay 400 001.

RBI's About-Turn

December 1994 ended with the central bank injecting Rs 2,000-2,500 crore into the market to quell the money market's riotous behaviour in an about-turn from the beginning-of-the-month objective of contracting primary liquidity and containing money supply growth.

I

Backdrop Developments

THE country's central bank was much in the limelight in December 1994 insofar as the money market was concerned. First, it was the open market operations of the Reserve Bank of India (RBI) which it had begun resorting to in November to contain primary money growth. In December the RBI switched gears after absorbing less than Rs 110 crore in the initial stage as the market was turning dry; the RBI also had the primary task of fulfilling the government's borrowing requirements. Therefore came the conversion offer of 364-day treasury bills for which, however, the authorities drew a blank as expectations went all wrong. And the month ended instead with the central bank injecting Rs 2,000-2,500 crore through the Discount and Finance House of India (DFHI) and the Securities Trading Corporation of India (STCI) to quell the money market's riotous behaviour – quite an about-turn from the beginning-of-the-month objective of contracting primary liquidity and containing money supply growth.

(a) OPEN MARKET OPERATIONS

During the early part of the month, the RBI continued with its open market operations (OMOs). Having unsuccessfully experimented with a short-dated security (7 per cent 1998 for a price of Rs 90.27) towards the end of November, the central bank came round to a safer bet and offered the converted 11.75 per cent long-dated security maturing in 2001 at an attractive price of Rs 102 or a yield to maturity (YTM) of 11.3090 per cent per annum on December 1. The previous day's traded price of this paper was Rs 102.20 at a YTM of 11.2665 per cent and the total amount sold by the RBI was Rs 100 crore.

On December 5, it replaced the above security with 12 per cent 1999 at a price of Rs 103.34 which, however, remained on tap only for a day. Also, at a yield of 11.0004 per cent, the market picked up just Rs 10.1 crore worth of this security. On December 6, the RBI adopted a passive stance and offered a very old, dormant 6.25 per cent 1996 paper at Rs 92.31. Though attractive in itself, since a 12.75 per cent paper maturing in the same year was trading in the market at a yield of around 10.33 per cent, there were no takers for the 6.25 per cent paper.

Thereafter the OMOs came to a halt during the month. The indications are that the RBI may no longer be able to do OMOs for quite some months now unless it offers phenomenally high yields. The latter would be disruptive of the yield structure in the market. That apart, the OMOs cannot be a preferred option for the authorities in a situation where the secondary expansion is more dominating than the primary money expansion, though the gospel of monetarism which has inspired the policy planners may not allow for any such fine distinction. Besides, banks have already begun a deposit rate war in order to compete for deposit resources but this would soon compel them to hike their prime lending rates. It would in turn bring to the surface many conflicting elements. Having freed them, the RBI may not be able to prevent a firming up of the banks' lending rates which are already high for the borrowers except the top-rated companies. In fact the RBI may prefer higher interest rates on the assumption that they may curb inflation. But, in a situation of slack real economic activity, the more probable consequences of higher interest rates would be a further reduction in economic activity as well as stimulus to cost-push inflation.

(b) CONVERSION OFFER FOR T-BILLS

A significant development during the month was the government's offer to convert over Rs 3,700 crore worth of 364-day t-bills into a dated security. These were the balance t-bills from the lot offered earlier but which remained unconverted. In March 1994, the government had offered to convert over Rs 22,000 crore of 364-day t-bills maturing between January 6 and March 17 this year into 10-year security at a coupon rate of 12.5 per cent. The market had accepted the conversion of Rs 11,226 crore worth of the bills or 59 per cent of the bills offered.

Against the background of the new floatation of an 8-year security which had attracted massive excess subscription at a cut-off yield of 11.55 per cent in the previous month, the yield of 11 per cent for three years in the latest conversion offer could be said to be attractive. But the market found this offer quite unattractive and dragged its feet. The market players were apparently guided by the prevailing yield rates in the secondary market. The 364-day t-bills maturing in December 1994 and February

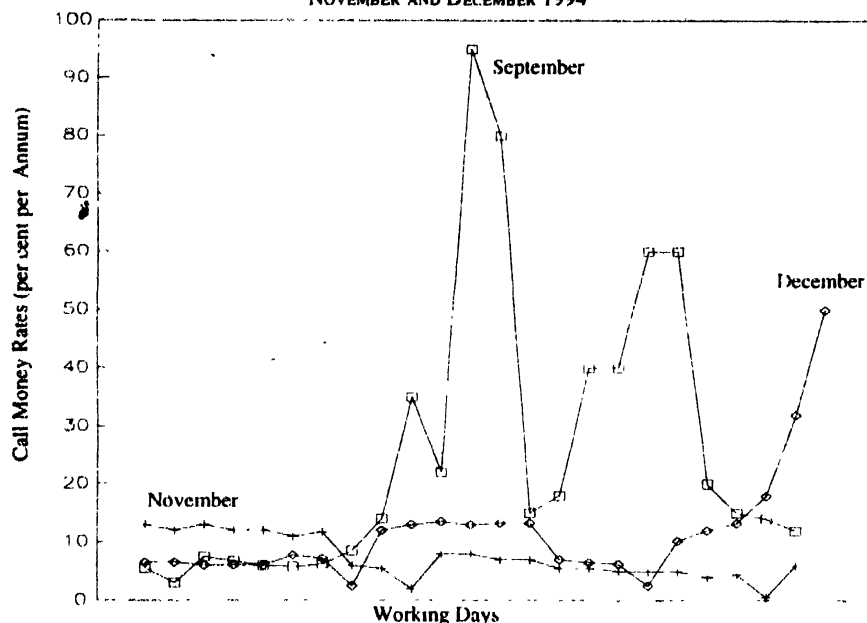
1995 were traded in the range of 9.47-10.46 per cent as per the SGL data released by the RBI, while the 12 per cent government paper maturing in 1995 was trading at 10.8 per cent plus. Also, when the conversion offer was made in the last week of December, the call money market was ruling at 12-13 per cent. Even so the authorities were probably expecting that at least about 50 per cent of the eligible bills would get converted.

Contrary to the official expectations, the already tight liquidity position which was induced by a few bulk demands and which was further accentuated by uncertainty prevailing in the money market on account of the ensuing 85 per cent average cash reserve ratio maintenance beginning January 7, 1995 contributed to the building up of lukewarm market response on the conversion offer. In order not to get caught on the wrong foot, the market preferred to keep enough liquidity or at least hold short-term liquid paper as asset. Clearly, while the market preference had undergone a transformation with the demand for commercial credit picking up rather significantly, the authorities were probably influenced by the earlier enthusiasm which banks in particular showed for sovereign debt instruments *vis-a-vis* commercial credit because of no provisioning requirements for the former. The response of the market to the conversion offer turned out to be not only far below the expectation but abysmal. As against the amount of over Rs 3,700 crore which was eligible for conversion, the RBI received offers for converting only Rs 107 crore which was a piddling 2.8 per cent of the eligible bills.

(c) GROWING LIQUIDITY CRUNCH

Bankers' preference for liquidity over short-term attractive return was understandable. The money markets had been moving towards a tight liquidity regime since late November. On the supply side, the sources of liquidity seem to have got dried up. RBI's foreign exchange assets (other than gold), which had touched \$ 20 billion (or Rs 61,887 crore) on October 28, have since then declined to \$ 19.39 billion (Rs 61,391 crore) as on December 30, 1994. For the past one month ending December 23, aggregate deposits of scheduled commercial banks have stagnated, in fact fallen by Rs 57 crore, in contrast to a rise of Rs 6,599 crore in the corresponding period last year. 'Other deposits' with the RBI, which represent essentially the float funds of the public sector financial institutions and which had touched Rs 4,181 crore on November 25, have been lower since then; they were at Rs 2,684 crore as on December 16, 1994. On the demand side, almost an equivalent of over Rs 11,000 crore of liquidity has been plucked out of the system in bulk deals during November and December: Rs 1,630 crore in RBI's open

GRAPH A: DAILY TOP-END QUOTATIONS OF CALL MONEY RATES SEPTEMBER, NOVEMBER AND DECEMBER 1994



market operations; Rs 1,000 crore as two instalments of subscription to the 8-year partly-paid new GOI security; subscription to the UTI's US-64 rights issue anticipated at about Rs 3,600 crore; PSU disinvestments amounting to Rs 2,500 crore; and advance tax payments due on December 15, variously placed but likely to be between Rs 2,500 crore and Rs 3,000 crore. Besides, bank credit to commercial sector has suddenly begun an uptrend. While it has been on the rise since October, the rise in December has been much more phenomenal. Between October 14 and November 11 bank credit expanded by Rs 3,990 crore but between November 11 and December 23 it increased by Rs 6,737 crore; in the latest fortnight ending December 23 alone there has occurred an expansion of Rs 5,092 crore. All these have happened when the deposit resources of banks have stagnated. Added to the strained liquidity situation, the 85 per cent of the prescribed cash reserve ratio that banks are expected to maintain on a daily basis from January 7 has prompted banks to be cautious and remain liquid. As such, rather than getting locked up for a three-year period, banks have preferred to get their cash back by not converting their t-bills holdings. To an extent, this may also have been induced by the desire to subscribe for the forthcoming mega capital issues.

By the third week of December, bankers' apprehensions regarding the liquidity tightness in the market were proved right. For, banks sold considerable amount of t-bills towards the end of December. On December 30, in 14 deals Rs 168.43 crore worth of 364-day t-bills maturing between January 6 and September 1, 1995 were sold outright, whereas 23 repo deals in 364-day t-bills maturing between January 20 and December 8, 1995 totalling Rs 392 crore were recorded in RBI's SGL transactions. There were even distress sales noticed according to which banks sold 364-day t-bills maturing on January 6 at YTM's

varying from 15.04 per cent to as high as 29.92 per cent.

II Market Developments

FIRMING UP OF CALL MONEY RATES

It looked as though both the market as well as the authorities were caught unaware of the impending wide gyrations in call money rates and the dizzy heights to which they climbed. The first nine days of the month formed the part of a reporting fortnight (ending December 9) when the call rates remained in the range of 5-7 per cent though there were brief intra-day spells of higher call rates of 7.25-7.75 per cent on December 7 and 8 mainly due to hectic last minute attempts at covering CRR by some of the private banks and small-size nationalised banks which have of late become active in the call money market. Rates finally fell to as low as 0.5-2 per cent on the reporting Friday which was in contrast to the high rates prevailing on both the reporting Fridays of November.

The next fortnight, however, began on a firmer note with rates going up to 12 per cent on the very first day (December 10) and gradually moving upward to reach 13.50 per cent on December 13 and 13.25 thereafter till December 16. The tightness in the call money market during December 10-12 was partly the fall-out of the artificial scarcity created by the special instructions to SBI not to circulate the float funds generated out of the subscription for PSU disinvestments. The overall hardening of call rates was also pepped up by heavy borrowing by foreign and private banks. Apparently the lending banks have not yet worked out clear exposure

TABLE 2: RBI'S REPURCHASE (REPO) AUCTIONS

(Rupees in crore)

Date of Auction	Repo Period in No of Days	Bids Traded		Bids Accepted		Cut-off Repo Yield Rate (Per Cent)
		No	Face Value (Amount)	No	Face Value (Amount)	
1993						
November 12	11	29	3059	11	2052	6.5
November 26	14	21	2915	4	2185	6.5
December 10	16	39	4870	17	3202	6.25
December 24	12	31	1508	21	1285	6.25
1994						
November 11	14	7	315	1	75	6.50
November 25	14	5	210	1	50	6.75
December 9	14	1	10	All rejected		
December 21	14	1	10	All rejected		

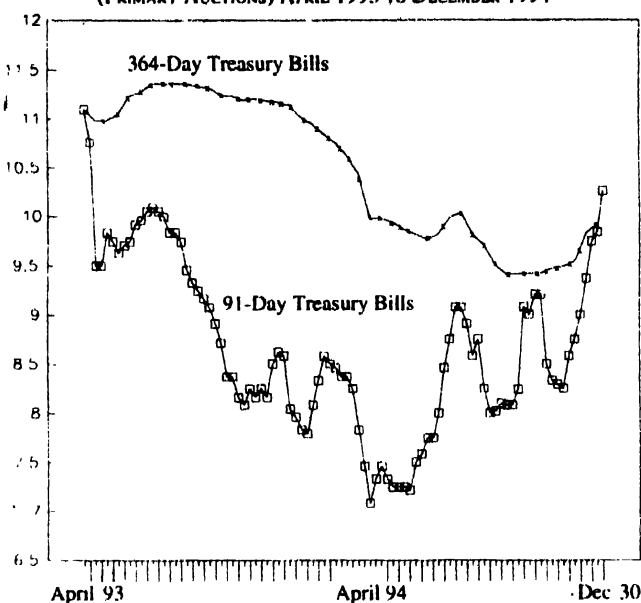
TABLE 1. CALL MONEY RATES

(Per cent per annum)

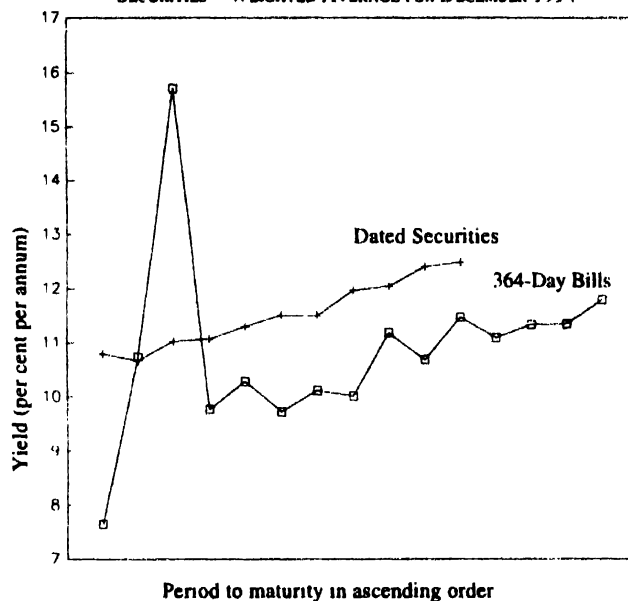
Items	November 1994				December 1994			
	25(RF)	18	11(RF)	4	30	23(RF)	16	9(RF)
Weekly range	11.25-0.25	9.50-11.25	6.00-19.00	5.25-9.25	10.25-50.00	7.00-0.25	13.50-11.50	7.75-0.25
Weekend (Friday)	2.00-0.25	10.50-11.25@	11.00-6.00	5.25-9.25*	3.00-50.00	2.50-0.25	13.25-11.75	2.50-0.25
Weekly weighted average	8.11	9.84	7.41	7.08	na	7.40	12.10	5.55
DFHI lending rates (range)	11.25-2.50	8.50-11.25	5.85-18.0	5.50-9.25	na	11.50-1.00	11.00-13.00	7.50-1.50
								11.00-5.45

Notes: * Friday and Thursday being holidays, Wednesday data.
na = not available; @ Friday being holiday, Thursday data.

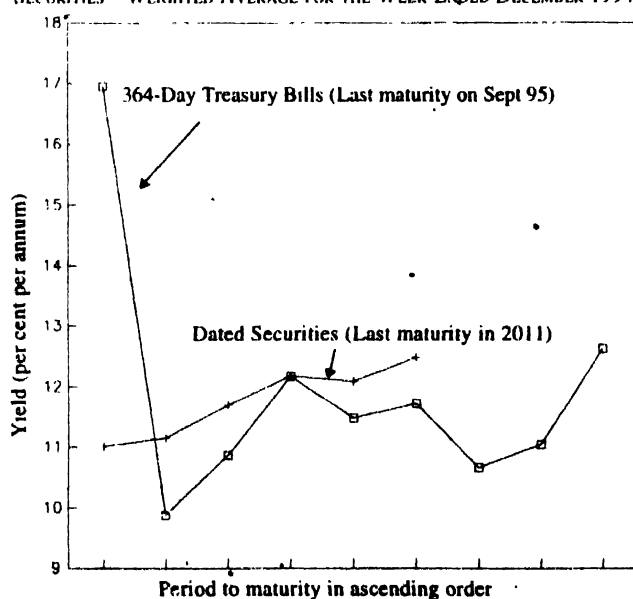
GRAPH B: CUT-OFF YIELDS OF 91-DAY AND 364-DAY TREASURY BILLS (PRIMARY AUCTIONS) APRIL 1993 TO DECEMBER 1994



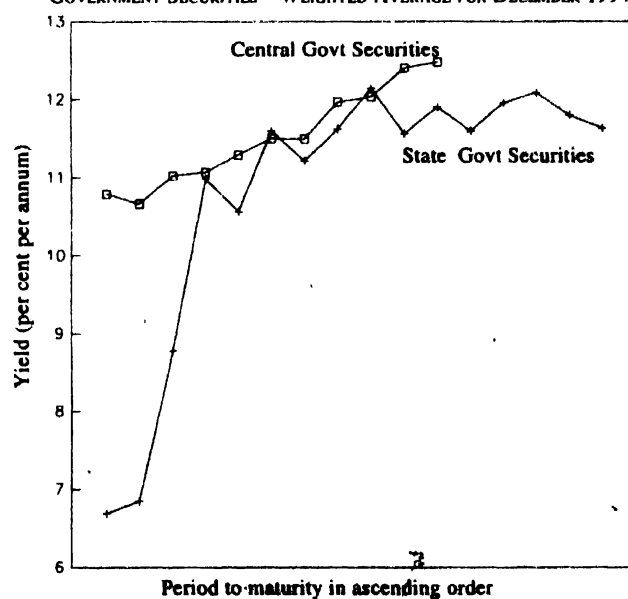
GRAPH C: YIELD CURVES FOR 364-DAY TREASURY BILLS AND GOI SECURITIES - WEIGHTED AVERAGE FOR DECEMBER 1994



GRAPH D: YIELD CURVES FOR 364-DAY T-BILLS AND DATED SECURITIES - WEIGHTED AVERAGE FOR THE WEEK ENDED DECEMBER 1994



GRAPH E: YIELD CURVES FOR DATED GOI SECURITIES AND STATE GOVERNMENT SECURITIES - WEIGHTED AVERAGE FOR DECEMBER 1994



limits for lending to private banks and hence were either reluctant to lend too much or were lending only at high rates. Apart from these special factors the hardening of call rates was reflective more of an underlying liquidity dry-up in the system, as explained earlier.

With the call rates remaining high, some banks in desperation but having export credit exposure tapped the RBI window for export refinance at 11 per cent which was lower than the prevailing call rates (with RBI credit to banks galloping by Rs 4,684 crore in one week ending December 16). Also, ready-forward deals in 364-day t-bills and permitted dated securities were sparked to life with deals worth of Rs 885 crore being transacted during the week ending December 16. Recovering from the shocks of the scam

period, banks have learnt to use the repo route when the call rates rule high. Also, in the situation of a scramble for liquidity, everyone had turned sellers of gilts and banks were finding it very difficult to locate buyers for such securities. Repos therefore became a preferred option, also as a hedge, particularly when gilts faced severe selling pressure.

The following week ending on reporting Friday (December 23) experienced gradual softening of call rates. On December 17, call rates opened on a firm note at 11.50 per cent and hovered around 6 to 10 per cent on December 19. This relatively high rate was mainly due to last minute borrowing by some foreign banks to cover their CRR requirements. The call rates then started

easing when it reached the range of 0.25-2.50 per cent on the reporting Friday. With this, there was a general expectation that the easiness would continue.

However, the market expectations were belied when the call rates started going into a dizzy spell during the rest of the month. On December 24, call rates opened on a firm tone at 10.25 per cent and thereafter started reaching higher tops each day: 12 per cent on December 26, 13.25 per cent on December 27, 18 per cent on December 28, 32 per cent on December 29 and further zooming to 55 per cent on December 30 with unconfirmed reports quoting even 65 per cent on that day. During December 24-30, the high call rates were due to (i) the absence of regular lenders, (ii) the curtailment of lending by the financial

SEPHIS

**The South-South exchange
programme for research on the
history of development**



The Sephis programme is concerned with comparative research on the history of development. It invites scholars from the South to make critical reassessments of development trajectories, their origins, course and effects. Under the overall theme Historicising modernity and development, Sephis endorses historical research on the following subthemes:

1. 'The forging of nationhood & the contest over citizenship, ethnicity and history'
2. 'Equity, economic and social transformations'

Under these subthemes the Sephis programme will give special attention to the search for new identities in the South and the meaning which categories such as class, community, religion, ethnicity and nationhood have for different groups of people in the South. The first subtheme focuses on identities and the second on problems of equity, in the context of economic and social transformations which have attended the advance of modernity.

◆ Fellowships for Post-Doctoral Research

In 1995, five fellowships are available for Post-doctoral research. Funding will be provided for travel and research costs, and salary according to local standards. These fellowships extend from a minimum of three months to a maximum of two years. *Eligibility:* Scholars who received their PhD degrees preferably within the last five years and who are employed by or affiliated to a University, a research institute or development agency in the South.

◆ Grants for PhD Research

In 1995, ten grants are available for PhD research. PhD Grants will be provided for a period from one to three years. The proposal must include a period of research and should make clear that the applicant can realistically complete his or her draft thesis in the given

time. Salaries are not normally included in Sephis PhD grants. *Eligibility:* PhD students enrolled at a Southern university, who are supported by their institution.

◆ Application for these grants should include:

- a research proposal (maximum of 5000 words) including a timetable [applicants for Post-doctoral fellowships should indicate the form of publication (book, article, etc.). Applicants for PhD grants should indicate the period needed to complete the draft thesis].
- an academic curriculum vitae
- a letter testifying to institutional affiliation
- a copy of the PhD certificate (for Post-doctoral fellowships)
- names and addresses of two referees (including telephone and possibly fax and E-mail numbers). Applicants for the PhD grants should also include a letter of recommendation by their thesis supervisor.
- preferably, an example of the applicant's work
- a budget

Research proposals will be selected by the Sephis Steering Committee, which consists of historians from different regions in the world. The applications will be evaluated according to quality, relevance to Sephis themes, comparative potential and contribution to South-South co-operation. The application must be received before **April 30, 1995**.

◆ The application – and all requests for information about the grants programme – should be sent to:

Sephis Grants Programme,
Faculty of History & Art Studies,
Erasmus University Rotterdam,
PO Box 1738, 3000 DR Rotterdam,
The Netherlands
E-mail: Bosma @ sephis.fhk.eur.nl,
Telephone + 31 10 4082404
Telefax + 31 10 4524503

institutions with some of them even borrowing from the term money market, (iii) the emergence of SBI as a major borrower due to month-end demands for oil/defence payments, and (iv) an air of uncertainty regarding the possibility of upward movement of the general interest rate structure in the wake of inflationary spirals.

Apart from repetition of large repo transactions on December 29 (Rs 761 crore) and on December 30 (Rs 584 crore), the volatile and high call rates also forced quite a few banks to tap rupee export credit refinance from the Reserve Bank again.

The call rates dropped to 25 per cent towards the mid-day of December 30. Some dealers report that this decline was on account of the SBI moving back as a lender in a big way. Rates dropped further to 20 per cent later in the afternoon when the Reserve Bank injected Rs 2,000-2,500 crore into the market through DFHI/STCI, the rate remained at 18 per cent in the closing hours of Friday.

In another significant development, the traditional lenders, viz. financial institutions (FIs), turned borrowers for the first time in the term money market in which they were allowed to participate as borrowers in October 1993. Earlier, they could participate in the money market only as lenders. In the credit policy of October 1993 the RBI had allowed FIs to participate also as borrowers up to an aggregate limit of Rs 1,000 crore with the RBI fixing individual limits for borrowings from time to time. The leading institutions – IDBI, ICICI and IRBI – have reportedly tapped the market, although the reasons for their turning borrowers were not clear; presumably, they were trying to bridge short-term gap between demand and supply. It may be noted that IDBI's mega issue of Rs 2,400

crore was scheduled to tap the market in late January (which has since been postponed).

The call money market behaviour in December and the causes thereof are similar to those that occurred earlier in September 1994. Absorption of liquidity in 10-year state development bonds, as also the second instalment of advance tax payment by businesses, had resulted in liquidity squeeze in September giving rise to wide fluctuations in call rates. A series of bulk transactions as explained above brought about a liquidity crunch in December giving rise to similar gyrations of call rates. Due to an acute resource crunch, DFHI's call money rates were much higher in December than in September. The money market behaviour also has had its repercussions on the domestic foreign exchange market, though somewhat differently on two occasions. In September the banks short of rupee funds sold dollars, which sent the swap premia for the dollar in the cash/spot and tom/spot markets zooming. Banks were even borrowing dollars from their overseas branches and nostro accounts and selling them in the swap market in India, essentially because of the large arbitrage possibilities that obtained then as a result of the wide differentials between

domestic and international interest rates. While the average of the annualised forward premia in the spot/cash market for the middle two weeks of September touched 20.94 per cent and 17.20 per cent, respectively, the corresponding premia for the six-month period remained at 1.68 per cent and 2.25 per cent. Contrariwise, in December there was a large demand for dollars due to the month-end/year-end release of foreign exchange for oil and defence purchases combined with the slower pace of inflows following rising import surpluses, reduced portfolio investment by FIIs and GDR funds kept abroad. As a result, the forward premia for the term contracts (3-month and 6-month) were higher than those for the spot/cash deals (see 'Current Statistics', EPW, January 7, 1995). Instead, the rupee depreciated to an extent against the US dollar almost throughout the month with the RBI's reference rate ruling somewhat above the now near two-year sticky rate of Rs 31.37 per US dollar, even though the dollar has been depreciating against other major currencies.

Developments in December suggest that the market players are gradually becoming more sophisticated by resorting to fresh instruments even as the authorities are

TABLE 4 AUCTIONS OF 364-DAY TREASURY BILLS

(Rupees in crore)

Date of Auction	Bids Tendered		Bids Accepted		Price (Per Cent)	Yield Rate (Per Cent)
	No	Face Value (Rs)	No	Face Value (Rs)		
1993						
December 7	77	2193	24	815	89.95	11.17
December 21	105	3483.75	25	456	89.97	11.15
1994						
December 7	18	60	14	31	91.05	9.83
December 21	26	107	12	62	98	9.91

TABLE 3 AUCTIONS OF 91-DAY TREASURY BILLS

(Rupees in crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Rs)	Cut-off Price (Rs)	Cut-off Yield Rate (Per Cent)	Amount Outstanding (Rs) @		
		No	Face Value (Rs)	No	Face Value (Rs)				Total	With RBI	Outside RBI
1993											
December 3	200	44	676	17	200	0.00	97.90	8.58	3255.14	60.00	3195.14
December 10	200	43	1089	3	200	0.00	98.03	8.04	3436.73	60.00	3376.73
December 17	200	30	1027	8	200	0.00	98.05	7.96	3313.23	60.00	3253.23
December 21	200	22	409	3	200	0.00	98.08	7.83	3461.23	60.00	3401.23
December 30	300	35	860	12	300	0.00	98.09	7.79	3300.00	60.00	3240.00
1994											
December 2	150	25	59	19	49.25	75.75	97.80	9.00	3296.00	1051.50	2244.50
		(1)	(25)	(1)	(25)						
December 9	100	19	27	5	10.25	39.75	97.71	9.37	2896.00	1091.25	1804.75
		(1)	(50)	(1)	(50)						
December 16	100	14	25.5	6	10	40.00	97.62	9.75	2496.00	654.25	1841.75
		(1)	(50)	(1)	(50)						
December 21	100	16	32	6	13	0.00	97.60	9.84	2296.00	654.25	1641.75
		(2)	(150)	(2)	(87)						
December 30	100	9	19	8	18	0.00	97.50	10.26	2096.00	427.25	1668.75
		(2)	(150)	(2)	(82)						

Notes: Figures in brackets represent numbers and amounts of non-competitive bids which are not included in the total

@ Outstanding amounts are estimated for all weeks of December 1994.

encouraging institution build-up in the market. Apart from the DFHI, the RBI is reported to have used the STCI for extending some additional liquidity into the system. The National Stock Exchange of India (NSE) has facilitated the trading of commercial paper (CP) on its screens for the first time (Table 5). A constraint in the call money market which surfaced during this period of liquidity stringency has been the absence of agreed exposure limits set by the lenders for the new private banks which have as yet inadequate deposit base. In instrument promotion, a CP-like instrument in the form of floating rate bonds with the backing of a system of revolving underwriting facilities (RUFs) have been evolved by some corporates probably as an answer to the RBI delinking the CP from cash credit limits. Faced with stringency in liquidity, banks have made use of bills rediscounting as well as repo deals because the funds so generated do not add to the net DTL of the borrowing banks.

POOR RESPONSE TO RBI'S AUCTIONS

Both the repurchase as well as primary auctions by the RBI experienced declining interest with the market forthcoming with less and less of bids. As a result, the RBI had to offer higher yields on government paper and also take an increasing share in the 91-day treasury bills auctions, though the last two auctions of 91-day bills saw higher contributions from non-competitive bidders who absorbed the slack relieving the RBI of shouldering devolvement. Even so, the RBI had to raise the yields in all the primary auctions – repos, 91-day t-bills and 364-day t-bills (see Tables 2, 3 and 4 and Graph B).

Apart from the declining response and rising cut-off yield rates, a distinct aspect of the cut-off yields pattern in primary auctions of December was the closing of the difference as between 91-day and 364-day t-bills (Graph B). In the auctions of the first week of December, while the cut-off yield

on 91-day t-bills was 9 per cent, that on 364-day t-bills was 9.83 per cent. In the third week the corresponding yield rates were 9.84 and 9.91, respectively. Likewise, in the next batch of auctions of 91-day bills (on December 30) and 364-day bills (on January 4, 1995), the comparable cut-off yields were 10.26 per cent and 10.56 per cent, respectively. In general the market has shown a slight preference for the one-year bills.

SECONDARY MARKET

Reflecting the tight liquidity situation, there was considerable selling pressure in short- and medium-term money market instruments in December. As a result, prices of these instruments constantly fell while the yields rose. Interestingly, the month-end period saw a good deal of activity in repos (other than those with the RBI), particularly in short-term paper such as 91-day and 364-day t-bills.

Zero coupon bonds and converted securities continued to dominate the secondary market with over 11 per cent yields. Interestingly, the month also saw some significant activity in a few state government securities. Maharashtra, Tamil Nadu, Bihar, Andhra Pradesh and even Jammu and Kashmir paper witnessed selling activity. The amounts sold, however, were insignificant and indicated that these were genuine deals rather than speculative ones.

Considerable interest was shown in 364-day treasury bills too, especially those maturing between January 1995 and September 1995. The yields varied in the range of 9 per cent at the short-end to 12 per cent at the long-end. There were, however, quite a few distress sales offering yields of over 29 per cent towards the end of the month indicating, as explained above, the difficult liquidity situation in the market. On December 30, for instance, two deals were done in 364-day t-bills maturing on January 6 at YTM of 15.0454 and 15.9556 per cent

and four deals were done at rates between 27.9223 and 29.9204 per cent; the total amount of these transactions was a significant Rs 120 crore. On the same day a large number of repo transactions worth Rs 392 crore were also recorded by the RBI in its SGL transactions. However, the NSE operations showed no significant improvement either in the order value or the traded value (Table 5).

(a) Government Securities

Reflecting the liquidity crunch, the government securities traded at a higher yield. 12.5 per cent government stock maturing in 2004 was traded at a yield of 11.693 on December 1 which was higher by a couple of decimal points from the yield on the same security traded earlier. Prices of other securities also marginally fell during the first reporting fortnight. The 11.75 per cent 2001 and 12.5 per cent 2004 stocks remained among the favourite scrips. The interest in converted scrips has been on account of the older securities being on banks' investment portfolio and if banks trade in them they will have to provide for depreciation.

Later, during the second reporting fortnight the securities market saw heightened activity in sell quotes with little interest in buying. As a result, prices of the securities fell sharply and the yields increased by 50-100 basis points.

The downtrend in security prices inevitably pushed up the yield to maturity (YTM) structure (Graph C). The fall in security prices also entailed capital losses on stocks. As a result, the rates of return on government securities, especially longer-term ones, recorded declines. This made the prices and return on longer-dated securities more volatile. The SGL data as published by RBI bear ample testimony to these phenomena. For example, the price of 12.75 per cent 1996 GOI stock continually suffered losses during the month; it declined from Rs 102.85

TABLE 5: OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING DECEMBER, 1994

(Amount in Rupees, crore)

Descriptors	Week Ending									
	30		23*		16		9		2	
	Traded	Order	Traded	Order	Traded	Order	Traded	Order	Traded	Order
1 Treasury Bills										
A 91-day Bills	-	-	-	-	-	-	-	-	-	-
B 364-day Bills	140	316	40	140	150	445	82	304	35	265
Sub-total	140	316	40	140	150	445	82	304	35	265
2 GOI Dated Securities										
A Converted	56	257	52	262	25	401	10	325	81	695
B Regular	8	53	10	115	3	41	5	60	5	123.5
C Zero coupon	-	-	-	-	45	160	10	115	12	64
Sub-total	64	310	62	377	73	602	25	500	98	882.5
3 State Govt Securities	24	53	-	-	5	10	-	-	-	-
4 PSU Bonds										
A Tax free	-	16.88	21	68.98	15	60	14	60	34	129
B taxable	9	36	32	134	69	185	31.5	208	16	146
Sub-total	9	52.88	53	202.98	84	245	45.5	268	50	275
5 Float Rate Bonds	-	10	-	25	-	36	-	31	-	22.08
6 CPs	10	20	25	50	-	-	-	-	10	20
7 Debentures	-	4.23	-	5.94	-	4.77	0.15	6.45	-	31.83
Grand total	247	766.11	180	800.92	312	1342.77	152.65	1109.45	193	1508.41

Note: * Excluding December 20.

APPENDIX TABLE: SECONDARY MONEY MARKET OPERATIONS: RBI'S SGL DATA

(Amount in rupees crore)

Descriptions (1)	Week Ending December 1994: Yield to Maturity on Actual Trading												Total for the Month of December 1994		
	30			23			16			9			2		
	Amt (2)	YTM (3)	CY (4)	Amt (5)	YTM (6)	CY (7)	Amt (8)	YTM (9)	Amt (10)	YTM (11)	Amt (12)	YTM (13)	Amt (14)	YTM (15)	CY (16)
1 Treasury Bills															
A 91-Day Bills															
i) Dec 3, 1994	-	-	-	-	-	-	-	-	-	-	1 02	5 01	1 02	5 01	
ii) Dec 31, 1994	-	-	-	8.00	6 90	-	-	-	-	-	-	-	8 00	6 90	
iii) Jan 7, 1995	0 85	8 27	-	-	-	-	-	-	-	-	-	-	0 85	8 27	
iv) Feb 25, 1995	-	-	-	-	-	-	-	-	1 33	9 51	-	-	1 33	9 51	
Sub-total (volume)	0 85	8 27	-	8.00	6 90	-	-	-	1 33	9 51	1 02	5 01	11 20	7 14	
B 364-Day Bills															
i) Dec 9, 1994	-	-	-	-	-	-	-	-	10 00	7 48	5	7 98	15 00	7 65	
ii) Dec 23, 1994	-	-	-	8.00	12 20	-	25 00	10 41	5 00	9 97	-	-	38 00	10 73	
iii) Jan 6, 1995	170 40	16 95	-	1 09	10 69	-	-	-	-	-	33	9 47	204 49	15 71	
iv) Feb 3, 1995	-	-	-	-	-	-	28 00	10 42	15 00	10 12	80	9 47	123 00	9 77	
v) Feb 17, 1995	7 50	9 88	-	35 00	10 22	-	17 55	10 63	26 64	11 13	35 7	9 62	122 39	10 28	
vi) Mar 3, 1995	-	-	-	-	-	-	-	-	-	-	21	9 72	21 00	9 72	
vii) Mar 17, 1995	0 78	10 86	-	-	-	-	-	-	48 00	10 22	40	9 97	88 78	10 12	
viii) Apr 3, 1995	-	-	-	-	-	-	-	-	-	-	5	10 01	5 00	10 01	
ix) Apr 28, 1995	29 58	12 17	-	28 00	10 52	-	50 00	11 32	17 00	10 24	1 9	10 22	126 48	11 18	
x) May 12, 1995	35 00	11 48	-	28 06	10 33	-	10 00	11 49	0 80	9 91	30	9 82	103 86	10 68	
xi) May 26, 1995	-	-	-	-	-	-	25 00	11 47	-	-	-	-	25 00	11 47	
xii) Jun 9, 1995	4 00	11 72	-	10 00	12 39	-	10 00	12 36	10 00	10 57	20	9 93	54 00	11 09	
xiii) Aug 4, 1995	5 00	10 65	-	5 00	11 07	-	65 00	11 81	50 00	10 80	-	-	125 00	11 33	
xiv) Aug 18, 1995	5 00	11 04	-	70 00	11 04	-	50 00	11 85	5 00	10 82	-	-	130 00	11 34	
xv) Sept 1, 1995	116 00	12 62	-	85 50	11 60	-	115 00	12 07	13 00	10 57	55	10 07	384 50	11 80	
Sub-total (volume)*	373 26	14 34	-	270 65	11 07	-	395 55	11 57	200 44	10 39	326 60	9 72	1566 50	11 61	
2 GOI Dated Securities															
A Converted (Per Cent Year)															
i) 12 00, 1995	55 67	11 01	11 92	55 00	10 97	11 91	80 00	10 92	150 00	10 58	-	-	340 67	10 79	11 89
ii) 12 75, 1996	12 50	11 15	12 52	21 25	11 13	12 51	15 00	10 92	45 00	10 33	20	10 40	113 75	10 66	12 43
iii) 12 00, 1999	-	-	-	2 00	11 12	11 66	12 00	11 01	10 00	11 01	-	-	24 00	11 02	11 62
iv) 11 75, 2001	5 00	11 69	11 84	5 00	11 39	11 56	15 00	11 34	-	-	160	11 27	185 00	11 29	11 51
v) 12 50, 2004	108 00	12 17	12 29	7 00	11 89	12 10	20 00	11 82	120 00	11 83	13	11 69	268 00	11 96	12 15
Sub-total (volume)	181 17	11 73	12 18	90 25	11 11	12 04	142 00	11 10	325 00	11 02	193 00	11 21	931 42	11 22	11 95
B Regular (Per Cent Year)															
i) 11 64, 2000(II)	-	-	-	-	-	-	-	-	-	-	10	11 07	10 00	11 07	11 36
ii) 13 31, 2001	-	-	-	-	-	-	-	-	-	-	10	11 50	10 00	11 50	12 27
iii) 11 55, 2002	-	-	-	-	-	-	-	-	-	-	11 25	11 50	11 25	11 50	11 41
iv) 11 50, 2007	5 00	12 08	11 95	-	-	-	-	-	5 00	11 98	-	-	10 00	12 03	11 91
v) 11 50, 2008	-	-	-	5 00	12 40	12 21	-	-	-	-	-	-	5 00	12 40	12 21
vi) 11 50, 2011	5 00	12 48	12 39	-	-	-	-	-	-	-	-	-	5 00	12 48	12 39
Sub-total (volume)	10 00	12 28	12 17	5 00	12 40	12 21	-	-	5 00	11 98	31 25	11 36	51 25	11 70	11 84
(A+B)*	191 17	11 76	12 18	95 25	11 17	12 05	142 00	11 10	330 00	11 04	224 25	11 23	982 67	11 24	11 94
C Zero coupon (Per Cent Year)															
i) 0 00, 1999	-	-	-	-	-	-	10 00	11 36	30 16	11 23	22	11 10	62 16	11 21	10 77
D RBI's Open Market Operations (Per Cent Year)															
i) 12 00, 1999	-	-	-	-	-	-	-	-	10 07	11 00	-	-	10 07	11 00	11 61
ii) 11 75, 2001	0 10	11 31	11 52	-	-	-	-	-	25 00	11 31	75	11 31	100 10	11 31	11 52
(A+B+C+D)	191 27	11 76	12 18	95 25	11 17	12 05	152	11 12	395 23	11 07	321 25	11 24	1155 00	11 25	11 84
3 REPO @															
i) 91-Day T Bill	30 00	-	-	-	-	-	-	-	-	-	-	-	30 00	-	-
ii) 364-Day T Bill	913 00	-	-	236 00	-	-	-	-	285 00	-	-	-	1434 00	-	-
iii) Govt Securities (Per Cent: Year)															
12 00, 1995	24 00	-	12 00	70 00	-	11 97	-	-	-	-	-	-	94 00	-	-
12 75, 1996	245 00	-	12 75	-	-	-	-	-	-	-	-	-	245 00	-	-
12 00, 1999	10 00	-	12 00	-	-	-	-	-	-	-	-	-	10 00	-	-
12 50, 2004	278 00	-	12 50	125 00	-	12 46	15 00	-	125 00	-	-	-	543 00	-	-
Sub-total (volume)	1500 00	-	-	431 00	-	-	15 00	-	410 00	-	-	-	2356 00	-	-
@ Excluding RBI's 14-day repos															
4 State Govt Securities (Per Cent: Year)															
8.25 J & K SDL 1995	-	-	-	-	-	-	0.06	6.69	-	-	-	-	0.06	6.69	8.17
7.50 Mah SDL 1997	-	-	-	0.01	6.85	7.39	-	-	-	-	-	-	0.01	6.85	7.39
9.75 Mah SDL 1998	-	-	-	0.01	8.77	9.47	-	-	0.09	8.78	-	-	0.10	8.78	9.47
9.75 TN SDL 1998	-	-	-	-	-	-	-	-	0.06	10.98	-	-	0.06	10.98	10.13
9.75 Bihar SDL 1998	-	-	-	-	-	-	-	-	0.02	10.56	-	-	0.02	10.56	10.00
13.50 Bihar SDL 2003	-	-	-	0.04	11.60	12.27	-	-	-	-	-	-	0.04	11.60	12.27
13.50 Mah SDL 2003	-	-	-	0.08	11.22	12.03	-	-	-	-	-	-	0.08	11.22	12.03
13.50 AP SDL 2003	-	-	-	1.50	11.62	12.28	-	-	-	-	-	-	1.50	11.62	12.28

(Contd)

Descriptions (1)	Week Ending December 1994: Yield to Maturity on Actual Trading												Total for the Month of December 1994		
	30			23			16			9			2		
	Amt (2)	YTM (3)	CY (4)	Amt (5)	YTM (6)	CY (7)	Amt (8)	YTM (9)	Amt (10)	YTM (11)	Amt (12)	YTM (13)	Amt (14)	YTM (15)	CY (16)
13.50 TN SDL 2003	-	-	-	-	-	-	0.07	12.15	-	-	-	-	0.07	12.15	12.62
12.000 UP SDL 2004	0.06	11.56	11.40	-	-	-	-	-	-	-	-	-	-0.06	11.56	11.40
12.50 Mah SDL 2004	2.16	11.90	12.10	-	-	-	-	-	-	-	-	-	2.16	11.90	12.10
12.50 WB SDL 2004	-	-	-	0.06	11.56	11.88	0.20	11.61	-	-	-	-	0.26	11.59	11.90
12.50 TN SDL 2004	3.00	11.97	12.15	-	-	-	5.00	11.95	-	-	-	-	8.00	11.96	12.14
13.00 Mah SDL 2007	0.01	11.80	12.07	0.03	12.20	12.37	-	-	-	-	-	-	0.04	12.09	12.29
13.00 Orissa SDL 2007	-	-	-	-	-	-	0.12	11.80	-	-	-	-	0.12	11.80	12.07
11.50 Mah SDL 2011	-	-	-	-	-	-	-	-	-	-	0.01	11.63	0.01	11.63	11.62
Sub-total (volume)	5.23	11.31	11.52	1.73	11.31	11.52	5.45	11.31	0.17	11.31	0.01	11.31	12.59	11.83	12.08
Grand total (volume)	2070.61			806.63			568.00		1007.17		648.88		5101.29		-

(-) means no trading. YTM per cent = Yield to maturity in per cent per annum; CY per cent = Current yield in per cent per annum. * Yield rates of these sub-groups of t-bills and dated securities have been used for the graphs

Notes: (1) Yields are weighted yields, weighted by the amounts of each transaction

(2) Current yield has not been worked out for treasury bills

(YTM = 10.4 per cent) on November 30 to Rs 102.21 (YTM = 10.92 per cent) on December 12 and further to Rs 101.50 (YTM = 11.47 per cent) on December 20. Similarly, the price of 12 per cent 1995 security which was Rs 101.40 (YTM = 10.21 per cent) on December 8 below the face value of the stock to reach Rs 99.90 (YTM = 12.08 per cent) on December 30. This scenario is repeated in almost all other securities. The zero coupon 1999 bond faced continuous decline from December 5 onwards. The long duration securities, such as, 11.50 per cent 2007, 11.50 per cent 2008 and 11.50 per cent 2015 GOI stocks suffered considerable capital losses as their prices fell below their face value.

(b) Yield Curve Behaviour

A distinct fall-out of the current and prospective developments in the financial sector during December 1994 with severe liquidity strain, stiffening of the short-term rates and heavy demand for commercial credit, has been the distortion to an extent in the yield curve for government paper (see Graphs C and D). In fact an inverted pattern of yield curve has emerged towards the last week of the month of December 1994 with yields on 361-day t-bills overshooting those for dated securities at the latter's longer end of the maturity order (Graph D). Even at the stage of primary issues, the difference between the cut-off yields for 91-day and 364-day t-bills has been almost eliminated (Graph B). Interestingly, even the behaviour of the yield curve in respect of the dated securities (taking the average of the transactions for the month together or separately for the last week of the month, each as a surrogate for a point in time) does not appear to be a smooth one. Finally, there have emerged significant secondary transactions in state government securities whose yield curve do not show any serious distortion. A comparison of the averages of

the YTM's for central and state government securities is attempted in Graph E.

(c) PSU Bonds

Significantly, trading activity in PSU bonds remained subdued during the month. While tax-free bonds traded at an YTM of 9 per cent, taxable bonds fetched 13.5 per cent to 13.8 per cent in the secondary market.

(d) Commercial Paper

The commercial paper (CP) market had been dull following the October credit policy announcement which disallowed banks from automatically restoring cash credit limits at the time a CP matures. CPs were quoting at 12-13 per cent in the secondary market around the first week of the month. Towards the third week of the month the Reserve Bank issued a circular to banks setting a time limit of 15 days for considering the borrowers' application for renewal of cash credit limits. With this, there may be a renewed interest in this instrument. The market has already sent positive signals.

The need for having a short-term instrument in the market forced the players to look for newer avenues. Floating rate bonds (FRBs) with Revolving Underwriting Facility (RUF) and non-convertible debentures with such RUF were two such innovations introduced in the market during the month. Basically hedging instruments, these provided flexibility to issuers and investors in an uncertain interest rate scenario. The RUF gave the same comfort to issuers of FRBs and NCDs as that offered by a standby arrangement. In specific cases, the issuers issued less than two-year FRBs and NCDs and got them underwritten by banks for short term, say three months, duration. The bank would keep revolving this underwriting commitment every three months. The instrument thus has the advantages of both short-term as well as medium-term instruments.

In doing so, however, the issuers got away from both the regulators, SEBI and RBI - the requirement of credit rating of an NCD for above two years and the disallowance of underwriting of an issue by banks, respectively. It is understood that both the regulators are now considering how to curb this hybrid that is out of the regulatory framework. It is desirable that both the institutions reiterate their regulatory and supervisory concerns in this aspect.

(e) Certificates of Deposit

This instrument appears to have almost remained dormant during the past few months. While there was no interest whatsoever in the instrument for 91-day duration, one-year duration CD was quoted at around 11.50-11.75 per cent. Whether any trading took place at this rate was, however, not known. In any case, banks are not too enthusiastic about mobilising deposits ever since they have been on a spring-cleaning drive. In an otherwise dull CD market, there was, however, a sudden flash with the Corporation Bank deciding to issue a CD worth Rs 400 crore. Though reasons for the bank going in for such a large liability creation were not clear, it was certainly a move related to the growing liquidity crunch in the money market.

(f) Inter-Corporate Deposits

Inter-corporate deposits were available to P₁ companies for 30 days at 14-15 per cent, for 90 days at 15.25-16 per cent and 180 days at 16-17 per cent. The squeeze on the funds being raised by corporates through GDR route which had made the intercorporate market flush with funds over the past few months was indeed reflected in the firming up of the rates in this market. Funds which were available at 14-15 per cent were now costlier at least by one to two percentage points depending on the duration for which the funds were required.

End of Political Immobilism?

Ajit Roy

The assembly elections in Uttar Pradesh had opened a new path when, in a triangular contest, the Congress and the BJP were simultaneously humbled. The results of the latest assembly elections in Andhra Pradesh and Karnataka are significant for the confirmation of the historical advance of this yearning for a third force.

THE recently held polls for the four state assemblies which included the two major southern states of Andhra Pradesh and Karnataka have served to reveal some very significant shifts in the alignment of popular-political forces. This has in turn brought into sharp focus options before and criteria for choice by social segments and political actors. Theoretically speaking, of course, the long-term validity of the revealed trends is open to question, the next round of elections in five states in February may confirm, modify or even completely nullify them. But the prospects of their early nullification are rather unrealistic, as these shifts are the products of a long gestation period. It is rather more likely that the next Lok Sabha elections, whether held in early 1996 or earlier this year, will be strongly influenced by the political shifts revealed in the past round of polls.

The two most important revelations of this round of elections are: first, the erosion in varying degrees, of popular support of the Congress(I) in its recognised bastion, the two southern states of Andhra Pradesh and Karnataka, and, second, the failure of the BJP to exploit the division of the anti-BJP votes. Perceptive analysts have further noted or surmised two important shifts behind these two crucial developments, namely, (i) the Congress(I) has alienated a considerable section of its traditional support base formed by the dalits, adivasis and Muslims, (ii) the Muslim minority has opted for voting *en masse* for a third force *vis-a-vis* the Congress(I) and the BJP if and when adjudged to be a viable and credible alternative to the Congress(I).

All this in essence means that the immobilism that has been marking the Indian political scene since the Congress was worsted in eight states out of the then 16 in 1967 is perhaps coming to an end. For the last 27 years, the Indian people have been repeatedly trying to dislodge the degenerate 'Grand Old Party' of Indian politics. They have so far succeeded in this effort a number of times in the states and twice at the centre, but only in the dubious company of Hindu fundamentalist or Muslim sectarian forces. There have been exceptions, of course, as in West Bengal and Tripura wherein the Left

led by the CPI(M) has been able to cut an independent path to displace Congress rule. But this was successfully quarantined in the eastern zone. Only the previous round of state elections in Uttar Pradesh, the Hindu-Hindi heartland of the country, blazed a new path when in a triangular contest, both the Congress(I) and the BJP were simultaneously humbled. But it was considered to be more or less a singular achievement and the south was considered still to be a well-guarded Congress(I) bastion. The latest results in Andhra Pradesh and Karnataka are significant for the extension and confirmation of the historical advance of the yearning for a third force.

It is of course possible to exaggerate the significance of the Karnataka and Andhra Pradesh poll verdicts. The small number of seats won by the Congress(I) in these states is not a true reflection of its grass roots strength. In Karnataka, the BJP has annexed 40 seats to secure the second place in the house while the Congress tally is 36 only. But the Congress(I) got 26 per cent of the popular votes as against the BJP's 19 per cent. If the votes polled by Bangarappa's Karnataka Congress Party is added to the Congress(I) share, then the combined total would be only fractionally lower than the winning Janata Dal's tally of about 38 per cent. Hence, insofar as a shift in the consciousness of popular-political forces is concerned, the dominance gained by the progressive trend is only marginal.

The rout of the Congress(I) in Andhra Pradesh, however, is based on firmer ground. Compared with the previous assembly elections in 1989, the Telugu Desam Party (TDP) has increased its share of votes by about 7 percentage points to about 44 per cent, while the Congress(I) share has declined by 14 percentage points to about 33 per cent. In welcome contrast to Karnataka, the Congress(I) loss in Andhra Pradesh has not benefited the BJP at all, whose share remains unchanged at 3.4 per cent.

From another point of view, while the electoral gains of the Janata Dal and the Telugu Desam in Karnataka and Andhra Pradesh respectively represent in the final analysis their successes in forging a

broadbased alliance of popular forces which particularly include the dalits, adivasis and Muslims and politically articulate Left-democratic segments, the leading core in both the cases is formed by the middle caste and generally well-to-do farming communities, singly or in combination. In other words, although the humbling of the Congress(I) in this round of polls objectively represents an advance of democratic socio-political trends, the subjective consciousness and calculations of the leading forces of the winning formations are still generally ensconced in traditional idioms and digits of thought.

N T Rama Rao's promises of rice at Rs 2 a kg and complete prohibition in the state no doubt played an important role in mobilising the rural poor and the women voters. Even if these promises are dismissed by their critics as irresponsible and unenforceable populist gimmicks, they nevertheless stimulated justified and healthy aspirations of the masses and hence should be regarded as positive impulses.

Yet, the rejection of the Congress(I) in this round reflects little more than an elementary democratic consciousness on the part of the voters. The failure of the Communists in Karnataka, in spite of their linkage with a section of the INTUC, clearly indicates the absence of Left commitments on the part of the voters. This also indicates a non-committal stance of the masses towards the crucial NEP. Although neither the Congress(I) nor the Janata Dal or the Communists made the NEP a central or even major issue, the decline in the Congress votes reflects at least the absence of any positive attraction of the NEP for the people. This conclusion is not contradicted by the relative successes of the Communists in Andhra Pradesh which is perhaps the joint product of their alliance with the Telugu Desam Party and the decline of the Congress(I)'s appeal.

The rejection of Kanshi Ram's Bahujan Samaj Party by the Andhra Pradesh dalits, however, is not easily explicable. The party contested 262 seats to secure a meagre 1.26 per cent of the polled votes. All but a few of its candidates forfeited their deposits. In this state with its high caste tensions, this dismal record of the party claiming to be the liberators of the dalits cannot be the result of the latter's oversight or mindless reflex. The dalit masses were probably repulsed by the Bahujan Samaj Party leaders' lack of credibility due to their various infantile antics as well as the lack of viability of the party on account of the sharp polarisation between the two major contestants.

The shock of the latest round of elections has imparted many new impulses to the

entire body politic. It has led to new stirrings within the Congress(I) and outside and opened up new options for the parties and the people. It has, as foreseen, led to a destabilisation of some kind of the Narasimha Rao leadership within the Congress and adversely affected the creeping process of consolidation of the Congress(I) regime. This in turn has given rise to hopes for the emergence of a new centrist alternative to the Congress regime.

Capitalising on the shock and disquiet in the Congress(I) and its support bases, the latent and simmering power struggles in the party have come to the fore. Combined with the vigorous offensives of the more confident opposition in parliament, the pressures of the perturbed ranks of the Congress(I) parliamentary party have succeeded in ousting three of the most tainted ministers. More enduring in its impact is the dramatic resignation of the union human resources development minister and the most persistent challenger to the Rao leadership, Arjun Singh. The Congress, and the nation, may now be faced with prospects of a choice between these two chief contenders. In making the choice they should not overlook some of the basic issues involved.

Although he has all through his prime ministerial career been paying homage of sorts to 10 Janpath, no one can afford to overlook his thinly camouflaged struggles to come out of the tutelage. It should also be noted that the first plebeian in the seat of power in New Delhi on behalf of the Congress, that is, counting out the brief Lal Bahadur Shastri period, Narasimha Rao did initiate something like a weak glasnost, while Arjun Singh and some of his cohorts have not only been close to Madam, they can hope to upstage Rao only with considerable support from that quarter. This, at least initially, can only be a retrogression as it will certainly revive the grip of the imperial family on the power centre. It may, however, be argued, not without justification, that a short-term renewal of the 'Nehru-Gandhi' mystique may be conducive to its final extinguishment!

Further, while neither Rao nor Singh can be regarded as epitomes of cleanliness in personal conduct, it is not without significance that in the interest of power struggle the Rao clique did bring up the Bofors affair, while Arjun Singh's seven-page chargesheet against Rao raises many worthwhile and justified issues but skips over Bofors.

Arjun Singh surely scores plus marks over Rao on two points: first, in his demands for the correction of Rao's soft Hindutvavad and, second, alleviation of the adverse impact of the NEP on the poor and the marginalised. While credit should be his due for the first, the second is not substantially different from

Rao's own advocacy of a middle path. Moreover, the fundamental question about the NEP is not merely a further impoverishment of the poor. It is the comprehensive question of its pervasive and perverse impact on the nation's political and economic sovereignty and of safeguarding the country from an inevitable cultural and intellectual degeneration. Judged this way, the difference between Rao and Singh is not wide. Unless Arjun Singh can be pushed further so as to cut the tie-up with 10 Janpath and to call for a reversal of the policy of surrender to the process of globalisation under the auspices of the global MNCs and their agencies, the option will amount to almost a choice between tweedledum and tweedledee.

The choice for the Congress apart, the prospects of a choice between the Congress and a centrist alternative is obviously much more important. Judged by the present portents, the hope of reduction of the Congress to a small minority in the next Lok Sabha is not unrealisable. Indeed, it can very well end up with about 100 MPs,

that is, comprising about 70 MPs from the south as in 1984 and about 40 MPs from the north as in 1989. In order to make this a reality, the period from now on till the coming Lok Sabha elections has to be utilised for achieving three major objectives:

First, a broad consensus on national policies covering the entire range of issues among all the centrist forces, big or small.

Second, some solemn and firm commitment by the various aspirants for the top post to abide by a declared procedure for the selection of the person.

And third, a serious attempt to build up a Left consolidation as the fulcrum for the new line of development, the central thrust of which has to be a skillful but determined struggle against the process of globalisation under the global MNCs.

Unfortunately, with the Jyoti Basu line emerging triumphant in the CPI(M), there is no real possibility for the third requirement to be fulfilled. Hence, the coming period may perhaps witness a repetition of another, failed, Janata experiment.

UTTAR PRADESH

Fresh Life for Uttarakhand Movement

Amaresh Misra

The CBI report on the infamous Muzaffarnagar incident has put new life into the Uttarakhand movement – at a time when the Mulayam Singh government's record during its first year in office has come in for sharp criticism from all quarters.

THE new year in UP politics came in the form of another discomfiture for the Mulayam Singh government – the much awaited CBI enquiry on the infamous Muzaffarnagar incident was finally out. It confirmed what many independent organisations and political parties had been saying all along, that on the fatal day of October 2, when men and women of Uttarakhand were going to Delhi to attend a rally, they were stopped and brutally assaulted by the Uttar Pradesh police. Women were raped and men killed – the CBI report listed the number of the former at seven. The 'official' indictment put the nail on one of the most gruesome incidents in the recent history of UP, which Mulayam Singh and his partners in the BSP had done all that was in their power to deny or suppress. It exposed not only the abysmal human rights record of the government but also its history of fraud and manipulation through which it had tried to convert incidents like Muzaffarnagar, Khatima, and Mussoorie to its immediate political advantage.

The CBI disclosures have infused new life in the Uttarakhand movement, which after October 2 was becoming short on mass intensity. Political parties leading the movement have got a new stick with which to beat the government, and the coming days are likely to witness a new phase of the movement, this time on a more organised political basis. At the same time, whatever 'stability' Mulayam Singh was able to acquire after Muzaffarnagar has also evaporated and the chief minister is on the defensive. The whole issue has snowballed at a time when the government has completed a full year in office, and its record has come in for strident criticism from all quarters ranging from the press to political parties. The latter, ranging from the BJP to the CPI(ML), have all come out with their White Papers on the performance of the government which have highlighted, apart from the failure to fulfil poll promises, the raw deal given to dalits and the poor amongst the OBCs. The most backward sections, indeed, have started moving away from the ruling combine,

though their future course remains unpredictable.

The CPI(ML) document, besides pointing out the complete failure of the government to distribute land, ensure minimum wages and guarantee the self-respect of the dalits, also laid stress on some glaring anomalies of the regime. When it came to power, the sugar mills and government bodies owed crores of rupees to sugarcane farmers. This issue erupted as a major scandal during the last BJP government's reign, which led to firing on peasants and fervent advocacy of the issue by Mulayam Singh himself. Now, after a year in office the chief minister has yet to offer anything substantial on the issue, and the state and the private sector still owe more or less the same amount to the farmers, the majority of whom come in the category of small peasants.

Another issue which is causing serious concern is the growing power of the lumpen-mafia forces in the state. In fact, the implementation of the new economic policy in the state by Mulayam Singh has come practically in the form of reckless privatisation, benefiting those with hoards of black money, and the virtual 'liberalisation of corruption'. This, in turn, has unleashed anarchic forces in the economy and polity, the full impact of which will be felt in the days to come.

Yet, despite all this, any imminent threat to the SP-BSP government by means of a constitutional *coup d'état* looks unlikely. After the resignation of Arjun Singh from the union cabinet, the Congress is divided as never before in UP, with N D Tiwari also joining the anti-Rao bandwagon. The appointment of Rao's trusted aide, Jitendra Prasad, as the new UPCC chief, too, has not changed the situation – most of the Congressmen in the state remain opposed to Rao and the Mulayam Singh government, due to which Jitendra Prasad also stuck an anti-Mulayam posture. Yet, the high command's policy seems to be the same as before – that of opposing Mulayam Singh upfront while ensuring that his government does not fall. It is possible that in the coming days the Congress may well withdraw its support to the government, without however pushing things to a point where its survival becomes questionable. Mulayam himself is going to prove his majority on February 1 at the start of the new legislative assembly session, and in all probability he will survive the vote. The Congress will try to effect a boycott by its members, and if a crisis develops, a new polarisation in the assembly, with the OBC members of the BJP supporting Mulayam, can also take place.

For the Congress, however, the present turmoil in its ranks is less likely to subside. The revolt against the leadership of Rao is now no longer confined to any fringe group but has encompassed the majority. Things

are as yet not under the control of present UPCC chief, and there is a growing polarisation amongst Congressmen as regards its future in the Hindi belt, particularly in UP and Bihar where the party is facing a real possibility of irrelevance and marginalisation. The coming together of Jagannath Mishra, N D Tiwari and Arjun Singh with the covert backing of Sonia Gandhi is an attempt to revive the Congress on the old basis, by weaning away the upper castes from the BJP and winning over the minorities and the dalits by laying greater stress on the articulation of the OBC-dalit-minority plank. Once again, the national level crisis of the Congress is emerging with the Hindi belt as its focus, and future developments here will ultimately decide the way of the party in the coming days. At present, the battle is being fought in the best traditions of the Congress and within the strict limits of the party, but after the March assembly elections, the ongoing polarisation is expected to take a more concrete shape.

But whichever way the Congress goes, a peculiar state of animated stasis seems to be gripping the parameters of UP politics. The Mulayam Singh government, despite prospects of continued rule for at least some time, is hardly giving any impression of consolidation. It is also losing populist appeal, and the BSP too has almost completely lost its high profile posture. By all accounts, the SP-BSP government is ruling mainly because of the stalemate in the earlier polarisation which propelled it to power, and the fact of a lack of an alternative. That is why after one year in power it is giving the impression of neither moving 'forwards' nor 'backwards'. The BJP too is caught in the same bind, with neither new issues nor a political expansion coming to the fore. Amongst the left the CPI(M) as before continues in its non-functional state while the CPI also has not recovered from the political blow given by Mulayam Singh. This state in itself reflects the limits reached by the political balance of social forces in the last elections. The state is currently witnessing a powerful movement of employees which, despite all efforts by Mulayam Singh, has not shown any signs of breaking down on the basis of caste or other divides. In the near future, new issues are likely to arise in the mainstream political agenda, and political parties are gearing up for the challenge.

The month of March is going to be a month of rallies in the state, but political observers are keenly watching a proposed rally of the CPI(ML) in the second week of the month. After a long time a significant independent rally of the left is being held in the state; most of the previous rallies of the CPI and CPI(M) were either organised jointly by the centrist parties on the issue of communalism, etc, or were mainly pre-

electoral exercises. The CPI(ML) attempt is different because it is being held to open a space for a left alternative in the state at a time when there is a vacuum in the general left-democratic oppositional camp as well. The rally is attracting the attention of sections of the democratic intelligentsia, and a state-level organisation of progressive Muslims, the Muslim Forum, has also announced its desire to participate in the event. Especially after the infamous CBI raid on the premises of the Nadwa seminary in Lucknow, the student protest against which was led, incidentally, by the CPI(ML)-backed All India Student Organisation (AISA), the Muslim intelligentsia is also searching for an alternative. The Urdu press in the state took particular pains to highlight the involvement in the Nadwa affair of the AISA, which also led a 2000-strong gherao of Mulayam Singh on December 2 on the issues of unemployment, privatisation of education and free education to dalits. The gherao led to an unprecedented confrontation with the Rapid Action Force (RAF) which led to many injuries and was widely covered by the press. An interesting sidelight was the wide participation of dalit and OBC students in the AISA programme. Prior to this, in the last week of November the CPI(ML)'s women's wing, the All India Progressive Women's Association (AIPWA), also held a 1,000-strong rally (the first high profile programme of a women's organisation for ages in UP) in Lucknow, on the issues of equal property rights, 30 per cent reservations to women, constitution of a women's commission in the state and atrocities against women all over the state, particularly in Uttarakhand.

ATTENTION

Scholars/Readers

For your requirement of Rare, Out-of-Print and New Books and government publications on India, write to or visit:-

Prabhu Book Service

Sadar Bazar

Gurgaon, Haryana 122 001, India

Tel: on STD 0124-320588

From Delhi only 8-320588

Branch Office:

30, Hauz Khas Village,
New Delhi – 110 016

We are also interested in purchasing single books/individual collections/whole libraries of antique/rare books. Books signed by Mahatma Gandhi, Jawaharlal Nehru, Indira Gandhi, Rajiv Gandhi, Tagore and other nationalist leaders are of special interest.

Karnataka: Elections and After

V K Natraj

Deve Gowda, the new Janata Dal chief minister of Karnataka, is a leader with a mass base, but where he will find himself tested is as a political manager. The vokkaligas and the lingayats have established a hold over the party, but how long the accommodation between them will last remains to be seen.

THE election results in Karnataka have shocked the Congress and at the same time confounded political analysts. While no one believed that the Congress would romp home as confidently as it had done in 1989 this dismal showing was not expected either. The principal factor behind the Congress's loss of face is its abysmal performance as the ruling party, which started in 1990 when Veerendra Patil was replaced by Bangarappa. More than preference for Janata it is a decided rejection of Congress and a stern warning to all parties not to take the electorate for granted any more.

In the last three or four years Karnataka has witnessed governments whose functioning has been, to be charitable, comic. Bangarappa's administration was full of massive shows of strength, scandals of corruption and whimsical transfers of civil servants with hardly any focused development strategy. Veerappa Moily, who succeeded him, secured the top post essentially because he hails from a minor community. It must have been thought by the Congress high command that soon after the Mandal judgment of the Supreme Court it would not do to have a chief minister from a dominant caste. This obviously carried little conviction with the voters. Within the party too dissidence was practically always visible.

Two major policy landmarks were attempted by Moily. The first was an attempt to control capitation fee in engineering and medical colleges. The government tied itself up in knots and admissions in 1993 were delayed for months. Ironically, the managements of private professional colleges went laughing all the way to their banks. Little was gained by this somewhat ill-thought-out intervention.

The second initiative of the Moily government was its attempt at reformulating the reservation policy which has been discussed by this writer in EPW (July 9, 1994). The quick succession of orders and amendments was truly mindboggling. At the end of the exercise the government could offer nothing by way of a substantial improvement on the Janata government's order of 1986 which itself was no shining example of intelligence. The chief minister, while not grappling with dissidence, was busy claiming that he and his government had rooted out corruption.

The distribution of party seats too produced more than a fair share of problems. Several rebel Congress candidates got elected. Efforts were made to woo them to the Congress fold so that it could be the official opposition party. Right now it has 36 MLAs against the BJP's 40. But this ploy failed. There are rumours of vast sums of money having been spent by Congressmen to defeat their own party candidates. Moily's analysis of the electoral loss was simplistic. He tried to suggest that his party lost mainly because of its principled stand on communally sensitive issues. Perhaps he chose to forget that even Gundu Rao who had led the Congress to its first electoral loss in the state in 1983 had not taken the party to such depths as he has.

Then there is the all-important question, what made the Janata Dal tick? JD supporters tend to argue that the results are a positive vote for the party, not merely a reflection of anti-Congress sentiment. It is suggested too that the Congress found the entire Muslim vote alienated from it. The latter point perhaps contains some truth, although it alone cannot serve to explain the JD victory. It is true that Muslims perceived the Congress as a backstabbing party with a deceptive secular appearance. Ayodhya apart, the Idgah issue in Hubli-Dharwad and the deaths resulting from the Urdu news rioting in Bangalore must have added their share of disaffection for the Muslims not voting Congress almost *en bloc* as they were earlier wont to. A significant factor was the unity which the JD projected. This was a big change from the scene a year or so ago when the JD gave every indication of being a house divided against itself. The coming together of Hegde and Deve Gowda in particular was a major positive factor for JD. And the party undoubtedly gained from not having been in power. Also, Hegde's plea to let the state unit alone was a wise move.

The BJP has done very well, jumping from just four seats in the previous assembly to 40 now. Too much should not be read into the fact that the party has won fewer seats this time than the number of assembly segments where it had a majority in the 1991 parliamentary elections. The electorate distinguishes between assembly and parliamentary elections rather better than many analysts. At least for the moment the

BJP is being perceived by the voters as a viable alternative to the other major parties. It appeals to the Hindu sentiment which is never absent in most people. It gains from the posturing of the pseudo-secular parties and leaders whose commitment to the cause of secularism is highly dubious. Not having been in power and being an organised outfit, the BJP appeals to the middle-classes' attraction for discipline and 'integrity'. Equally pertinent is the change in the complexion of the party. It is no longer a brahmin-dominated organisation. It is said that there is at least tacit agreement within the party in Karnataka that brahmins should be kept out of the party's higher echelons. It is likely that this has not yet permeated into brahmin consciousness but it helps in wooing voters from the major communities. There are only five districts where the BJP drew a blank.

What of the future? The JD, after some initial infighting, elected H D Deve Gowda as the leader. This makes political sense for a number of reasons. The vokkaligas have not had a chief minister since the formation of the enlarged state. Also to be remembered is that K Hanumanthaiah took a statesman-like decision by supporting the move for enlarged Mysore knowing that this would reduce his own caste (vokkaliga) to the second place numerically. Also Deve Gowda has campaigned tirelessly and is an able organiser. Hegde, a quintessential political being, did not contest the election. In fact he went underground mainly to avoid the pressures which would undoubtedly have been put on him from his supporters who are not small in number. Speculation was rife that despite not being elected, Hegde would be drafted as the chief minister, re-enacting what took place in 1983. Hegde appears to have made up his mind well in advance against this. He must have known that if he became chief minister he would be busy constantly fighting attempts to unseat him. It is said that during his chief ministership (1983-88) both Bommai and Deve Gowda never ceased conspiring to unseat him. Also, he would have seen the ripples which would have inevitably followed if Deve Gowda had been denied the top spot. Above all, he has his eye on the south block in Delhi. In fact it was this 'Delhi focus' which contributed to his dwindling popularity as chief minister. In the final analysis Hegde played a significant role in averting a showdown. What transpired was that J H Patel (now deputy CM) threw his hat into the ring. A frenzied mob of Deve Gowda supporters, suspecting that their leader was being shortchanged, created unruly scenes and forced its way into the secretariat. Much of their wrath was directed at Hegde who is often accused of being an ace manipulator, though in the present instance he was, if at all, manipulating in Deve Gowda's favour. Deve Gowda knew too that had Hegde tried

to become the leader he would have succeeded. He tendered an open apology to Hegde for the ill-treatment he was subjected to. A routine police enquiry has been ordered. The CM has stated that if his MLA son is proved to have been involved he will make him resign.

This was not a particularly auspicious beginning but there are other somewhat disturbing portents as well. Practically every cabinet minister has started making policy statements. The statements are often at variance with one another. There are of course the usual grumbings about allocation of portfolios as also about MLAs not inducted into the ministry. Most disturbing of all is the government's stand on reservations. It is stated that the government will revert to the government order issued by the Janata government in 1986 which hardly excluded any one. No formal order has been issued as yet. The party has also not covered itself with honour by making C M Ibrahim the president of the state unit. While a chaste

speaker in Kannada, Ibrahim has been a figure of controversy and does not enjoy a high reputation for probity. This is a rather brazen effort to please the Muslims.

Deve Gowda is a very hard working person. As PWD minister he was known for his command of his portfolio. He is a leader with a mass base but where he will find himself tested is as a political manager. The vokkaligas and Lingayats have established a hold over the party but how long the accommodation between them will last remains to be seen. Equally important is how the Hegde loyalists will act. The one saving grace may be that the ruling party does not enjoy a massive majority. That should prevent the sort of triumphalism which ruins parties which have runaway majorities. It is to be hoped that the new CM and his legislators appreciate this peculiar advantage. All that Deve Gowda has to do is to compare his party's performance during 1983-85 with that during the second phase

Such theological elaboration is anchored in the biologicistic Aristotelian world-view of gender identities and relations that believed that females are born from a defect in gestation wherein the male seed that normally produces only a male fails to fully form. The result is a defective human being or woman, naturally and biologically destined to be physically weaker and morally and intellectually inferior to males. This renders women unable to represent the fullness of human nature. She must be governed by males.

Writes feminist theologian Rosemary Radford-Ruether, "Drawing heavily on Aristotelian anthropology, Thomas Aquinas, a normative theologian for the Roman Catholic tradition, perceived the maleness of Christ as an ontological necessity and not just a historical fact. As males alone represented the fully human, Christ had to be male to be the collective representation or head of humanity. It followed that women could not represent Christ and as ordination conferred teaching and dominion over others, and women were considered incapable of this, they could not be ordained" ('Catholicism, Women, Body and Sexuality' in *Women, Religion and Sexuality* edited by Jeanne Beacher, WCC Publications, Geneva, 1990).

Radford-Ruether further writes, "... though this Thomistic tradition has long influenced theological perceptions on gender relations, including the question of women's ordination, recent official thinking has sought to retain his conclusions, without his premises. Women are now said to be banned from ordination, not because of any inferior status in nature or society, but because it is a 'sacramental mystery' - a special relationship with Christ. The historical fact that Christ was male demands that another male must represent him on earth, for symbols need to naturally resemble what they symbolise. Lurking insidiously behind the present teaching that women cannot be ordained because they cannot image Christ, is the traditional view that they lack fully human standing and personhood."

Juxtaposed against the traditional view are the views of forward-looking theologians who assert that women's subordination is not biologically but socially determined and that theology is culture bound, with mainstream theology providing a quasi-divine justification for unequal gender relations in society. It is inevitable, then, that Christian theology should be impregnated with patriarchal biases, mirroring the patriarchal mindset of biblical writers and theologians who were products of patriarchal social settings.

Says American feminist theologian Elizabeth Johnson, "Christ had to assume a physical form and live in certain time-space coordinates. If natural resemblance to Christ is so crucial to priesthood, all priests ought to be light-skinned, medium

Should Women Be Ordained?

Debate in Roman Catholic Church

Jean D'Cunha

The priestly ordination of women, which the Vatican firmly rejected through an apostolic letter last year, can only amount to fulfilment of Christian faith and practice, not a violation of it.

IN a brief but emphatic apostolic letter titled 'On Reserving Priestly Ordination to Men Alone', made public at the Vatican on May 30 last year, Pope John Paul II declared the Roman Catholic Church's decisive ban on priestly ordination for women - ironically, shortly after 1,300 women deacons were made eligible for priesthood by the Church of England.

Central to the defence of an all-male priesthood is the Vatican's assertion of Christ's choice of apostles from among men alone. In accordance with this, the church has always bestowed priestly ordination only on men: the exclusion of women from priesthood is consistent with God's eternal plan for the church. The Pope also reasons that "the fact that the Blessed Virgin Mary, the Mother of God and the Mother of the Church, received neither the mission proper of the Apostles nor the Ministerial priesthood clearly shows that the non-admission of women to priestly ordination cannot mean that women are of lesser dignity, nor can it be construed as discrimination against them" (text of apostolic letter quoted in *The Examiner*, Bombay, June 25, 1994).

The current papal position is bolstered by a traditional male-centred Christian theology that has legitimised an all-male priesthood on the grounds that God is male, that Christ

and his chosen 12 apostles were male, that it was a male Christ who redeemed humankind by his death on the cross and that this redemptive act of love expressed in the Holy Eucharist (i.e., the mass) is performed by male priests acting 'in persona Christi'.

It is further contended that while men are the heads of women, women are created as helpers of men, unendowed with authority and the ability to minister. For biblical references to corroborate this, is cited I Corinthians 11:3 which says, "Christ is Supreme over every man, the husband is supreme over his wife and God is supreme over Christ", or I Timothy 2:11-12 which reads, "Women should learn in silence and all humility. I do not allow them to teach or to have authority over men, they must keep quiet", and I Corinthians 14:34-35 which says, "Women should keep quiet in meetings. They are not allowed to speak, as the Jewish law says they must not be in charge. If they want to find out something, they must ask their husbands at home. It is a disgraceful thing for a woman to speak in a Church meeting."

The ordination of women, therefore, shakes the very fundamentals of the sacrament of Ordination, compromising Christian doctrine and creed, in the view of the traditionalists.

statured, long-haired Jews from West Asia, excluding dark-skinned, tall, short-haired men from other geographical settings. However, gender has been unfairly singled out as the only attribute of resemblance to exclude women from ordination" (interview with the author, 1993). Or as Radford-Reuther asks, "how have bread and wine, which surely do not look like a male human being, come to represent the body and blood of Christ in Holy Mass?"

On the question of god's maleness, which is used to bolster the all-male priesthood, progressive theologians such as Gabrielle Dietrich assert that god is neither male nor female, but an integration of both, transcending the gender dichotomy. Also, Christ's maleness does not exclude any individual - male or female - from the image of god or from equal participation in church life; doing so is a veritable transgression of Christianity ('Perspectives of a Feminist Theology: Towards the Full Humanity of Women and Men' in *God, Women and Bible*, Vol 22, No 3, Lagos, 1983). "Christ in fact came to liberate us from all forms of oppression, including patriarchal oppression. So to exclude women from ordination is hardly consistent with the liberating feminist perspective of Christ", says Sr Jeanne Devos of the ICM Congregation, Bombay.

Christ's personality was a rich combination of what are socially defined as masculine and feminine attributes. He was active, assertive, rational, intellectual, courageous and determined, but he was also loving, nurturing, gentle, compassionate, flexible and receptive. One can, therefore, argue that it really does not matter whether he is physically and observably male; for the whole process of becoming human involves providing equal opportunities to both sexes to develop their innate human potential, uncircumscribed by socially stultifying roles. Developing an androgynous personality like Christ is crucial for the development of richer human communities.

Further, biblical scholars maintain that Christ's progressive relationship with women defied the patriarchal environs of his times that perceived them as inferior, unclean, carnal and unfit to bear witness, a perception that consequently marginalised them from ecclesiastical participation, including ordination (Pearl Drego, 'The Feminist Point of View' in *The Emerging Christian Woman, Church and Society Perspective* edited by Stella Faria et al, 1984).

According equal value and responsibility to both sexes in his plan for humankind, Christ included women in his public ministry as his disciples and followers. He taught them, revealed himself to them and held theological discourses with them. In fact it was women - Mary, his mother, and Mary Magdalene - who demonstrated unflinching commitment to his cause, accompanied him

to Calvary and witnessed his gruesome death on the cross when the male apostles had retreated in fear. And it was to Mary Magdalene that the Risen Christ first appeared and entrusted the public proclamation of the ministry of his world, thus urging women's entry into public life.

Scripture scholars also maintain that women were certainly present at the last supper, as was the custom in those days, or else their absence would have been specified. Therefore, the Eucharist and Christ's permission to "do this in memory of me" was also given to women.

Vatican II's emphasis on gender equality, lay participation in the Church's Mission and the 1983 Canon Law Code providing for parishes to be run by women accountable to priests who visit the parish to celebrate the sacraments have opened up new pastoral possibilities for nuns and the laity, especially in the west. Assuming leadership positions within parishes, significant numbers of women are engaged in pastoral functions once considered the sacrosanct preserve of male priests - reading scriptures, preaching, counselling, distributing Holy Communion. The trend is sharpening with the number of those taking to priestly vocations shrinking fast.

A large number of nuns and laity in India too are engaged in such pastoral work -

healing ministries, distributing communion, visiting the ill, organising liturgical services, working in mission stations and in grass roots people's struggles. "In fact most church ministries engaged in by ordained priests - the Last Sacraments to the dying, for instance - require qualities of nurturance and sensitivity which are socially defined female traits... But ironically women have traditionally been marginalised from this, because they are not ordained", says Sr Jeanne Devos. "Also, decision-making rests with a male clergy, that competent but unordained women are marginalised from."

Gender equality, the concept of a Church of the People and full participation of the laity in Christ's life have been accepted in principle. Women successfully fulfilling several priestly functions have been accepted as a pragmatic solution to the problem of falling priestly vocations, especially in the US. Several other Christian denominations have ordained women ministers. Given all this, what is the legitimate rationale for the exclusion of women from priesthood?

Biblical scholars assert that if Love, Justice and Equality is the essence of Christianity and if we believe that both men and women are created equally in the image and likeness of god, then ordination of women can only be a fulfilment of Christianity - faith and practice - not a violation of it.

SAMEEKSHA TRUST BOOKS

Selections of Articles from *Economic and Political Weekly*

General Editor: Ashok Mitra

Industrial Growth and Stagnation

Edited by

Deepak Nayyar

A selection of essays presenting the main strands in the debate on industrialisation in India. The contributors analyse the factors underlying the deceleration in industrial growth from the mid-1960s to the mid-1970s and discuss the conditions and policies for a return to the path of sustained growth. Alternative hypotheses about the macroeconomic determinants of and constraints on industrial growth in India are examined, focusing on the performance of the agricultural sector, intersectoral terms of trade between agriculture and industry, disproportionalities within and between sectors, the level of investment in the economy, the nexus between public and private investment and the relative significance of supply and demand constraints.

362 pages

Rs 275

Available from

**OXFORD UNIVERSITY PRESS
Bombay Delhi Calcutta Madras**

Genes and the 'Moral Majority'

Carol Upadhyia

The ideological shift to the right in the US is being underpinned by certain trends in the social sciences and their popular dissemination. Two recent publications exemplify this.

THE recent Republican victory in the US elections is one outcome of a process of ideological shift to the right that has been taking place over the last two decades. There is still considerable diversity in political thought in the US, including a continuing liberal tradition and a small radical one, but it appears that mainstream America today is farther to the right than it has been for a long time.

This process is not simply a reaction to recession, unemployment, the crime rate and other such issues that concern Americans. Rather, there appears to have been a deliberate move on the part of a section of the intelligentsia to construct an ideological framework for right-wing policies, in order to lend support to the public's reactionary impulses and prejudices with hard 'facts' and respectable academic theorising and to give some philosophical and 'scientific' justification to elitist and anti-democratic political positions. There are two cases in point.

A recently published book by Charles Murray (a sociologist) and the late Richard Herrnstein (a psychologist), *The Bell Curve: Intelligence and Class Structure in American Life*, has spawned a controversy about IQ testing and its uses. It has revived the old theory that intelligence is innate and hence differences among racial and ethnic groups in IQ scores are genetically determined. The similar theories of Jensen and Shockley in the early 1970s used to be cited in psychology classes as examples of bad science (and of the uses to which bad science can be put), but Murray and Herrnstein have put a new twist on the debate. They argue not only that intelligence, or 'cognitive ability', is a single entity that can be measured by IQ tests and that is largely inherited, but also that intelligence has become the major determinant of success and hence of class position. American society is increasingly becoming a caste system based on IQ – the bright become successful and inter-marry, forming a genetically superior upper class, while the less smart are stuck at the bottom of the pile, reinforcing their low position by breeding among themselves, condemned to a life of crime and welfare. Although the authors are careful to dissociate themselves from a racist position, their theory clearly

implies that since blacks have lower average IQ scores than whites, they are bound to make up a large proportion of this underclass.

The authors go on to argue that since innate intelligence rather than social background is the most important determinant of poverty and of resulting social problems such as crime, 'illegitimacy' and drug dependency, there is little that government programmes can do to lift people out of poverty. Two chapters are devoted to arguing that affirmative action programmes should be curtailed, because the beneficiaries are inherently incapable of improving their situation. The book has fed into a widespread feeling that liberal social policies have failed because they are fundamentally misguided, and it provides 'scientific' justification for writing off the (largely minority) poor. The argument about genes and class also fits in well with the Republicans' proposed programme of reform, which promises to cut back on welfare to discourage poor single (mainly minority) mothers from reproducing. The authors of *The Bell Curve* contend that since the low-IQ 'underclass' is breeding at a faster rate than the general population, the average intelligence of the population is declining – an argument that gives further support to the abolition of welfare and which is eerily similar to that of the eugenicists of the 1920s and 1930s. The same Charles Murray, in an infamous report last year, called illegitimacy the "single most important social problem of our time", since all other social problems of the 'underclass' stem from this. He proposed that welfare be abolished and orphanages be built to house the children of unwed mothers on welfare – a proposal taken up by a few of the more rabid Republicans recently elected. (It is not by coincidence that Murray is a fellow at the American Enterprise Institute, a right-wing think tank.)

The second example is the publication of *The Moral Animal: Evolutionary Psychology and Everyday Life* by Robert Wright, a senior editor at the *New Republic*. Wright draws on the findings of evolutionary psychology to explain some aspects of human behaviour, particularly in relation to sex, love and marriage. Evolutionary psychology is a close cousin of the older field of sociobiology, whose theories have also been filtering into

the popular press in the US. The basic idea is that much of human behaviour can be explained by reference to the operation of genetic selection in human evolution. That is, certain behaviour patterns have evolved because they increased the individual's chances of reproductive success and hence of passing on his/her genes to the next generation. Behaviour patterns such as polygyny, incest avoidance, and violence among males are sought to be explained by reference to their adaptive features in some remote period of the human past. Similarly, evolutionary psychologists believe that natural selection has shaped the human mind and ingrained certain patterns of thought, affectivity and response that are universal.

Wright has taken these ideas and applied them to the behaviour of modern humans, as he sees it. In the realm of human sexuality, mate selection is not determined by 'love' or social custom but by underlying genetic urges such as that for males to produce as many offspring as possible, or for females to marry men who can best provide for their children. Human consciousness, social organisation and culture are mere epiphenomena; the real motivators of behaviour lie deep within our genes, out of reach of our conscious understanding. He also argues that our 'moral' sentiments – love, sympathy, benevolence have evolved because they helped our ancestors to reproduce successfully. Our real inner motives are hidden from us, and apparently 'good intentions' are really directed at achieving reproductive success. (The basic flaw in these theories, from the point of view of cultural anthropology, is that they lump humans together with other animals in assuming the priority of biology, rejecting the view that humans are fundamentally different because they have culture and language and hence learned behaviour is more important than genetic wiring.)

What *The Moral Animal* and *The Bell Curve* have in common is a theory of human nature that discounts intention and consciousness, as well as social and cultural environment, as factors in human action, and attributes behaviour to forces outside of human control – be it genes that make us act or IQ (genetically given) that determines life chances. The traditional social liberal view that we are the masters of our fate, that life can be improved with effort, is being over-run by a new conservative ideology that, paradoxically enough, seems to reject the notion of free will in favour of genetic determinism. It is interesting to see how science follows political mood. During the 1960s and 1970s – the heyday of liberalism – psychology was dominated by behaviourism, which emphasises the importance of environment and learning and discounts

innate behaviour. Now that conservatism is winning out, evolutionary psychology has come into vogue (behaviourism is out), along with an interest in intelligence testing. However, this sociobiological view of humankind fits into current political thought in a roundabout way. While Murray argues that 'biology is destiny' because IQ determines success in life, Wright's version is not that we are destined by our genes to be aggressive, promiscuous, or whatever, but that if we can learn what our 'real' human nature is, we can control it. Our 'natural' impulses (which lead to chaos) need to be curbed in order for society to survive. He says, "We are potentially moral animals... but we are not naturally moral animals. The first step to being moral is to realise how thoroughly we aren't."

Thus we come full circle via genes and abstruse sociobiological arguments to the 'Moral Majority' and the Republican

'Contract with America'. The vision that these two tracts summon up is frightening – it is easy to imagine how, backed by the authority of science, the state can suppress and terrorise the poor by taking away their children, force them to work in low-wage, dead-end jobs, and deny them any opportunity to advance by labelling them genetically inferior. The hegemony of the few at the top is reinforced by economic and social policies, and the masses in the middle are controlled through laws that enforce conservative 'morality'. Conservatives rail about big government, but it seems that the state is about to become more powerful than ever. This evolving American ideology, its dissemination through pop psychology books and TV talk shows, and its connection with the new political agenda, need to be carefully followed and analysed by concerned thinkers and academics.

aim, whatever may be said to disguise it, at the sovereignty of nations... The plan of action proposed by the Americans talks about reducing the birth rates of less developed countries by 10 per 1,000." This perception was shared by many of the delegates attending the Bucharest conference.

During the first international development decade, observed in 1960s, the phenomenon of mass poverty was conceptualised as 'underdevelopment'. United Nations classified the countries with per capita income of less than one-tenth of that of US, as underdeveloped countries. Thus 70 per cent of the populations of the world lived in underdeveloped countries. It was argued that exporting the western development models, giving financial aid, transferring science and technology, would bring about 'trickle-down' effect and the poverty will slowly vanish from the face of the earth. Under this thinking the international penetration increased dramatically. Among these is the example of the Green Revolution technology. However in the 1970s the fallacies of these development concepts became visible. For example, experience with Green Revolution showed that the better placed farmers benefited more. Lower strata of the peasantry frequently lost land and the ranks of agricultural labourers expanded. Food stocks grew not only because of the increase in production but also due to lack of buying power of the poor. Developed nations experienced ecological crisis. Also introduced were labour-intensive, export-oriented industries (mostly based on multinational investments), especially in electronics, garments and toy-making. These have been a major form of employment of women in the countries of south-east Asia. Such employment, searching for young, unmarried women with 'nimble fingers' has been very exploitative in terms of low pay, low job security and sexual exploitation. Researches on women's conditions carried out at this time clearly brought to light women's marginalisation in both developed and underdeveloped countries. In the west the period of reconstruction and expansion of capitalism had led to the increasing disempowerment of women in the societies. In the third world, privatisation and destruction of resource base took on alarming proportions posing a direct threat to the survival of the poor masses and implicitly to vast sections of women.

Findings of a large number of researches acknowledge that despite substantial economic growth and certain shifts in the socio-economic structure, the overall situation of the poor, at best, had been stagnant and was deteriorating among those

Politics of Population at Cairo

Malini Karkal

Although the plan of action approved at the Cairo Conference on Population and Development shows the influence of the international women's movement and the issues it has raised, it fails to tackle the crucial question of inequitable development between the north and the south.

THE International Conference on Population and Development (ICPD) was held at Cairo, Egypt, in September. This is the third conference in a series of conferences that have been organised by United Nations Fund for Population (UNFPA) and held at an interval of 10 years. First conference was held in 1974 at Bucharest, Romania, and second in 1984, at Mexico City. However these conferences were preceded by two other conferences organised by the International Union for the Scientific Study of Population (IUSSP) with the assistance of UN. First of the IUSSP conferences was held in 1954 at Rome, Italy and second, at Belgrade in 1964. IUSSP conferences were essentially academic discussions on the subject areas under the theme of population. Inter-relationships between socio-economic conditions and population were discussed as a part of academic interests. No discussions took place to manipulate population size. Politicisation of population issues, in the UNFPA-sponsored conferences is indicated by the fact that at Cairo IUSSP, an association of the professionals in the field of population and which participated as an NGO arranged a

special function to felicitate Nafis Sadik, secretary of the conference.

It is significant that Bucharest and Mexico conferences were called 'population' conferences, however the concerns that animated the debates at both these conferences were centred on the bearing of population on social and economic development, the main concern of the meeting at Cairo. The Cairo conference was titled 'Population, Sustainable Development and Sustained Economic Growth'. During the period between Mexico and Cairo, feminists were active in expressing their stands on the population issues. Women, especially those from the south, raised issues of poverty, consumerism, promotion of hazardous contraceptives and the neglect of women's health, especially reproductive health. Cairo conference, therefore, had greater influence of women's issues and it discussed subject like sexuality and reproductive health and abortion. Before Bucharest conference eminent Frenchman, and a demographer said, "The political gathering will be led, kept in motion, directed and controlled by the United States. At Bucharest, a world population plan of action will be proposed that will take

closer to the bottom of the social ladder, especially the workers in the traditional and informal sectors and women. The richest 25 per cent of the population of the world receives 82.7 per cent of the world's income, whereas the poorest 25 per cent has to do with a share of 1.4 per cent.

There are some overriding features in the development concept which interlink the perpetuation of poverty, the marginalisation of women, and the destruction of environment. There is also deterioration in the cultural field. Women's rights are threatened from two ends. On the one hand religious revivalism, fundamentalism and communalism encroach on women's free spaces. On the other hand, the new avenues of freedom opened up by capitalism go along with massive objectification and commercialisation of women's bodies and violent assaults on their physical and spiritual integrity. Both these tendencies are rooted in a development model which perpetuates and deepens poverty and marginalises women.

In the decade 1962-72, a series of resolutions on population were adopted in the governing bodies of the UN agencies. The leadership was provided by the US and resolutions were initiated and supported by western and some of the Asian countries, who argued that rapid population growth was a serious impediment to development and that family planning programmes were urgently needed. This view met with considerable opposition and resistance from Catholic, Socialist and African nations. The resolutions passed by the inter-governmental bodies of the UN gradually legitimised family planning and established it as a human right, obtaining the co-operation of governments in the provision of family planning services and ultimately finding acceptance for the notion of targets to limit population growth as a part of development policy. Each of the major functional agencies – WHO, UNESCO, FAO, ILO, and the World Bank – acquired mandates that roughly paralleled those emanating from the UN.

The third world countries attributed the disparities between them and the developed countries to their disadvantaged position in world trade and to the economic policies of the rich countries towards them. Five months prior to the Bucharest, at the initiative of some of the third world countries, sixth special session of the UN was called at which the declaration on the establishment of a New International Economic Order and an associated programme of action (POA) was accepted. The programme touched upon the third world concerns, including raw materials and primary commodities, food, trade, the international monetary system, industria-

lisation, transfer of technology, multinational corporations, strengthening the UN system and special assistance to developing nations unable to cope with problems of development. It was decided that the World Population Conference at Bucharest should be directed to the efforts to establish a New Economic Order. No mention was made of the demographic issues of 'population' and its consequences on development.

During First and Second United Nations Development Decade, industrialised countries had pledged to greatly increased aid to the third world countries. However in reality they had decreased the percentage of their GNP that they allocated to the development assistance, making the poor countries feel that the west was not interested in their plight. The US had made population growth in the third world into an American cause. The US had reduced development and had boldly assumed world leadership in the population movement and given it a distinctive American identification.

Most of the hopes and expectations of the population lobbyists who had taken the lead in convening the Bucharest Conference were embodied in the Draft World Population Plan of Action (POA). However, at Bucharest, the third world countries were well organised and opposed the official draft resolution that was designed to promote American interests. The draft plan came under intense conflict and difficult negotiations. Midway through the conference, many delegates and even members of the secretariat openly acknowledged the real possibility that the conference would adjourn without the plan being approved. Some 300 amendments were introduced and debated. The final version of the World Population Plan of Action was a product of strained compromise. The draft plan had undergone extensive changes in spirit and substance, especially in the provision relating to fertility and population control. The draft plan had as its purpose "to affect population variables". The final version stated its purpose as "to help co-ordinate population trends and the trends of economic and social development". The Draft Plan stressed the need to limit population growth through implementing population and social welfare policies with direct effect on fertility. The final plan, by contrast, conveyed a strong sense of urgency about the need to accelerate socio-economic development in general and to bring about a new and more equitable international economic order. It urged the developed countries, who had high per capita use of resources, to adopt appropriate policies in consumption, bearing in mind the need for

fundamental improvement in international equity. The Bucharest conference brought into circulation a new phrase, 'development is the best contraceptive'.

The background section of the plan clearly indicated the attitude of the majority of delegates at Bucharest that 'population problems' are really symptoms of imbalances in the development process, which are in turn, a consequence of the international economic system. The US along with most other western industrialised nations is simply not prepared to accede to the radical transformation of the international economic system as proposed by the developing nations. The demand for a New International Economic Order was ideologically objectionable as well as a threat to American wealth and power. From the American perspective, it was an attempt to improve economic conditions in the third world by redistributing the existing wealth of the industrialised nations rather than by creating new wealth through development. At Bucharest it was stated that family planning programmes were needed, because they satisfied needs to which people were entitled as human rights. A human rights rationale promised to make the programmes less politically sensitive.

In spite of the decisions at Bucharest, during the period intervening between Bucharest and Mexico the population control programmes were promoted vigorously. In 20 years preceding Mexico, the US had pushed population policies in the developing countries harder than any other western country. It had strongly supported the demographers to contribute to the population research and medical science to develop contraception. Through the Office of Population of the Agency for the International Development (USAID) was mounted a largest population assistance programme and a corps of 60 professionals was maintained at Washington, with advisors in more than 40 countries and support for family planning in 90 countries. The countries that accepted population control policies received aid from the US government for a variety of social and economic programmes.

In Mexico, the developing countries no longer spoke of international population assistance as racist, genocidal, or imperialistic, or accused western countries of advocating population control as a substitute for foreign aid. More and more of the poor nations had come to 'realise' the problems of rapid population growth, infant and child mortality, urbanisation, and migration to be addressed with or without the major transformations in the world economy. The declaration accepted at the end of the Mexico Conference was



Institute of Social Sciences

Status of Panchayati Raj in the States of India 1994

General Editor
George Mathew

With the adoption of the 73rd Constitution Amendment, panchayati raj has attained statutory status with all states in the country enacting legislations in conformity with the amendment. What is the history, tradition, structure and functioning of the panchayats in various states of India? What is the status of the local government institutions on the eve of the new panchayati raj system coming into force? These and various other pertinent questions are answered in this book containing twenty-five chapters – one chapter for each state – written by senior officials and academics from the respective states, backed by an expert research team of the Institute of Social Sciences. With maps detailed data about districts, socio-economic profile of each state and an introduction tracing the historical evolution of panchayats in the country from the earliest times, this book gives in one volume all one would like to know about Panchayati Raj in the states of India.

Double Demy 8 vo Rs. 400

Contributors

Ali Ashraf
A. M. Gokhale
Ave Cleto Afonso
B. B. Jena
B. Datta Ray
B. S. Khanna
Buddhadeb Ghosh
C. Nunthara
C. R. Biswas
Debo Prasad Barooah
Dil Kumari Bhandari
G. Haragopal
G. P. Upadhyaya
G. Sudarshanam

K. K. Sinha
Manikchand Surana
M. Aram
Mohammad Sultan
N. K. Datta
N. P. Mitragotri
Pravin N. Sheth
Ranbir Singh
R. D. Sharma
R. P. Singh
S. D. Joshi
Sudhir Sharma
T. R. Satish Chandran
V. Ramachandran

Copies available from

Institute of Social Sciences
B-7/18 Safdarjung Enclave
New Delhi 110 029
Phone: 675451 Fax: 91-11-6885343

Concept Publishing Company
A-15/16 Commercial Block, Mohan Garden
New Delhi 110 059
Phone: 5554042, 5504042

in close conformity to the official draft. There was a strong endorsement of the principle that the governments should as 'a matter of urgency' make family planning services 'universally available'. The Declaration also added that "social and population pressures may contribute to the continuation of the wide disparity in welfare and quality of life between developing and developed countries."

At Mexico, in 1984, the relationship between population and development still occupied centre stage, but was debated in a frame quite unlike that at Bucharest. The 88 recommendations of the plan of action added emphasis and urgency on concerns with the environment, the role and status of women, meeting 'unmet needs' for family planning; and education. It also added that, "The experience of the last decade has demonstrated... (that) lack of definite commitment, inadequate resources, ineffective co-ordination and implementation and insufficient data, have limited the effectiveness of governments in the implementation of the national population policies." At Mexico, the US talked of development at large and developing countries tended to see it as the main actionable issue on the agenda. Social and economic development was accepted as a central factor in the solution of population and inter-related problems. Population factors were considered to be very important in development plans and strategies and had a major impact on the attainment of development objectives. At the conference it was accepted that the US provided the single most important source of leadership and resource for international population programmes.

At the Prep Com II of the International Conference on Population and Development (ICPD), before Cairo, held in May 1993, Sadik stated that "the mandate of the Conference is to produce a document on the full integration of population concerns into the economic and social activities and sustainable development." She added that there was a need to set goals to reduce infant and maternal mortality, for increasing life expectancy and literacy, and for lowering the global fertility rate from 3.26 to 2.62 births per woman by the year 2015. Sadik emphasised the need to 'rectify' the failure of UNCED, the conference on environment held at Rio, to address "the place of population within economic and environmental sustainability."

CAIRO CONFERENCE

Cairo conference was not just a meeting of the officials to take decisions but a process that was a culmination of over

three years of consultations around the world. There were three preparatory committee meetings of the governments that were convened at the UN headquarters. Second, five regional inter-governmental conferences were held in Africa, the Arab world, Europe, Latin America and the Caribbean, and Asia and the Pacific. Third, six expert group meetings on various themes such as population and environment, population and women and family planning, health and family well-being were organised. The UN and most of its member governments are increasingly open to co-operation and collaboration with non-governmental organisations (NGOs). The turning point was when 1,420 NGOs attended the 1992 UNCED conference on environment using an accreditation process that has been emulated in a series of related, major conferences – Conference on Human Rights held in Vienna, Cairo Conference on Population, Conference on Social Development scheduled for March 1995 at Copenhagen and the Conference on Women scheduled for September 1995 at Beijing. UNFPA and other funding agencies funded several regional meetings in countries where NGOs discussed population issues. More than 100 governments drafted national reports on population which were used by the ICPD secretariat to draft the document for discussion at the conference. The draft plan was a hefty document, well over twice the combined length of its two predecessors. On the whole there was a far greater involvement of the general public in the discussions on population.

Discussions at ICPD Cairo had a major bias of the interests of the developed countries. Shortages of labour force due to low fertility for long durations generated conditions of migration of labour from the developing countries. Today substantial populations from these other countries live in the developed countries. Permitting migrations of the dependents of these migrants with the objective of reunification of the family is not in the interests of these host countries. The migration issue tackled at Cairo protected the interests of these countries. The same was the situation with the issues facing indigenous people. The resource crunch felt especially by the developing countries was completely ignored and there was no discussion on consumerism in the developed countries nor on environmental damages.

In a departure from previous international population conferences and the experience at Bucharest conference of major disagreements and serious discussions which generated fears of the conference delegates dispersing without any agreed document, the rules drafted at

the Pre-Com III, stipulated that the work of the conference and the adoption of its report were to be accomplished by general agreement rather than consensus. The UN General Assembly, held in July 1994, approved the rules of the conference. It was also convenient that much discussion would take place on issues such as abortion, sexuality, new forms of family, etc. This not only diverted attention from the issue of development but it created strange bed-fellows – like the Vatican and Muslim fundamentalists. Latin American countries with their strong Catholic background and Arab and Asian countries that have strong Muslim influence raised similar objections. African countries, less obsessed by religion found themselves aligning with western and east block countries. On these issues women – and majority of them represented interests of southern countries – had to support developed countries.

Official delegations of about 180 countries participated in the conference and estimated NGOs numbered 1,200 to 1,500. The number of participants at the NGO meets was larger than those in the official meetings. While the NGO delegations were dominated by women, the official delegations had a majority of men. G-77 represented the interests of the 130 developing countries. Journalists – estimated to be around 4,500 – were very active and modern facilities helped them in their job. Unlike most international conferences, which inevitably become a north-south tug-of-war, the ICPD, with its religious and cultural undertones, cut across traditional alliances. Over 14,000 security persons guarded the delegates and assured smooth functioning of the proceedings of the conference.

In comparison to the two previous plans of action, accepted at Bucharest and Mexico, the Cairo Draft showed a definite expansion in the concern of the international population community with the health dimension. However, the health policy fell short of concern for the health of the adults and of the elderly. Major interests and contributions of the Cairo Draft were in the area of reproductive health. An overwhelming focus is on sexually transmitted diseases with more general concern for reproductive tract infections, to the neglect of other important conditions. This is likely to have happened because such conditions are associated with infertility, cervical cancer, certain adverse outcomes of pregnancy and HIV transmission, and they also have socio-economic costs related to treatment of the disease and to impact of the disease on functioning and status. Another reason for the overwhelming focus on sexually

transmitted diseases is probably the growing attention given to AIDS because of its increasing prevalence and its devastating consequences in developed and developing countries. The Cairo POA recommends comprehensive reproductive health services within a primary health care delivery system. Expansion of services will certainly be resisted by the family planning establishment both on the basis of cost implications and because of the dominance of vertical service approach that gives priority to family planning service over all others.

Although focusing attention on health service intervention, the Cairo document fails to look at women's health holistically giving due attention to the factors that condition and constrain the health situation and the health-seeking behaviour of women. The POA gives consideration in the section on reproductive health to gender relations as one aspect of social context in relation to sexual health. However, other aspects such as women being socialised to accept morbidity in silence should have been taken into account in attracting women to use health services. Women's perception of self also needs to be considered, as women give priority to the needs of others over their own needs. Other aspects such as the heavy work-load on women, particularly in rural areas, together with the increasing constraints of low status and poverty that prevents women from using health services should also have been considered. On the whole there is absence of articulation of issues relating to the health of women in the population policy. The population establishment deals most directly with medical interventions forgetting that these interventions are subject to perceptions and behaviours that are deeply rooted in social and cultural realities.

The main committee of ICPD had glossed over the question of equitable development and supported the northern agenda of population control. Many southern governments whose ruling elites now espouse the modern consumerist life style of the north also adopted the same attitude. Southern NGOs, therefore, dismissed the claims of some of the delegates at the main conference that the conference was a victory for women whose 'empowerment' is the cornerstone of the emerging ICPD document. Southern NGOs categorically maintained that the emphasis on population control measures pinned the blame squarely on the women of the south, when in fact these problems stem from the inequities between the north and the south and exploitative transfer of resources which has led to over-consumption and global environmental degradation. The

programme of action, they said, therefore is nothing but an insult to women, men and children in the south who will receive an ever growing dose of population assistance, while their issues of life and death will wait the Social Development Summit of 1995. Though development was a component of the theme of the conference much time was consumed by the sections that were bracketed (not agreed upon at the drafting stage). Efforts were made to arrive at acceptable wordings and in most cases they were interpreted differently by participating delegates. The decisions on matters related to development were virtually excluded from the discussions. There was a complete absence of discussion on the existing inequities between the north and south and the unequal and exploitative transfer of resources that has led to over-consumption and global environmental degradation. Population growth in the north with its consumption pattern is a greater threat to the planet. Issue of debt of the third world countries, that has influenced the global economic system, and resultant drastic cuts in the government spending on social services and falling living standards and unemployment, were also not discussed. It was generally said that the issues of development will be discussed at the conference on social development scheduled to be held at Copenhagen in the beginning of 1995. Similarly besides talking of the rights of education of

women, and their rights of employment, there was hardly any discussion about the issues of women. And these were postponed to the conference on women to be held in September 1995 at Beijing, China.

The financial requirement of the POA is about \$ 17 billion by 2000 and \$ 21 by 2015, an amount far less than what UN approves at other deliberations. Two-thirds of this is to come from the developing countries and the remaining from the industrialised nations and the multilateral institutions. Population assistance programmes, to which Reagan and Bush administration gave a rather low priority, are receiving strong support from the Clinton administration as well as the Congress. USAID has voted a population assistance budget of \$ 392 million for the 1994 fiscal year (an all-time high), which includes \$ 40 million for the UNFPA. Additional funds earmarked for population assistance through other programmes raise the total to the half billion dollar mark. Funds for the previous year, FY1993, have already been forwarded to three international agencies that had their US funding cut-off in 1985 (under the Reagan-Mexico City Policy) \$ 14.5 million for UNFPA, \$ 2.5 million for the International Planned Parenthood Federation (IPPF), and \$ 2.5 million for the World Health Organisation's Human Reproduction Programme (WHO-HRP).

New
from

SAGE

Publishers of the
Professional
Social Sciences

COMPLEMENTARITY IN TRADE AND PRODUCTION Intra-South Potentials

V R PANCHAMUKHI, R G NAMBIAR, RAJESH MEHTA,
G A TADAS and S K MOHANTY

Economic cooperation among developing countries has been strongly advocated in recent years as an appropriate strategy for development. Despite efforts over the last two decades to encourage it, the pace of South-South cooperation has been slow and its full potential has not yet been realised. One of the main reasons is that the benefits of and the potential for strengthening cooperation are not generally known. It is, therefore crucial to identify the potential of economic complementarities and ways and means of taking full advantage of them. This study focuses on a number of important issues pertaining to the broad area of complementarity in trade and examines the potential for expanding trade among developing countries.

180 pages (including 42 tables) • 220 mm x 140 mm
Rs 245 (cloth) • 1995



SAGE PUBLICATIONS INDIA PRIVATE LIMITED

Post Box 4215, New Delhi 110 048

New World Order and Indian Intellectuals

Daya Krishna

Countries pursue their own interests the way they perceive them and it is for others not to be deceived by the rhetoric. To understand the interests that are masquerading as values, what is required is a detailed study of the economy, polity and culture of the western world in general and the US in particular, for these are the main protagonists in the contemporary scene without understanding whom we cannot shape our own policies to meet their strategies.

A NEW imperium is taking shape - an imperium, more total and more global than any that history has seen uptill now. It is backed, perhaps for the first time in history, by organised information and knowledge and skill that has seldom been seen in the past and though it has an unthinkable coercive power at its command as was evident in the war with Iraq a few years back, its basic strategies for achieving the imperium are primarily economic, cultural and even moral. It has also a political facade in that it does not directly seek to achieve the new world order as it wishes it to be but does so through the institutions and agencies of the UN which ostensibly is a world body where each sovereign nation is supposed to be represented and whose decisions, thus, are supposed to represent the decisions not of any one country but of the world as a whole in its totality for subserving the interests of the world and not those of any particular nation or group of nations. The pressures exercised for achieving these aims are primarily economic, but they are also increasingly marked by a rhetoric in which legal and moral values play a crucial role so that it becomes difficult for anyone to question them on those very grounds. The violation of human rights and the demand for non-proliferation of atomic weapons are the two obvious examples but there are many others such as the treatment of minorities, the suppression of the demands for regional independence, freedom in the sense of non-restriction of terms of trade and other such matters.

However, behind this plea for a moral order of the world which ought to be imposed by economic sanctions and, if need be, by military sanctions also, is the sheer self-interest as conceived by those who are most vociferous in voicing these concerns as, when it comes to their own behaviour, they forget those very values which they want to impose on others. Everyone knows, for example, who brought the nuclear weapons into being and who first used them even when it was not militarily necessary to do

so. Or, who has continuously violated animal and human rights in their own countries and with respect to their own peoples till very recent times even in the way these values were conceived and defined by themselves. The fate of the Red Indians in the US is well known and so also the discrimination against the blacks and the Jews till almost the other day when it was difficult even for students with outstanding abilities to get admission to prestigious universities just because they happened to belong to these groups. The discrimination against women was no different, as any history of the struggle to achieve such equality on the part of the under-privileged would amply show.

The story, of course, does not stop here and no one knows better than the leaders of those countries as to how the economic needs of the armament industries have fuelled military rivalries between nations elsewhere so that obsolete armaments may be sold to them and thus the sagging profits of those industries propped up. The case of Bofors in India is well known but there are many others which can easily be found if one chooses to consult the easily available relevant data concerning these matters.

But there is nothing to be surprised at in all this, as countries pursue their own interests the way they perceive them to be. It is others who should be aware of them and not be deceived by the rhetoric in which they are couched. Once we know the interests that are masquerading as values, we would treat them as such and know how to meet them in terms of our own self-interest. But for that it is necessary that we become aware of the way the contemporary world is developing and the interests and the motivations of each of the major actors on the world stage. For that, what we require is a detailed study of the economy, polity and culture of the western world in general and the US in particular which are the main protagonists in the contemporary scene and without understanding whom we cannot shape our policies to meet their strategies.

The west therefore needs to become an object of study so that we may know it more fully just as we ourselves, along with all other non-western nations, have been an object of study to it for a long, long time.

It is true that the west resents such a reversal of roles even at the cognitive level. Levi-Strauss's famous remark in his lecture at the Smithsonian in the early 60s that "the symmetry in such cognitive enterprises was not a children's play which could be undertaken by any society with respect to another so as to make it an object of study. A society must also become an object in the sense that it is conquered, subjugated or made subservient to the other". Much water has flown since Levi-Strauss argued this position in a brutally frank manner but, perhaps, the internalised attitudes of both the parties have not become much different from those days. This is reflected in the fact that while there are numerous studies on the non-western world by western scholars, there are hardly any studies of the contemporary or even the classical west by scholars of non-western origin. Each year hundreds of scholars from the western world come to study the non-western cultures in all their aspects while those who go from the latter to the west do so primarily to be taught and learn the conceptual structures and methodologies from them and not to study them. A Srinivas goes to Stanford and writes about *A Remembered Village* in India just as a Dube had done long back in Cornell where he wrote his well known book entitled *An Indian Village*, but the startling fact is that nobody is surprised or shocked at it.

We had more than 200 years of British presence in India and more than a thousand years of effective presence of Islam in this country and yet studies, either of British or Islamic civilisations, would hardly be found to have been done on any significant scale by any Indian scholar during this long period of their presence in this country.

Conversely, the number of works produced both by British and Islamic scholars are not only numerous but relate almost to all areas in which this civilisation had been active for a long time. Even the number of translation from Sanskrit and other Indian language into English is incomparably more than we have from English into Sanskrit or any of the other Indian languages. The situation was no different in earlier times when we have recorded evidence of Indian texts being translated into Arabic and Persian by scholars in west Asia and by Chinese and others into the language of their own country. There seems to be something in the Indian culture which stands in the way of its intellectual taking an active interest in the 'other' particular if the 'other' happens to belong to another civilisation, culture or religion.

Recent Books on Environmental Studies/Pollution/Ecology

Advances in Environmental Science and Technology: R. K. Trivedy	Rs. 500/-
Advances in Ecology and Environmental Sciences: P. C. Mishra	Rs. 1000/-
Environment and Biotechnology: Harvinder S. Sohal & Ashok K. Srivastava	Rs. 300/-
Forest Entomology: L. K. Jha & P. K. Sen-Sarma	Rs. 600/-
Forestry for the People: L. K. Jha & P. K. Sen Sarma	Rs. 600/-
Environment Protection and the Law: N. K. Chakrabarti	Rs. 800/-
Environment Disasters and the Law: Vinod Shankar Mishra	Rs. 200/-
Environment and Development (in 2 vlms.): G K. Ghosh	Rs. 1000/-
Himalayan Fishes and Fisheries: S. S. Negi	Rs. 400/-
Natural Environment and Constitution of India: P. R. Trivedi	Rs. 800/-
India's Forest Policies: L. K. Jha	Rs. 300/-
Soil Erosion and Environmental Problems: Swapna Basu	Rs. 200/-
Socio-Economic Impacts of Environment: B. B. Dhar & N. C. Saxena	Rs. 400/-
Ecology and Pollution of Ganga River: Dev Raj Khanna	Rs. 400/-
Earthquake – A Natural Disaster: Ashutosh Gautam	Rs. 200/-
Beekeeping in India: G. K. Ghosh	Rs. 250/-
Environment and the Moral Life: S. K. Chahal	Rs. 200/-
Tree and the Environment: A. B. Chaudhuri	Rs. 800/-
Agricultural Pollution (in 2 vlms.): S. G. Mishra	Rs. 300/-
Encyclopaedia of Natural History (in 6 vlms.): P. Martin Duncan	Rs. 4000/-

Protect Global Earth Series:

Air Pollution (Vol.I): A. K. Tripathi	Rs. 400/-
Understanding Environmental Disruption (Vol.II): A. K. Tripathy	Rs. 400/-
Global Environmental Problems (Vol.III): A. K. Tripathi	Rs. 400/-
Ecology and Environment (Vol.IV): A. K. Tripathy	Rs. 400/-
Air Pollution and Road Transport: Dhulasi B. Varadarajan	Rs. 200/-
Fundamentals of Air and Water Pollution: P. C. Mishra	Rs. 200/-
Man, Science and Environment: Ram Prakash	Rs. 500/-



ASHISH 8/81, Punjabi Bagh, New Delhi - 110026 (India).

Send your orders to:

Ashish Publishing House,

The continuance of such an attitude in the contemporary context will have as disastrous a consequence as it had in earlier times. Today, of course, we have the illusion of knowing the west, particularly because of our knowledge of English and what is available in it from other languages through translations. But this 'knowledge' is knowledge only in a superficial sense as it does not encourage in us the active intellect which is the hallmark of real knowledge, in that it both encourages and challenges us to think for ourselves and add to it further. The truth of this statement may be made evident to anybody by asking him to reflect, even cursorily, on the fact that all the additions and innovations in this 'knowledge' that we are supposed to possess have been made not by us, but by those from whom we originally borrowed this knowledge. And this is true not only in the field of knowledge, but also in the field of technology which we continue to borrow while those from whom we borrow continue to innovate and make advances in it so that we are obliged to borrow again for fear of being left behind with a technology which has become obsolescent and is hardly competitive in the contemporary world.

One may say that the situation is not exactly what I am trying to suggest it to be. Aren't there, for example, a lot of 'American studies' in this country? And don't we have in fact an American Studies Research Centre in Hyderabad equipped with one of the best libraries in south Asia, and don't scores of students every year go there to do research on American subjects in an atmosphere which is congenial for research? This all is, of course, true but when we look a little closer at the areas of research undertaken and the type of research done and compare it with what the American students have done on India during this very period, we will realise that the very idea of 'research' in this country is different from what research means in the west these days. First, most of this research is confined to the field of American literature which can more easily be done from texts and critical sources available in a library. There are hardly any studies of social or political institutions which require a personal acquaintance with the reality concerned and which will involve going to the US to study them. In fact, one of the reasons why students from the west have to come to India and other non-western countries for 'study' is because a living acquaintance is considered absolutely necessary for 'knowing' about such matters as they cannot be grasped just by reading textbooks on the subject. The 'living reality' of a society or culture generally does not coincide with what one reads about it in a text. In fact, many a time, it is just the opposite of it. And, if one sees the thrust of the empirical and even textual studies done by the students from the west during the last two or three decades, one would find that it is concerned with the

creation of a new 'picture' of India which is totally at variance with the picture that Indians have of themselves or which they would like to have. It is both the images of the past that most Indians cherish and the future that they would like to build which is under attack through one of the subtlest cognitive strategies that perhaps the world has even seen, for what is said is not untrue, but only half-true and skewed in a direction which, mostly unconsciously, helps the current interests of the imperium in the making.

The ideologues in the US on the other hand, are already urging their rulers not to be inhibited by older ideologies and value-systems in assuming the role which history has provided. The idea of non-interference in the sovereignty of other nations' internal affairs is considered as outmoded and it is being urged as 'legitimate' to impose the new 'unequal' world order where access to certain kinds of knowledge, technology, arms, resources and markets are to be a monopoly of only a few and, ultimately, perhaps only of one. To impose sanctions against those who do not fall in line is the new 'divine right' of these rulers.

What we need first, therefore, is a change in the perspective of Indian intellectuals so that they become interested in other cultures, politics and civilisations, particularly in the

context of the way they perceive the world in terms of their own interests and their view of what 'others' are and the way they want their relations with them to develop. This, of course, presupposes a wide-ranging interest and curiosity about that which is different from oneself; but in the context of a world which is politically and economically competitive, mere interest and curiosity will not suffice. What will be required is detailed information on and analysis of the strength and weaknesses of the other and an understanding of the way its interests and values clash with those of one's own and where they converge, perhaps against some other polity or society or civilisation. But, as everyone knows, this is a vicious circle and the task of the thinkers is not to deny the fact of the circle being there, but to find a way of getting out of its viciousness while the actual politicians would more or less have to live with it and in it.

The world of politics or trade is not a happy one for anybody who is seriously concerned with the realisation of values in this world but in the contemporary situation where, whether one likes it or not, one has to be a citizen of a nation state and one has to have a passport for getting out of one's country and a visa for getting into another, it is imperative for intellectuals of a country



OUTSTANDING BOOKS

PERSPECTIVES IN GANDHIAN THOUGHT

Dashrath Singh

Presents the conceptual and philosophical analysis of the concepts of soul force, 'Swadeshi', 'Sarvodaya', 'religious politics' value education, environment challenges and conflict resolution in Gandhian perspectives.

1995

ISBN 81-7169-318-0

Rs 250.

THE CHANGING FRONTIERS OF LIBRARY AND INFORMATION SCIENCE : Concepts, Models & applications SYED FAZLE RAB

Presents a systematic and integrated approach for the understanding of the nature, scope and dimensions of library and information science based on the curriculum programmes of different universities and other specialised advanced educational training centres including DRTC, INSDOC, SENDOC etc.

1995

ISBN 81-7169-314-8

Rs. 400.

Save Indian Publishing—Buy Indian Books

COMMONWEALTH PUBLISHERS

4378/48, Ansari Road, Murari Lal Street,
New Delhi-110002 Phone : 3272541



to realise the strategies, policies and designs which other states may have towards one's own. In the contemporary context, however, one may be deluded about the real 'other' as it is in the interest of those who aspire for an imperium over the whole world to see that neighbouring countries are at loggerheads with each other and that it is perceived as the super-arbiter in disputes between them. The real dynamics of world politics in contemporary times does not directly emanate from what your neighbouring state does or says but rather from those who wish to use both for purposes of their own advancement and domination over them. After the breakup of the Russian Empire, the US alone remains as the sole aspirant for global imperium in the coming century. Most of the world seems to have reluctantly reconciled itself with the situation, though there seems some attempt by western Europe on the one hand and Japan and China on the other to create some counter-balancing bargaining positions at least in some areas for themselves. As for India, it neither seems to possess the will or the vision or the skill to manoeuvre in the situation that is emerging both at the political and the economic level today.

Yet, ultimately it is the task of the intellectuals to expose the interests behind the rhetoric of values and, in a sense, confront those who want to impose a new order on the world with their own violation of it in their own country and their own peoples. In this task the intellectuals of the non-western world have an advantage as neither the US nor the European countries are a closed society and, at least the US is almost a pluralist society in the extreme where every possible view has still a preacher and an audience. These are some of the most investigated societies by their own institutions, but seldom has the data collected by them been used for purposes of a different analysis than the one which the intellectuals of that society are usually prone to do. The presence of religion and superstition in the west, for example, is rampant even on those prestigious campuses where every year thousands of non-western students go to learn and yet the image of rational west continues to dominate the non-western mind. Similarly, there is large-scale corruption in the military establishments and even the NASA Research Programme is not immune to it as has been documented by its own inquiry committees. Yet the picture of the honest west continues to dazzle and dominate the non-western mind. The discrimination against the different ethnic groups is well known as well as the fact that the *Sudra* functions in most of these countries are generally performed by legal or illegal immigrants from poor neighbours in Central and Latin America or even by those that are still pouring from the Pacific or the Far East. Yet the idea of a non-caste society in the west is sedulously propagated and accepted everywhere.

These are only rough examples. The point is that this immense data needs to be analysed from a new point of view and that empirical studies of western institutions in their own setting be undertaken by non-western students with open minds and open eyes. Also, the intellectuals of the western world should be challenged to take a closer look at the reality in their own countries and engaged in a dialogue regarding the double standards they use for description and analysis for their own country and the ones they use for countries other than their own. To give but one example, those who tell us that the idea of nation state has become outdated in the modern context need only be asked to abolish visas to their own country and face the consequences thereof. This of

course they will never do, for they would like the abolition of visas in all non-western countries for themselves and not be prepared to do the same for others in their own country. This epitomises the current world situation as do the exchange rates between the western and non-western world and it is in this context of inequality that the debate on a new world order based on universal values has to be conducted, for there still are sufficient persons in the west who believe in the universality of reason and a dialogue in its terms. But for that to occur, what we really need is an 'active intellect' that does not accept every intellectual ware that comes at its face value without scrutinising its real worth and testing it at the bar of one's own judgment and experience.

STRUCTURE AND ADMINISTRATION OF SALES TAXATION IN INDIA

- An Economic Analysis -
(1995-Second Edition)

by

Mahesh C. Purohit

Professor

National Institute of Public Finance and Policy

New Delhi -110 067

Price Rs. 450.00 ★ US \$ 60.00 ★

Hard Cover ★ Pages XII + 303 ★ ISBN No. 81-85930-01-5

Contents: Introduction; Fiscal role; Economic effects; Structure of sales taxes: Rate structure, exemptions, taxation of inputs, surcharge and additional sales tax, works contract and leases. Empirical estimates of incidence of sales taxes. Rationalising sales tax structure: Weaknesses of the existing structure, short and medium term reforms, an approach towards State-VAT. Inter-State coordination in sales taxes; Administrative organisation: Operation of the tax including evasion and enforcement; Management Information System; Summary and Policy imperatives

Another valuable treatise from the same author on:

**Principles and Practices of Value Added Tax
Lessons for Developing Countries
(1993)**

Price Rs. 250.00 ★ - U.S. \$ 30 ★

Pp 226- ISBN No 81-85930-00-7 - ★ Hard cover

*Quality Manuscripts from Authors in
Social Sciences welcome*



GAYATRI PUBLICATIONS

Post Box 8495, Ashok Vihar, Delhi-110052

From Club to Karkhana

Sanjay Subrahmanyam

Maritime India in the Seventeenth Century by Sinnappah Arasaratnam; Oxford University Press, Delhi, 1994; pp ix + 294, Rs 375.

IN a publishing career that now spans very nearly four decades, Sinnappah Arasaratnam has been a prolific writer (at least 10 books, and several hundred papers would be my guess) on the history of Indian Ocean trade between 1500 and 1800, and on ethnic and sectarian problems over the last two centuries in Sri Lanka and south-east Asia. Where maritime India is concerned, his geographical focus since the early 1960s has very largely been on the Coromandel coast of Andhra and Tamil Nadu. He has drifted gradually from work on the latter half of the 17th century, to writing more and more on the 18th century. His current research seems to focus largely on issues relating to the transition to colonialism in the context of late 18th century Coromandel.

As he reminds us in his preface to this book, Arasaratnam was a founder-member of the Indian Ocean 'club' of the 1970s, which produced a number of influential essays and monographs, as also the collective volume *India and the Indian Ocean, 1500-1800* (eds Ashin Das Gupta and M N Pearson) in 1987. That work represented the belated result of a conference at Santiniketan, and the coming to fruition of a sort of consensus in which such historians as Pearson, Das Gupta, Om Prakash, Bruce Watson, Peter Marshall and of course Arasaratnam participated. These authors agreed in essence in the 1970s with the thesis of Steensgaard that the Companies were a significant modernising force in the context of the early modern Indian Ocean, and drew a sharp contrast between the 16th and the 17th centuries. They also set out a picture (adumbrated by Pearson and lent cautious support by Das Gupta) of Indian merchants adrift in a hostile sea, and prey to the competition of Europeans. Merchants and states were seen as clearly disjunct in the Indian context; this was seemingly a structural characteristic of Indian society. By the turn of the 1980s, this view had received the benediction of the doyen of India's 'medievalists', Irfan Habib, who took to quoting Das Gupta and Arasaratnam with undisguised approbation, even while expressing scepticism about some of Steensgaard's more extreme flights of fancy (on 'peddlers', for example). The view summarised above thus was by the early 1980s a perfectly well-established orthodoxy. Even determined loners like K N Chaudhuri (who perhaps preferred the Athenaeum to

the Indian Ocean Club) did not deviate significantly from this line (cf his 1985 work, *Trade and Civilisation in the Indian Ocean*), though admitting, like Habib, certain qualifications in respect to Steensgaard's arguments. Pucca members of the Army and Navy Club like G V Scammell (cf *The First Imperial Age*) quoted chapter and verse from the writings of this other club, while stoutly defending them from attack by their rare critics. *Noblesse oblige*.

But, by one of those minor ironies of history, by the time *India and the Indian Ocean* appeared, the club had become rather more crowded. Not only were there new applications for membership (from the likes of Teotonio de Souza, Anthony Disney, H W van Santen, or J J Brenning), but a number of 'gate crashers' came along to spoil the party. These were historians of the hinterland, like Frank Perlin, C A Bayly and David Ludden, who wished to incorporate the Indian Ocean into their arguments about the long-term historical trajectory of south Asia. Not content with challenging the historians of the interior, it appeared that they wished to break up the cosy division that the 1970s version of the Treaty of Tordesillas had imposed between coast and hinterland, and between those who read Persian and those who read Dutch (in a manner of speaking). Their intervention helped in part to shift the terms of the debate, to change the Indian Ocean from a closed club to an open-ended workshop, or a 'karkhana, if one prefers.

In a convoluted way, this book is Arasaratnam's response to these changes in the terms of the debate, and as such is a curious exercise. First of all, the book is deliberately designed to be totally devoid of footnotes and even bracket (Chicago-style) references. It thus has the appearance of a primer or manual. The references to other authors whose work has been consulted is relegated to a summary discussion in the 'Bibliographical Notes' (pp 276-91). Here, happily, not only the old faithful members of the club but relative latecomers (and even Frank Perlin) find mention. This is indicative of somewhat changed times, no doubt. But the technique has its limitations. The innocent reader is left with little or no sense that this book is located in a debate. Other writers are never cited or discussed in the text. We usually have to take Arasaratnam's espousal of an argument on faith, simply because he

believes that the contrary view is wrong, or 'exaggerated', or 'unlikely' (or because he does not mention it). The Author thus emerges as his own main Primary Source, in a happy conflation of categories. As a consequence, we have the construction of a mellifluous narrative, a 'story' if you will, that the reader is led into while sitting at Arasaratnam's knee.

This story is divided into 10 chapters. We begin with 'Ports and the Ocean', with its obligatory gazetteer-style move up and down the coast. This is a technique that Arasaratnam has long patented. Then we move on to the 'Legacy of the Immediate Past', which contains a synoptic and rather hurried discussion of the 16th century. There now follow four core regional chapters on Gujarat, Malabar and Kanara, Coromandel, and Bengal. Kanara is given rather short shrift in this process, as is the Konkani. Indeed, even Kerala winds up being rather neglected in relation to Gujarat and Coromandel.

The real 'innovation' comes in Chapters 7 and 8, which discuss merchants and their political positioning, and concede at least some modifications to the Pearson merchants-and-rulers hypothesis. The last chapter but one on 'Shipping and Seafaring' opens up an interesting domain but barely touches its surface. This is because the secondary literature there is poor, and in a book such as this, no new research by the author is demanded. The Conclusion provides one with a chronological prospect of the drift to European hegemony in the 18th century, and curiously enough reintroduces Pearson's hypothesis of weakly articulated states and unprotected merchants back into the picture.

In the final analysis, I must confess to being unsure who the reader of this book is meant to be. Specialists will want more depth, and in a more rigorous framework; they will also wonder why relatively easily accessible secondary literature in English is being summarised once more. Are the book's readers the hibernating historians of the interior, on the assumption that the old division of labour holds? Or is it meant to be a book to be browsed through and read on railway trains by curious members of the middle class? If the last, its narrative lacks the warmth, texture and relief that would hold such a reader's attention. Arasaratnam is a worthy essayist of the old school, but his writing style does not have the charm and grace of his colleague and ally Ashin Das Gupta. For example, the text is crowded with place-names and details that add little to its general outlines. There are no illuminating anecdotes, no juicy contemporary quotations, no witty turns of phrase. And, alas, some of the details are simply

wrong. We are told early on of "the first voyage of Vasco da Gama who was piloted by Abdul bin Majid, presumably a Gujarati Muslim" (p 8); later that Honavar was the principal port of the Nayaka of Ikkeri (p 22); or again of the Portuguese capture of Diu in 1554 (p 45); repeatedly that Nagapattinam was fortified by the early 17th century; on p 249, the incident attributed to 1638 took place in 1634; the Mughal ship *Ganj-i-Sawai* is throughout called *Ganj-i-Sawar*, and so on. Indian and Arabo-Persian names are spelt throughout with careless abandon: "Muhamad", "Taqui", "Meah Mizany", etc.

If there were a strong new argument in the book, or a strong quantitative foundation (as we expect from Om Prakash's forthcoming volume in the *New Cambridge History of India*) such detail could be dismissed as 'mere detail'. But the book is a work of narrative history, and hence has to be reliable as narrative. Here it falls short of expectations. This said, it must be said that the book does have its merits, most notably its useful bibliographical essay. Certain simple ideas are also set out, although at somewhat tedious length, and (for a book of this size) with a surprising amount of repetition. Still, we have a sense that – if only

the format had allowed him to – Arasaratnam might just have engaged his peers and even younger historians in discussion. This is reassuring because members of the Indian Ocean club have not always been so open-minded: another recent book by Arasaratnam and Aniruddha Ray, titled *Masulipatnam and Cambay* (Munshiram Manoharlal, 1994), possesses the apparatus of footnotes, but practically refuses to acknowledge the existence of other historians who have written earlier on these subjects.

Now, as teachers so often tell their budding research students, writing history is not merely about the relationship between the historian and his 'sources', but between the historian and historiography. Simple, unreferenced, under-problematised, narrative histories thus represent a throwback to another age, to the time of N Macleod and H Terpstra. We surely do not need to read Arnaldo Momigliano to realise that. As things stand, then, we must look forward to Arasaratnam's forthcoming monograph on late 18th century Coromandel, from which we shall have a better sense of where he chooses to locate himself in relation to other historians and their work – and, above all, why he does so.

studying the mahar movement, it is imperative to understand Ambedkar's idea of class-caste relationship and his treatment of caste as part of base or superstructure. Further, is this overlap between caste and class without any complexity? If this was so, as the author seems to believe, what sense does one make of the mahars of Vidharbha who were socially inferior to the upper castes but economically superior to them? Even today in the Nagpur region, landholdings of the mahars are larger than that of the upper castes. In fact, in some villages near Nagpur the upper castes work as agricultural labourers on the fields of the mahars. There are also medium mahar industrialists in Nagpur. Thus, this economic position of the mahars, at least in the Nagpur region, disturbs the correlation between low social status and low economic position.

Similarly, according to the caste-class overlap, the brahmins and the higher castes can easily be identified as the exploiters and the shudras as the exploited. But what about the kunbis, kapus and vokkaligas? Were they the exploited? Do they not exploit and assault the dalits even to this day? Was not Ambedkar sensitive to this non-brahmin-dalit tension in Maharashtra, and Madras presidency? Even today, along with the mental harassment, the growing atrocities on the mahar-buddhas by the upper castes, particularly the non-brahmin castes of rural Maharashtra, confirms the intolerance and hatred against these most exploited sections of Maharashtra. This attitude reflects a vertical articulation of social tensions.

Horizontally, internal differentiation is taking place among the mahars of Maharashtra due to the welfare-state intervention. This internal differentiation was visible among the mahars of Nagpur region even before independence. Gokhale rightly takes note of the role the state played in facilitating the elite formation among the mahars. Thus, we have mahar malguzars in the pre-independence period, and in the post-independence period we have mahar elites. Thus, the vertical social tension between the mahars and the middle and high castes and the horizontal tension within the mahars certainly calls into question the caste-class overlap the author is attempting to establish.

But then, if these internal, non-antagonistic contradictions are emerging within the mahar community, why do they not find organised and manifest articulation against the mahar aristocracy? It appears that the aristocracy has been trying to counter the subaltern mahar consciousness by either appealing to mahar solidarity in the face of any outside opposition to their vested interest or by performing welfare activities like inaugurating schools for mahars (like the ones started by mahar malguzars of Nagpur before independence) or distributing free books and clothes, and conducting free coaching

One-Dimensional View of Dalit Movement

Gopal Guru

From Concession to Confrontation: The Politics of Indian Untouchable Community by Jayashree Gokhale; Popular Prakashan, Bombay, 1993; pp 381, Rs 300.

BARRING a few exceptions both in Marathi and English, recent studies on the dalit movement in Maharashtra are either sequential in nature or theoretically insensitive. Jayashree Gokhale's book under review offers a theoretically sensitive approach involving criticism of the cultural-ideological approach adopted by M N Srinivas, Mark Juergensmeyer, Eleanor Zelliot, Owen Lynch and Michael Moffatt.

According to Gokhale, the cultural-ideological approach treats the untouchables as a striking case of submissiveness (p 34). On the contrary, the author argues, the untouchables did not always accept their lot with stoic obedience and docility. They, particularly the mahars, protested some times violently against repressive Hindu social order (p 34). The author criticises the cultural-ideological view of the dalit movement for not taking into consideration the overlap of caste and class dimensions of the mahar movement in Maharashtra. Therefore, the author, basing her theoretical framework on the approach of Kathleen Gough and Emmanuel Terry, believes that the historical development of the mahar community reveals

a structural overlap of the caste and class factor (p 15). This overlap of caste and class gets reflected in the relationship between the low economic position and the low position the mahars occupied in the social hierarchy of Indian society then and now. However, due to the lack of empirical data, the author, fails to substantiate this contention. Similarly, her criticism of the cultural-ideological approach for having overlooked the class conflict dimension of the mahar movement (p 5) does not get justified since her own study fails to establish sufficiently and systematically as to how the mahar movement in Maharashtra represented class conflict. The author, therefore, ends up giving a casual treatment to a complex but important concept like the caste-class overlap. This may be because the author has not located her own framework in the background of the debate that began in late 1970s between Dipankar Gupta, Sharad Patil and Gail Omvedt. In this debate which aimed at deciding the true epistemic status of caste and class, Gupta considered caste as a part of superstructure while the latter considered it as a part of the base [Gupta 1978]. In fact, for anyone

for poor mahar children. The mahar aristocracy also tries to assuage the common mahars by participating in the dalit struggle from the periphery, like paying nominal contribution to a social function or a social struggle the latter organise. Thus, resurrecting the ideology of mahar solidarity may not have direct hegemonic intention, nor it may reproduce the ideology based on social hierarchy (though this charge may hold true in respect of the attitude of the mahars towards the mangs) but it can indirectly contribute to legitimisation of the structures of domination. The author has missed this point which has lot of bearing on the formation of the anti-state, and therefore, anti-systemic mahar consciousness.

However, Gokhale's study of the mahar movement in Maharashtra makes three relevant points which are similar to Zellot's study on the mahar movement. First, the author attempts to understand the emergence of the mahar movement against the background of various pre-Ambedkar social movements by situating this emergence within the socio-economic changes taking place as a result of British imperialistic policies in the 19th and 20th century Maharashtra. She argues that the organised protest of the mahars under Ambedkar's leadership should be understood in terms of the displacement process of the mahars and their subsequent migration caused by the 'pull factors', such as education, industrialisation, business, transport and communication system that created job opportunities for the mahars (p 47) and the 'push factors', such as landlessness, uneconomical landholdings, and subversion of traditional occupations (p 47).

Secondly, Gokhale talks of the primacy of politics of the mahar movement in terms of political strategies, and the forms of political participation and political organisations that were used by the mahars to register their protest. She also highlights Ambedkar's growing political concern behind developing an independent mahar political identity. Thus, the strategical shift from the socio-economic sphere to the political constitutes the primacy of the political. This is a valid point since it highlights the centrality of politics in the mahar movement. Yet the primacy of the political is seen by the author as a disjointed process. The author seems to convey that the socio-cultural activities of the mahars in the 1920s were devoid of any political element. But were not the mahar efforts at temple entry and for sanskritisation potentially political as they reflected a negative consciousness which is a pre-condition of a real political consciousness? Moreover, Ambedkar's primacy of politics is not to be seen merely in its instrumentalist sense but also in its theoretical-normative sense. Ambedkar considered all struggles, including

the material and the ideological, as political. It is due to this political vision, that Ambedkar considers *Bhagwat Gita* a political book. The *Bhagwat Gita* legitimised the subjugation of the shudras and the at-shudras to the brahminical domination of upper caste class [Keer 1954:130]. By the same logic, Ambedkar's *The Buddha and His Dhamma* should be read as a political book since it annuls the negative utopia of *Bhagwat Gita* and provides a positive utopia of the Buddha and his Dhamma by assuring the toiling masses of the right to quality, liberty, fraternity and freedom. Thus, at a theoretical level Ambedkar's politics determines the creation of civil society and also aims at progressive transcendence of the individual into the collective. This has been adequately borne out by Ambedkar's criticism of the French revolution as a desirable but an incomplete revolution, and the Russian revolution as a complete one [Khairmode 1987: 47-48].

Thirdly, despite the theoretical failure to relate the caste-class overlap to the mahar situation, the author nonetheless attempts to critically assess the role of different political organisations floated by Ambedkar and later by his followers. Gokhale regards the Independent Labour Party (ILP) established by Ambedkar in 1936 as representative of the class model since it sought to include peasants and workers from all castes (p 134). She further argues that though the issues which ILP mobilised were secular in character (p 132), the party failed to sustain the class unity of all the exploited castes. She lists following reasons for the failure of ILP. Firstly, the Congress politics implanted a rift between the mahars and the mangs of Maharashtra. Secondly, the maratha textile workers practised caste discrimination against the untouchable workers in the weaving and spinning sections of Bombay textile mills. Thirdly, the communist commitment to social issues was questionable (p 140). All this prompted the mahars to have separate organisations which would represent their specific case.

Though it is true that the Bombay textile workers were plagued with caste consciousness and the communists failed to address it, this consciousness was not only a colonial construct but was also perpetuated among the workers by native industrialists of Bombay. For example, the chawls of Bombay textile workers were constructed by the British town planners and the native capitalists along caste lines which later became sites of caste and communal tensions [Guru 1987:39]. Further, why were the maratha workers practising caste discrimination against the mahars? Was it because the marathas were intrinsically casteist? Why were the marathas practising caste discrimination only in certain sections of the textile mills? This demands answer

because otherwise caste consciousness as a divisive force amongst the Bombay textile workers can become a stereotype. The marathas and other upper castes were opposing the entry of the mahars into certain sections of the mills because they did not want any further competition from the mahars for the already shrinking industrial jobs. Also, since the weaving and spinning sections were well-paid the marathas did not want competition in these sections [Chaudhari 1975:90].

DALIT RESPONSE TO CLASS-BASED MOBILISATION

In her chapters on Republican Party of India (RPI) and Dalit Panthers (DP), Gokhale assesses the political response of these two organisations to the class-based rural mobilisation of the landless castes of Maharashtra. She argues that the RPI and DP were in the beginning sensitive to the caste-class dimensions of the toiling masses of Maharashtra. To substantiate her argument, she refers to the dalit struggle for government land led by Dadasaheb Gaikwad and highlights the literary response to the dalit political movements in Maharashtra (p 226). Gokhale opines that the caste-class sensitivity of the RPI and DP, however, was temporary and both these organisations failed to sustain the democratic consciousness of the toiling castes (p 242). The reasons listed for the failure are: (a) the election manoeuvring by the dalit leaders, (b) the buddhist conversion that divides the mahars from the other scheduled castes, (c) the parochial mahar leadership, (d) the shift from the rural base to that of the urban middle-class of the RPI (p 250), and (e) the appropriation of dalits by the socialists and the Congress, leading to the eventual decline of dalit organisations (p 275). But this seems to be a simple, straightforward reasoning, inadequate to explain the complex dalit politics. It is not possible to grasp the failure of post-Ambedkar dalit politics (barring 1959, 1969 RPI, and early years of DP activism), without linking it to the ideologisation of Ambedkar by the RPI leaders and their so-called dalit intellectuals in the state. This ideologisation emphasises Ambedkar's ideas on democracy, liberal state, political and bureaucratic power, and the Indian Constitution. It underplays his critique of liberal democracy, which grants only a legal status to the individual [Guru 1993a]. It overlooks his critique of political power in plural democracy which cannot sufficiently arm the dalits to change their life condition [Guru 1993b] and his criticism of the Indian Constitution as a text full of contradictions. This ideologisation causes damage not only to Ambedkar but to the entire toiling masses in three ways. Firstly, it robs Ambedkar's ideology of its

CURRENT PUBLICATIONS OF NCAER

1. **Consumer Market Demographics in India**

(Revised Edition) Edited by **Prof. S.L. Rao**

Price: Rs. 1,900/- (Postage Rs. 20/- extra)

This publication gives valuable data on the purchase and consumption of selected consumer goods. It is based on four countrywide surveys conducted by NCAER between 1985-86 and 1989-90 on a sample of 5,00,000 households (for consumer durables) and 18,000 (for consumables). The **revised edition** makes the data sets more user-friendly. There are detailed write-ups on the demographic data and consumer profiles for a number of consumer products.

2. **Working Paper No. 50: Industry and Economic Reforms, 1991-1994**

by **Prof. S.L. Rao**

Price: Rs. 60/- (Postage Rs. 10/- extra)

This paper attempts to review the impact of the changes in economic policies between 1991 and 1994 as they have affected Indian industry. What seems to emerge is that there has been no coordinated set of policies towards industrial reforms. If Indian industry is to be competitive there are actions which require to be taken at the Government policy level, and also the micro company level.

3. **Restructuring of State Level Public Enterprises in Rajasthan**

by **Prof. S. L. Rao and R. Venkateshan**

Price: Rs. 150.00 (Postage Rs. 10/- extra)

Despite the massive resources invested in SLPEs they have not received the attention they deserve especially in initiatives regarding their restructuring and revitalisation. This is perhaps the first attempt to look at the total public enterprise system in a State using a strategic management framework as well as the economic viewpoint

4. **Protective Net for Workers in An Exit Policy**

by **Prof. I. Z. Bhatti**

Price: Rs. 20.00 (Postage Rs. 10/- extra)

This paper provides a discussion of some of the major issues relating to an exit for industry in the context of economic reforms which are now underway in the country.

5. **Working Paper No. 51: From Closed to Open Economy Macroeconomics: The Real Exchange Rate and Capital Inflows, India, 1981-1994**

by **Deepak Lal and D. K. Joshi**

Price: Rs. 100.00 (Postage Rs. 10/- extra)

This paper uses the framework of "Australian" balance of payments model for a small economy to explain the evolution of major economic variables in India since 1991. It also attempts to identify the key policy instruments which are relevant in determining macroeconomic balance in the case of India which is likely to witness a large increase in capital inflows.

Available from

Publications Division

National Council of Applied Economic Research

Parisila Bhavan, 11-Indraprastha Estate

New Delhi - 110002.

Fax: (91-11) 3327164 Tel.: (91-11) 3317860 - 68

revolutionary and subversive character and hence in effect leads to the legitimisation of the oppressive ideological and institutional structures. As a corollary to this, the ideologisation replaces the need on the part of the dalit leaders to make Ambedkar's ideology complementary to other emancipatory ideologies. The critique of Gandhi and Marx, right from B C Kamble in 1959 to Mayawati in 1994 is the case in point. Dalit intellectuals who attempted to relate Ambedkar to Gandhi or Marx are projected as anti-Ambedkar and, therefore, traitors. The ruling party and the state in Maharashtra feels comfortable with leaders who condemn left dalit intellectuals and labelled the land struggles of the dalits in 1959 and 1964 as unconstitutional [Kasloe 1989]. In such situation, the state finds itself free to discredit the dalit movement by co-opting the most radical dalit leaders like Dadasaheb Gaikwad under whose leadership the land struggle of 1959 and 1964 had seriously threatened the post-independence state for the first time. This ideologisation of Ambedkar has hampered the growth of democratic consciousness through a broader ideological mobilisation of the toiling castes. The dalit leaders have appropriated Ambedkar unto themselves, raising his statues and busts in the narrow contours of a mahar or buddhist colony. The state and the rural and urban rich help such efforts deifying Ambedkar by offering government land and finance. This kind of patron-client relationship between the state and the dalit power brokers is a result of a class alliance. The dalit clients who either profit or live-off the exploitation of their labouring brothers, are maintained by their patrons at the periphery of various power structures and thus, specialise in legitimising the state. Hence, it is absolutely essential to take into consideration the state-dalit relationship. Co-optation of dalits by the Congress does not completely explain the systematic suppression of organised dalit expression by dominant political forces.

MAHAR-MANG CONFLICT

In locating caste and class dimensions of mobilisation of the toiling masses Gokhale views Ambedkar's buddhism as relevant for the class mobilisation of lower caste Hindus and the untouchables. She argues that Ambedkar's buddhism provided basis for the consolidation of a new caste identity. But, buddhism which was a rallying point in affecting horizontal mobilisation could neither achieve the unity of all castes within the dalit community nor could it achieve vertical mobilisation of lower caste non-dalits and the dalits. According to Gokhale, buddhism could not have total impact even on the mahars (p 157). However, the author does not give appropriate reasons for the failure of buddhism to create democratic

consciousness both at the vertical and horizontal levels. To understand this, it is necessary to ascertain whether the failure is a fault of the buddhist theory or the buddhist practice? In fact the fault lies in the theory as well as the practice. The buddhist bhikshus with the sole exception of Anand Kousallayan, do not reinterpret buddhist 'tri-saran' as equality, fraternity, and freedom from exploitation. They do not separate the tri-saran from the 'panchasheel' which is related to individual moral conduct. These leaders insist that both these aspects of buddhism should be followed. Thus, the attempt to force down the throat of the followers who are not prepared to digest this combination is bound to fail. In other words, the attempt is to dissolve the tension between the tri-saran (the collective) and the panchasheel (the individual). Thus, the lack of radical reinterpretation of the tri-saran as equality, fraternity, and freedom from exploitation, and the failure to isolate the tri-saran from the panchasheel (making the latter an individual prerogative) prevents people who find it difficult to follow the panchasheel in toto from coming together on the tri-saran which offers a common programme for collective mobilisation of the oppressed. This buddhist homogenisation, which neither the Buddha nor Ambedkar would have approved, is also evident at another level. The buddhists insist that they should adhere to buddhism in its positivistic form of complete rationality and scienticism. Those who do not fulfil this essential condition face dire consequences like social boycott, unbecoming of any buddhist practice. If this homogenisation prevents the mahar-buddhists from enjoying other creative cultural practices of the little tradition how can they fulfil Ambedkar's dream of the buddhist dhamma? Since this homogenisation eschews varkari bhakti tradition of Chokha and Tukaram (some attempts in this direction are being made by dalit leaders, like Arun Kamble, and Bahujan Mahasangha in Maharashtra), how can buddhism be expected to unite the other backward castes to create conditions of emancipation? Such queries should have warranted author's attention.

Moreover, assessing the impact of buddhism in Maharashtra, it is observed that the response of dalits to buddhism is uneven in Maharashtra. The mahars from Vidarbha were the first to respond while the dalits from Konkan and southern Maharashtra were the last. Did the various social reform movements, and bhakti movements like mahanubhav, varkari made it easy for the Vidarbha mahars to respond to Ambedkar's call earlier than their counterparts from Konkan and southern Maharashtra? Or was this due to absence of strong Christian movement that would otherwise have deviated the mahars of Vidarbha from the

buddhist conversion? In fact this was the case. So, how come Gokhale says that the buddhist conversion was a personal decision of Ambedkar, and the mahars responded to it overnight (p 171)? Incidentally, there is a late response, as late as 1982, of the mahars to buddhism in western Maharashtra. What could be the reasons behind this occurrence? Questions such as these remain unanswered.

According to Gokhale, the mahar-mang conflict has been another major hurdle in creating class model of politics in Maharashtra. The author, taking cue from various studies, lists following factors for the conflict between the mahars and the mangs: the monopolisation of various government schemes by the mahars, the feeling of mutual suspicion, the controversy over the buddhist conversion and the passing-over of traditional occupations of the mahars to the mangs. It is true that the mahars have taken more advantage of government opportunities. But otherwise the mahar-mang tension is treated by the author at the level of polemics. If the debate is not comprehensive it can lead to serious problems. This is already happening as some mang elites and Congress leaders are fanning hostilities between the mahars and the mangs [Guru 1993c].

The question that begs serious attention is why the mangs have become mobile recently? Their traditional skills like rope-making, baskets and broom-making kept the mangs tied to the village economy. As compared to the mangs, the mahars were unskilled labourers and numerically larger, and hence, had to face early displacement from the village due to the growing pressure of agrarian unemployment caused by the depeasantisation of the cultivating non-dalit castes under the British colonialism. The mahars took to education for survival, and hence, their early response to government facilities. Though the mangs from the drought-prone area of Bombay state were migrating to cities even before 1947, a massive displacement of the mangs began from 1970 onwards. It is during this period that the ropes produced by Garware Nylon industries subverted the traditional occupation of the mangs in a big way. Thus, by the time the mangs arrived in the developmental process, they found it already stagnated in terms of job opportunity and other avenues of progress. Instead of understanding these processes that underlie the structure of inequality, the mangs hold the mahars responsible for their backwardness. This anti-mahar feelings are inflamed by the interested parties, sometimes leading to clashes between the two communities. Gokhale cites British rope industries subverting the traditional occupation of the mangs in the beginning of 20th century. But this is dubious. Firstly, Gokhale does not provide any evidence as

to when, how and where the British rope industries subverted the mangs traditional rope-making occupation. Secondly, the displacement of the mangs can best be understood in terms of the drought situation that pushed the mangs out of the village economy.

MAHAR MOVEMENT IN VIDARBHA

Discussing the early organisational efforts of the mahars of Bombay and Nagpur regions, Gokhale draws an interesting theoretical point about the different political development of the mahars of the Nagpur region from the other parts of Maharashtra, relating this difference to socio-economic factors. She mentions that the mahar movement in Vidarbha being less radical than that in Konkan and the Desh (western Maharashtra) (p 74). However, Gail Omvedt differs from Gokhale's observation. Omvedt locates an element of radicalness among the mahars of Vidarbha. Omvedt attributes this radicalness to the liberal political atmosphere that prevailed in Vidarbha and to the peasant-worker nexus. Omvedt's argument makes sense if one understands it against the background of the massive suppression of the mahar political expression in Marathwada for 500 years under the hostile feudal structure of the Nizam of Hyderabad. But Gokhale's observation also seems valid since the mahars of Vidarbha, at least a wealthy section of it, lacked radical content. Yet, Gokhale fails to relate as to how the relative affluence of Vidarbha mahars led to the blunting of radical edge of the mahar movement. This relative lag in the mahar consciousness can be understood if the mahar material interests are seen to be no different from the upper caste zamindary interests epitomised either in the Hindu Mahasabha or the Congress of Vidarbha. It is against this background that one can understand the mahar leaders favouring the Congress and the Hindu Mahasabha in Vidarbha. Delineating the logic of this regional variation further Gokhale argues that the economic comforts of the mahars' as well as their fragmentation into sub-castes prevented the development of a radical consciousness in the mahar movement of Vidarbha. Gokhale also thinks that the isolation of Nagpur from events and advances taking place in Bombay and the absence of the mahar military tradition which played a major role in mobilising the mahars of Konkan and Satara to have contributed to this phenomenon (p 74). Even though the military tradition has contributed to the radicalisation of the mahar movement, the first argument by Gokhale is less convincing. Firstly, there was no physical isolation between Nagpur and Bombay. They were linked to each other by railway. Ambedkar accompanied Chhatrapati Shahu of Kolhapur to Nagpur in 1920. Therefore,

the lack of radicalness, if any, needs to be explained in terms of something else, and not isolation. In fact, after 1920 Ambedkar stirred the mahars against the British imperialists and the native brahmins and banias. Even if one accepts Gokhale's argument that the mahar movement in Konkan and the Desh was socio-politically radical than the mahar movement of Vidarbha, it holds true for the pre-independence period. After independence there is an eclipse of militancy and radical content in the mahar movement of these regions [Guru 1993d]. (Gokhale has not covered the pre-independence mahar movement of Marathwada.) Gokhale's work does not forward any answer regarding the regional variation in the expression of dalit protest from 1960 onwards. Yet, the following argument can elucidate the de-radicalisation of the movement in western Maharashtra. The green revolution and the network of co-operative institutions has resulted in the improvement of economic conditions of both the mahar landholders and the landless labourers in western Maharashtra. As a result, the dalits identify themselves with the co-operative bosses at various levels of politics. It is due to these corresponding benefits, no dalit group can claim to be enjoying the support of the common mahars from southern Maharashtra. Besides, the co-operative structures, the Christian conversion of the dalits in this area also contributed to the pacification of the dalits. The Christian conversion did not advocate confrontations with Hinduism which the buddhist conversion in Vidarbha and Marathwada effectively did. It is only after Chundure killings that the Dalit-Christian Liberation Movement launched a scathing attack on Hinduism of RSS variety [Guru 1992]. In the Konkan, the mahar movement has almost disappeared after independence because of the massive migration caused by regional backwardness. The landlessness of the mahars who did not possess even the watan-land facilitated the migration [Gaikwad 1992]. As a result, the young mahars migrating to Bombay and Pune left the older ones to survive on the money order economy. In such a scenario the mahars cannot become a critical part of the social relationships in Konkan. Thus, there cannot be any radical movement based on genuine and authentic consciousness of the local mahars.

As compared to the Konkan and western Maharashtra the dalit protest in Vidarbha is more militant and the dalit solidarity much stronger. This dalit militancy is often reflected in their collective retaliation of the Shiv Sena and their militant protest on the renaming issue of Marathwada university. Five dalit activists from Nagpur were killed in the police firing of 1978. The dalit solidarity is also reflected in the dalit folk

literature of Vidarbha. This militant expression of dalit protest in Vidarbha is due to genuine educational interventions by the non-brahman leaders. The educational endeavours of Punjabrao Deshmukh, the Nagsenvar education campus at Aurangabad whose first beneficiaries were the students from Vidarbha, the lack of Christian missionary activities, the presence of strong traditions of bhakti movement which later contributed to the buddhist conversion of the mahars of Vidarbha and the relatively large dalit population boosting the confidence of the dalit masses led to the militant expression of the dalits of Vidarbha. Though Gokhale has not studied the dalits of Marathwada in depth, the recent rise of the dalit militancy in Marathwada would certainly make very interesting study. Moreover, it would be interesting to gauge to what extent the dalit literary movement reflected the aspirations of the dalit movement. It is not always possible for a scholar abroad to keep track of the nature and scope of any movement that is being shaped by dialectical unfolding of events. Therefore, keeping in view the constant attempt by the Hindutva forces to Hinduise Ambedkar, the author ought to had been careful in borrowing unconditionally from Dhananjay Keer who sees Islamic conversion of dalits as de-nationalisation of the latter (p 169). Nonetheless, Gokhale's book is certainly an useful addition to the literature on the dalit movement in Maharashtra.

References

- Chaudhari, Arun (1975). *Private Economic Power in India*. People's Publishing House, Delhi.
- Gaikwad, R D (1992) *Mata Ramabai Chya Athwani*, (Marathi), Sugawa, Pune.
- Gupta, Dipankar (1978): 'Understanding Marathwada Riots', *Social Scientist*.
- Guru, Gopal (1987): 'Political Economy of Dalit Segregation and Discrimination in Pre-independence Bombay City', *Social Science Probing*, Vol 4, No 1, March.
- (1992): 'Dalit Killings in Marathwada', *Economic and Political Weekly*, November.
- (1993a): *Political Thought of Ambedkar*, Ambedkar Centenary Celebration Committee, London.
- (1993b): 'Ambedkar's Concept of Political Power and the Question of Dalit Emancipation', a monograph submitted to the Department of Political Science, University of Poona, Pune.
- (1993c): 'Dalit Movement in Mainstream Sociology', *Economic and Political Weekly*, April 3.
- (1993d): 'Dalit Movement in Contemporary Maharashtra', *Aanustubh*, (Bengali), Calcutta.
- Kasbe, Raosaheb (1989). *Dalitanchhe Rajkaran* (Marathi), Sugawa, Pune.
- Keer, Dhananjay (1954): *Life and Mission of Dr Ambedkar*, Popular Publication, Bombay.
- Khairnude, C B (1987): *Dr. Bhimrao Ramji Ambedkar*, (Marathi), Maharashtra Sahitya Sanskriti Mandal, Bombay.

Should Indian Railways Be Privatised?

M Q Dalvi

The operating losses experienced by many railways in the face of competition from other transport modes have compelled many national governments to restructure their railway organisations in order to administer them on commercial basis. One such structural reform suggested is the privatisation of railways.

This paper examines the case for privatising Indian Railways, one of the largest rail networks in the world. The case is examined using the framework of the modern theory of contestability (which has underpinned the recent trends towards deregulation in the US), and the theory of property rights (which has provided the principal rationale for privatisation in the UK). The paper concludes that, viewed in welfare terms, considering the social burdens Indian Railways have been required to carry, the gains in productive efficiency accruing to the Railways from privatisation would be more than outweighed by losses of allocative efficiency and other non-commercial output which the country has enjoyed from the historical role the Railways have played in its socio-economic development.

I

Introduction

IN developed countries the difficulties experienced by many railways to increase their passenger or freight traffic or to prevent it from falling while the overall movements having increased have compelled national governments to restructure their railway administrations in order to run them on commercial lines [Silverleaf 1992]. In some countries, the structural reform has assumed the transfer of the railways from government departments to public corporation. Elsewhere, the change has involved their transfer directly from government ownership to private ownership. Some of the major advantages claimed for privatisation of railways are, better use of the railways, greater responsiveness to the customer, a higher quality of service, greater emphasis on profitability and better value for money for the public who travel by rail. Except in the case of Japanese National Railways (JNR), which were privatised on April 1, 1987, there is, however, little hard evidence to support these claims. JNR was split into six regional passenger companies and one nationwide freight company.¹ All these companies, it has been claimed, have shown remarkable improvement in performance since they were created five years ago. This is in sharp contrast to the declining performance and financial troubles experienced by JNR five years ago. All the same, because of the particular aspects of the operating environment in which the privatised railways in Japan have been functioning, the Japanese experience is not readily transferable to other countries. The case for privatisation of railways must be carefully examined within the operating environment of each individual railway. The main objective of this paper is to critically examine the case for privatisation of Indian Railways. The issue has been

raised by the Railway Fare and Freight Committee in the questionnaire circulated by it for public evidence. Since privatisation is one of the favourite prescriptions policy-makers have recently been recommending almost everywhere for reorganising the structure of many ailing industries, there is need to debate whether and to what extent this remedy can be applied to cure the organisational ills of Indian Railways.

The format of this paper is as follows: we, first, discuss briefly the theoretical underpinnings underlying the case for deregulation and privatisation; next we examine the recent experiences of the US and the UK in the deregulation and privatisation of some of their important industries. Deregulation has played more crucial role in the recent industrial changes in the US, while privatisation has been one of the great success stories of the Conservative government in the UK. We then proceed to see to what extent the theoretical models developed for justification of deregulation and privatisation can be applied to railways in general and to Indian Railways in particular. Finally, since Indian Railways are operated as a departmental undertaking of the ministry of railways, the paper proceeds to examine the case for converting the Railways into a public sector corporation as a measure of improving their productivity and financial performance. The final section summarises the main conclusions of the paper.

II

Theory of Deregulation and Privatisation

It is useful at the outset to draw a distinction between deregulation and privatisation as the two terms, although used interchangeably in the literature, do not necessarily connote the same thing. Deregulation involves abolition of all forms of institutional, legal or statutory

impediments to the entry or exit of firms in a given industry irrespective of who owns the firms, the aim being to promote competition in the product/service market; whereas privatisation implies transfer of ownership rights from public to private sector. Such transfer may take the form of handing over the ownership to a single individual or firm or a group of firms in the private sector (which may occur in the absence of a capital market) or a wider group of shareholders via the capital market. Privatisation is an antithesis to nationalisation but deregulation can co-exist with both public and private ownership of the means of production and distribution.

The theoretical underpinning for deregulation and privatisation is derived from the work of the American economists on 'contestable markets', particularly in the work of Baumol, Panzar and Willig (1982) and Baumol and Willig (1981). A contestable market is one in which existing firms are vulnerable to hit-and-run entry. All firms – actual and potential – have access to the same production methods, and hence their cost functions are identical. The essential characteristic of a contestable industry is that entry involves no sunk costs; a firm can enter the industry without making irrevocable expenditures, and so there are no barriers to exit. As Baumol (1982) has put it: "Even a very transient profit opportunity need not be neglected by a potential entrant, for he can go in, and, before price changes, collect his gains and then depart without cost, should the climate grow hostile."

Here the distinction between sunk costs and 'fixed costs' should be noted. Fixed costs are costs that do not vary with the level of output; they are not always sunk. Fixed costs might be avoidable, for example, by renting assets from another market on short contracts, although, as Beesley (1986) has mentioned, they might well be embodied in items of equipment

to the extent that the market supplying (renting) the equipment itself reflected 'sunk costs' of commitment to that market. It is perfectly possible to have a contestable market with high fixed costs, so long as there are no sunk costs, and indeed a natural monopoly market can in principle be contestable and vulnerable to hit-and-run entry.

If equilibrium exists in a contestable market, the following properties hold [see Vickers and Yarrow 1989]:

(i) Price P equals average cost. That is to say, all firms make zero profits. If $P > AC$ there would be an incentive for a new firm to enter the market and to displace an incumbent firm by slightly shading its price. If $P < AC$ a firm would do better to leave the market, which can be done costlessly in view of the assumption that sunk costs are absent. It follows that $P=AC$ at equilibrium.

(ii) There is no inefficiency in production. If an existing firm was producing its output at more than minimum cost, rivals would find it profitable to enter the market, take the firm's business, and produce more efficiently.

(iii) Price is at least as great as marginal cost. If some firm was operating where $P < MC$, a new firm could profitably enter the market producing slightly less than the other firm and take that firm's business by shading price infinitesimally. This strategy could be profitable because the marginal revenue lost by reducing output, which is approximately equal to P , is less than the saving of MC .

(iv) If there are two or more firms at equilibrium in the market, then price is no greater than MC . If one of the existing firms was operating where $P > MC$, a new firm could come in and produce slightly more than that firm. The entrant's marginal revenue $MR (=P)$ would exceed his MC , and so he would make more profit than the firm displaced. The entrant could (and would) also take some of the business of the other incumbent firms by an arbitrarily small price reduction. (Note that (iii) and (iv) together imply that $P=MC$ if there are two or more firms at equilibrium.)

(v) The number and configuration of firms at equilibrium is such that industry output is produced at minimum cost. There is therefore productive efficiency at the industry level as well as the firm level.

Results (i) through (v) above were stated in the context of a single product industry in order to show as clearly as possible why they hold. The arguments generalise naturally to multi-product industries, where (i) through (v) also hold. However, for an equilibrium in multi-product industries, two more conditions must hold.

(vi) There would be no cross-subsidies between products/services. This follows from the condition that price must be at least as great as marginal cost for all products/services in the industry. Otherwise a new firm could

profitably enter producing slightly less of the product/service in question than some existing firm. This profit opportunity is ruled out only if cross-subsidy is absent.

(vii) If indivisibilities or joint costs exist, then under certain assumptions about cost conditions (trans-ray convexity and declining ray average costs), allocative efficiency can be achieved by adopting Ramsey pricing, under which prices are allowed to exceed marginal costs by a factor which is inversely proportional to the price elasticity of demand. Ramsey prices maximise welfare subject to a minimum profit constraint.

By now it will be clear that the properties that hold at equilibrium in a contestable market are highly desirable by the yardstick of traditional welfare economics. There is internal efficiency, because firms – individually and collectively – are compelled by the mere entry threat to produce at minimum cost, and there is allocative efficiency because $P=MC$, except possibly in a natural monopoly (in which case pricing is optimal subject to the non-negative profit constraint).

The theory has been proposed as a competitive benchmark that is in a sense more general than the traditional textbook model of competition. Instead of a large number of very small firms being the hallmark of competition, it is entry threats that make for competition in a contestable market, even though only one or two firms might exist at equilibrium. In fact, market structure is determined endogenously by the fundamental parameters of technology and demand. It is sunk costs (as opposed to fixed costs) that are central to the contestability theory.

The contestability theory has been at the heart of the recent American enactments on deregulation, notably of telecommunications, airlines and road haulage. The motivation for deregulation and, in particular, for privatisation in the UK was, by contrast, provided by the Austrian school of thought which emphasises the role of 'property' or 'ownership' rights and of 'incentives' for profit maximisation in the evolution of an optimal industry structure. Transfer from the public to the private sector (or vice versa) of entitlements to residual profits from operating an enterprise necessarily implies a change in the relationships between those responsible for the firm's decisions and the beneficiaries of profit flows. In general, the change in the allocation of property rights leads to a different structure of incentives for management and hence to changes in both managerial behaviour and company performance. The British privatisation philosophy has been rationalised within the framework of these incentive effects [Vickers and Yarrow 1989].

This paper does not wish to go into the details of the Austrian economics of privatisation-interested readers may refer to Vickers and Yarrow (1989) and Beesley

(1992). However, a brief description of principal-agent theory is in order. The general agency problem can be characterised as a situation in which a principal (or a group of principals) seeks to establish incentives for an agent (or a group of agents), who takes decisions that affect the principal, to act in ways that contribute maximally to the principal's objectives. The difficulties in establishing such an incentive structure arise from two factors: (a) the objectives of principals and agents typically diverge, and (b) the information available to principals and agents will generally be different.

Within this framework, managements of enterprises can be regarded as agents acting (in the case of private ownership) for shareholders or (in the case of public sector ownership) for the department of government to which they are responsible. Alternatively, in the latter case, government departments may themselves be considered to be agents acting for the ultimate principals, the voting public. Either way, an immediate consequence of privatisation will be some shift in the objectives of principals. In addition, it is also expected that the transfer of ownership will be associated with some change in the types of incentive systems that can be offered to managements. Thus, under private ownership, rewards can be linked to the company's share price via share ownership or option schemes, while poor financial performance might be penalised by the threat of takeover by another firm or bankruptcy.

In developed countries, privatisation of public enterprises typically entails the sale of equity to many shareholders, each of whom possesses a relatively small fraction of the total equity of a particular enterprise. Hence, at any time, a shareholder can transfer his property rights to another investor and thereby terminate his direct relationship with the company. As a result, substantial changes in the number of principals and in the distribution of shareholdings can occur quite rapidly [Alchian and Demsetz 1972]. In these circumstances, the pursuit of its own objectives by the management of the enterprise will be constrained by three groups of participants in capital markets: (i) the enterprise's shareholders, seeking contractual arrangements with management that maximise their own payoffs; (ii) other investors or their agents who might purchase the firm's shares as a prelude to attempting to alter existing contractual arrangements; and (iii) the enterprise's creditors who could seek managerial changes in the event of threatened or actual default.

The emphasis upon ownership rights and the associated principal-agent problem in the British attitude to privatisation must be considered against the background of the persistent problems of management and control which have made the relations

between government and nationalised industries one of the constant sources of friction between government and public administration. Underlying the privatisation process in the UK has been the belief that it will lead managers to place greater weight on profit maximisation and technological and managerial innovations as private sector managers are subject to incentives and disciplines different from, and more demanding than, those which apply to their public sector counterparts. In actual practice, however, the British privatisation programme has been motivated by such a multiplicity of objectives that it is difficult to find any clear rationale behind it [Kay and Thompson 1986]. While the concern to promote internal efficiency and encourage innovations through competitions has remained the most frequently pronounced objective of each privatisation scheme in the UK, the treasury's main interest has been in the revenue which could be raised from privatisation. Some policy-makers saw a god-given chance to reverse the clock of socialism through privatisation while others looked at it as a means of disciplining the power of public sector trade unions. Thatcher wanted to promote popular capitalism through wider share ownership.

III

Privatisation in Practice

Before proceeding to discuss the case of railway privatisation it would be interesting to mention in passing how deregulation and privatisation programmes have fared at least in the two western countries, viz, the US and the UK, where they have played a prominent part over the last 15 years in changing the industrial structure of those countries. We begin with the US experience first.

US EXPERIENCE

Since there was hardly any nationalised sector in the US, the main focus of attention has been to promote a competitive industrial structure through deregulation in those private industries which were dominated by monopolies. The US policy was based upon a coherent rationale derived from the contestability theory. If this theory has some validity, it was expected that deregulation would set in motion forces which will revolutionise managerial practices or structures and bring about technological changes, resulting in productivity improvements. These improvements will lead to fall in prices or improvement in product quality and finally elimination of cross-subsidy.

Has the American experience confirmed the expectations of the contestability theory? By way of illustration I refer to four industries which were deregulated in the US in the early stages of its recent deregulation history, viz: (i) stock market, (ii) airlines, (iii) trucks

and railroads, and (iv) telecommunications. My summary comments are as follows [for a detailed discussion of the US experience, see Bailey 1986].

(i) *Stock market*: Trading on the American stock market was deregulated on May 1, 1975 when brokers were allowed to compete on price and freely charge commission rates irrespective of the size of the securities transactions or the class of investors. Until then brokers were required to charge fixed commissions for these transactions. This had led to various malpractices, including pressures from institutional investors for volume discounts and services of various sorts. Since 1975 there have been substantial gains for the large institutional investors, whose rates have been reduced by more than 50 per cent. Smaller institutional investors have gained about 20 per cent from price declines. Commission rates for small trading blocks for individual investors rose slightly, but declined more than 50 per cent for individual trades in large blocks.

(ii) *Airlines*: A major step towards deregulation in US was taken when the Airlines Deregulation Act was passed in 1978, which fully deregulated routes by December 31, 1981 and rates by January 31, 1983. Until then, major markets were reserved for trunk carriers, such as United and American. Prices were set by a formula developed by the Civil Aeronautics Board (CAB) since 1938. Safety regulation was unchanged and was retained under Federal Aviation Administration (FAA) while residual regulatory functions were transferred to US Department of Transport as CAB was closed in 1985.

How has deregulation affected the American airline industry? In the years immediately following deregulation, there were substantial gains in productivity due to reduction in costs and economies in the scale and scope of operations. Overall there was 40 per cent reduction in fares but the gains in terms of fare reduction were not spread uniformly across all the markets. There were differences in fare reductions depending upon market distance and market size. In thin markets, where the CAB formula was known to undervalue costs, fares in fact went up about 10-15 per cent. Similarly, fares tended to go higher for short haul markets of moderate density, where CAB formula fares had again been set below cost. The long distance routes and high density markets gained maximum from fare reduction. Load factors also recorded a significant improvement in the wake of the structural changes which occurred following deregulation. Small local service carriers substantially expanded the scope and scale of their operations. Airline companies of all types (from trunk to local operators) increased the percentage of their departures from main city hubs. The hub-and-spoke

delivery method discouraged abandonment of thin routes because of the benefits of maintaining spoke routes for feeder traffic for trunk routes in order to take advantage of the economies of scale of plane size. In the subsequent years, the smaller carriers could not withstand competition from the trunk-route carriers for spoke traffic and so many of them went bankrupt. The American airline industry is once again dominated by big carriers exhibiting the usual features of the oligopolistic market.

(iii) *Trucks and Rail*: Although rail and road transport has been in private hands in US, regulation by the Interstate Commerce Commission (ICC) had led to balkanisation of authority (few, if any, integrated national route structures existed), legislation of collective rate making and the careful scrutiny of rates which threatened to upset the market structure. There was an urgent need to deregulate the transport market by relaxing collective rate-making and removing barriers to entry and exit. Bankruptcy of the Penn Central led Congress to pass the Railroad Revitalisation and Reform Act in 1976 and the Staggers Act (rail) and the Motor Carrier Act (trucks) in 1980. The two pieces of railway legislation segmented the industry into competitive and market-dominated spheres. The truck legislation made entry much easier, as the burden of proof was shifted to opponents of entry to show that entry was harmful to consumers. Deregulation has had beneficial impacts in both the sectors of the transport market. The costs of transport were reduced as a result of productivity gains and there was a significant increase in freight traffic. For example, real rates for truck-load have declined 25 per cent, rail rates have dropped 7 per cent and rail movement, particularly trailer on flat car services, had risen by more than half between 1981 and 1984.

(iv) *Telecommunications*: Until early 1960s, the industry was dominated by AT and T. Basically, technological changes in the provision of long-distance services had undermined the natural monopoly enjoyed by AT and T. As coaxial cable supplemented ordinary cable, and as microwave and satellites and optical fibre supplemented coaxial cable, costs fell dramatically. Meanwhile, a series of decisions by the Federal Communications Commission (FCC) and the Courts from 1959 to 1969 authorised competitors to build alternative networks which practically eroded the monopoly of AT and T. The opening process was made far more rapid as a result of anti-trust suit against AT and T by US Department of Justice in 1974. In the settlement in 1982, AT and T was divested of its local portions of its 22 Bell operating companies, which were restructured into seven holding companies. Thus, telecommunications became a fully deregulated market, providing

considerable choice to users for long-distance services. The gains of deregulation in this field have mainly been in the form of the reduction of cross-subsidy between local and long distance services. Cross-subsidy occurred due to two factors: Technological changes sharply lowered the cost of long-distance calls relative to local calls, while political rate-setting process saw to it that local rates were held down.

UK EXPERIENCE

As has been observed earlier, there has been no coherent rationale for privatisation of state enterprises in UK, the chief motivation being to sell state assets to mobilise revenue for the exchequer [Kay and Thompson 1986]. The Conservative Party's election manifesto of 1979 had relatively little to say on privatisation, and, during the first term of Thatcher's government in office, the proceeds from sale of state assets were below £ 500 million per annum. However, after Thatcher's re-election in June 1983, the privatisation programme was accelerated dramatically. By the 1987 election the annual proceeds from asset sales approached £ 5 billion, i.e. about 10 times the earlier level.

The privatisation of British Telecom in 1984 marked a major point of departure in the UK privatisation programme. This was followed by the privatisation of gas, electricity, airports and water industries. In the UK, privatisation entailed the replacement of public ownership by private ownership, with the state playing the role of a regulator to protect consumer interest. In comparison with the American deregulation policy, little attention was paid to promote competition, especially in the early stages of the privatisation process, the assumption being that competition would follow automatically as a consequence of the simple transfer of ownership. British Gas and British Telecom were example of this. In fact, in the words of Kay and Thompson (1986), "privatisation in the UK has increasingly come to emphasise the virtues of denationalisation over, and even at the expense of, the promotion of competition". It was realised much later in the day that if privatisation were to set in train competitive forces to revolutionise the UK's industrial structure and also bring about technological changes which were so essential to enhance the productive efficiency of its industry, it was vitally important to undertake, simultaneously with the transfer of ownership, explicit measures to promote competition.

Such a change in the British attitude to privatisation occurred with the enactment of the Transport Act 1984 which deregulated local bus transport services all over the UK except in London. Earlier in 1980 when the long distance coaching services were deregulated, it was expected that the National Bus Company (a public sector undertaking),

would be broken up and sold to the private sector. But this did not happen because of disagreement about the future structure of the industry. The 1984 Transport Act, in my view, provided for the first time in the UK a clear and coherent framework for the deregulation and privatisation of public sector activities, whose declared objectives were not only to sell public sector transport undertakings to private operators but also to promote competition in the local bus industry by removing barriers to entry for the new comers. This point needs to be highlighted in passing, for it not only accounts for the relative success of deregulation and privatisation policy in the road transport sector but also for the absence, in this sector, of complex regulatory machinery which has to be devised in other privatised industries to protect consumer interest and promote competition.

IV

Railway Privatisation

LESSONS FROM AMERICAN AND BRITISH EXPERIENCES

What lessons can we draw from the American and British experiences of deregulation and privatisation for privatising railways in general and Indian Railways in particular? First, one of the key lessons to be drawn from the differences in the American and British approach to industrial liberalisation is that it is the American, rather than the British, model which holds out more potential for encouraging competitive moves and organisational and technological adjustments in the industrial structures which are so necessary to improve productive efficiency. The American approach, as we have seen above, is based upon the ideas of contestability and sunk costs. Industries which satisfy the contestability criteria readily become candidates for deregulation and, in the case of nationalised industries, for privatisation. The British approach, although in practice it has had a multiplicity of objectives, essentially derives its intellectual origin from the theory of property rights and a system of managerial incentives. Central to this approach is the belief that private ownership is better placed to achieve productive efficiency than public ownership. This argument can, however, be questioned on a number of grounds. In the first place, there is no conclusive empirical evidence to prove that private companies always perform better than their public counterparts even where profitability and commercial success are given overriding importance. Secondly, when an industry is privatised (particularly through stock market sale), the managers of the new private company are, in many cases, literally, the same people as those who managed the old firm the day before. Thus,

as Kay and Thompson have pointed out, any change lies not in the character or abilities of the management but in the constraints and opportunities with which that management is faced. There is no intrinsic reason why these constraints cannot be eased or removed altogether or the requisite incentives cannot be offered to management under public ownership. Thirdly, the property rights approach is not best suited for reorganising the structure of the nationalised industries where considerations of allocative efficiency are as important as those of productive efficiency [Kay and Thompson 1986]. The conventional wisdom of welfare economics is that while private ownership does better than public ownership in terms of productive efficiency, it fails badly to achieve allocative efficiency. This has historically been the main rationale behind nationalisation.

The theory of property rights thus provides a valid ground for privatisation of those public enterprises where losses in productive efficiency more than outweigh losses arising from allocative weaknesses. In the British context, the privatisation of telecommunications, gas, airways, airports, etc., was justifiable, since allocative weaknesses (or non-commercial objectives) were comparatively less important. However, this theory is not enough to make a convincing case for the privatisation of the public enterprises where allocative-efficiency objectives (external effects and distributional consequences) are as important as (or even more important than) those affecting productive efficiency and profitability. Most infrastructural investments fall in this latter category, including investments in railways. The case for the privatisation of railways must, therefore, be examined within a broader framework involving incentives to both productive and allocative efficiency.

CONTESTABILITY AND RAILWAY PRIVATISATION

There is a close relationship between the degree of contestability of a given industry and the level of productive efficiency that management can achieve for that industry under a given environment. This relationship depends more fundamentally upon the nature of the industry's production function rather than the pattern of its ownership rights. Thus, industries with constant returns to scale (i.e. zero fixed costs), such as road transport, production of telecommunications or electrical equipment, fit neatly with the contestability hypothesis and so are obvious candidates for privatisation. Even industries with substantial fixed costs, like power generation, steel and coal production, satisfy the contestability conditions since the sunk costs are limited. If these industries are not doing well under public management because of wrong incentives structure, the need for productive efficiency would dictate that they should be transferred to private ownership.

where the motive for profit maximisation and the pressures of competition would obviously ensure that the industries are run efficiently. Even without bringing in the allocative-efficiency considerations at this point, the problem arises in respect of those industries where sunk costs are high and entry and exit are not costless. The classic example of this is railways, although other social overhead industries, such as telecommunication, electricity distribution, water supply (which have been privatised in the UK), also fall in this category.

Apart from sunk costs, the operation of railways is complicated by two additional factors: (i) the existence of network economies, and (ii) the extent of vertical integration in which the various railway operations are organised. Network economies arise, to a greater or lesser degree, in all forms of public transport, and where they do arise it is difficult to avoid cross-subsidy. In network industries, operations on the trunk routes are often profitable (e.g. the Intercity sector of the British Rail) but it is hard to visualise how one can privatise trunk routes without affecting the financial viability of the branch-line operations. Public subsidy is a must if branch-line operations are to be continued. The vertical integration of the rail system presents problems of co-ordinating investments in modernising and upgrading railway track, signalling and communications with those made in locomotives, rolling stock and other related equipment if, as the British government's recent proposal to privatise British Rail (1992) visualises, track operations were to be separately privatised from train operations. It would be extremely difficult and complicated to achieve co-ordinated investment in rail infrastructure and equipment in a privatised railway system in which the durations for which franchise contracts are awarded differ for track operators and service operators. In the absence of such co-ordination, there is a real danger of underinvestment in railways, not only because of the problems of matching investments in different kinds of rail technology but also because there is no guarantee that private operators would face similar incentives to invest in railways efficiently.

In fact, the types of co-ordination problems that will have to be faced in practice would depend upon the structural model adopted for railway privatisation. The British proposal for privatisation of BR considered four options: (i) privatising BR as a single entity; (ii) privatising BR along the business sectors in which its markets are presently split—intercity, Regional, Network Southeast, Trainload Freight, etc.; (iii) splitting BR into purely geographical units; and (iv) splitting BR into track and train operations, with track operations initially retained with BR

but ultimately to be passed on to an independent operator and train services to be franchised through competitive tendering. The British Government has chosen option (iv) for privatising BR. Option (i) was rejected because BR's financial losses are too great to attract takers for it as a single unit. Similarly, option (ii) was found unattractive since BR's different business sectors perform differently, some (such as intercity services) doing financially better and therefore saleable while others (such as regional services and some parts of freight business) doing badly and therefore unsaleable. Option (iii) was not found to be suitable in the UK context since a number of regional railways would have to be subsidised.

There is another reason why contestability argument does not apply so convincingly in the case of railways. The crucial motive for privatisation of a public enterprise is said to be the scope it provides for gains in productive efficiency through competition. However, railways have always been subject to severe competition from other modes of transport and have accordingly been forced by the market to focus their strengths on those areas of operation where they are particularly cost-effective, viz. long distance traffic, heavy freight and services involving large volumes of passenger traffic [Adamson et al 1991]. It is not clear therefore what extra efficiency gains the railways can expect to achieve through competition between different rail operating companies over and above those already made through inter-modal competition.

However, it might be argued that productive efficiency gains in the field of transport accrue not only from inter-modal competition but also from competition *within* the rail system itself [Rickard 1991]. This point is correct and it may be mentioned that the nature of this competition will also depend upon the actual model adopted for privatisation. For example, if privatisation were to take the form of the proposed British model, competition could be in the shape of different franchise-holders offering price reductions for similar quality of service provided or improving the quality of service offered for the same fares or both, although, since the track is owned by other companies, the service-providers will not be able to increase the speeds of their trains on their own. If, on the other hand, privatisation were carried out on the Japanese model by breaking the national rail system into independent regional companies, it is not clear how within-the-system competition can be promoted to attract traffic. There might be scope for freight operators, as Rickards points out, to run freight services over track owned by other companies and over which other services are also operated but the scope for such competition must in actual practice be limited.

ALLOCATIVE EFFICIENCY AND RAILWAY PRIVATISATION

Historically, railways have played a crucial role in the development of many countries; they are by far one of the most energy-efficient modes of transport; and for many environmentalists, they are the cleanest mode if they are run on electric traction. Even when issues of market structures and managerial performance were resolved, there would still be the question of reconciling the non-commercial objectives of railways with the commercial criteria. This question is of particular importance in a developing country like India where there is a constant demand for opening new railway lines/services which are not justifiable on purely financial criteria (or to continue operating the existing loss-making lines/services) in order to meet the transport needs of lower-income groups or promote the development of the backward areas. Such railway lines/services are operated by Indian Railways through cross-subsidy. Since cross-subsidy is not permissible within the contestability model, productivity efficiency would require that these lines/services should not be considered for new investment (or that the existing loss-making lines/services be withdrawn). If subsidy were thought necessary, it would be better to provide an up-front grant directly at the cost of the taxpayers rather than the users of the profitable lines/services. Obviously, we are treading here over the delicate grounds of public economics where value loaded welfare judgments are unavoidable. Productive efficiency is no doubt critical for the financial health of public enterprises but there are, in real life, occasions when economists find it desirable on welfare considerations to subordinate the needs of productive efficiency to those of allocative efficiency. This can happen, for example, when external effects or distributional consequences assume overriding importance in a particular context. This is precisely why economists take recourse to a social cost-benefit appraisal process to justify vital public investment decisions. Many railway investment projects implemented in the post-second-war period would not certainly have passed investment criteria based purely upon productive efficiency objectives or the financial rate of return accruing to the railways. Allocative efficiency criteria have played paramount role in the pricing and investment decision of railways almost everywhere. And it is the belief that the private ownership of the railways would not achieve allocative efficiency as effectively and efficiently as their public ownership, which is at the heart of the argument against the privatisation of railways. We consider this question in the context of Indian Railways below.

V Privatisation of Indian Railways

INSTITUTIONAL BACKGROUND

Indian Railways have been managed as a departmental undertaking of the ministry of railways in the government of India following their structural reorganisation after independence. As a departmental undertaking, they are managed by a board within the ministry whose chairman is *ex officio* the secretary to the government. In managing the affairs of the Railways, the board has been expected to achieve a certain commercial remit as we shall discuss below, but it has never been subject to any bankruptcy constraint for the Railways' financial losses. In fact, it can be fairly stated that in the post-independence period, being the backbone of the country's transport system, the performance of Indian Railways has been assessed more in terms of their success in achieving the social objectives set for them by politicians, rather than in terms of their commercial success.

The principal commercial remit set for the Railways is in respect of financial targets they are required to achieve on the capital funds provided by the central government to finance their expansion programmes. Indian Railways are not allowed to borrow money directly from the capital market to finance their investment. Their investment programmes are financed mainly by borrowing from the central government but partly also through internal generation of resources. Capital funds borrowed from the government are *not* in the form of grants (as, for instance, in the case of British Rail in the UK) but in the form of non-refundable loan on which they have been required to pay, right from the time dating back to the 1924 Separation Act, a fixed rate of dividend (around 6.5 per cent) to the government. Besides, the Railways are also been required to make a definite contribution to the General Revenues of the central government, perhaps as a *quid pro quo* for the funds provided to them at a concessional rate. These requirements have, of course, been subject to review from time to time on the basis of the recommendations of Railway Convention Committees. In actual practice, however, these requirements have hardly been met. As the Railways have come under increasing financial pressures, partly from competition from other modes of transport and partly also from the various policy constraints imposed upon them (e.g. the uneconomic tariff policy forced upon them by the government and the various social burdens they have been required to carry), their dividend obligations have accumulated over time into a huge indebtedness to General Revenues [see the reports of the Expert Group on the Capital Structure of Indian Railways 1978 and the

High Level committee on Social Burdens on Indian Railways 1979].

Despite these constraints, the need for operating Indian Railways as a commercial undertaking on sound business principles has never been lost sight of in policy-making circles in India. The reports of the Railway Convention Committees and the various inquiry groups that have gone into the Railways' financial and pricing policies have highlighted the importance of operating the Railways as a commercial enterprise. None of these committees have, however, spelled out in precise terms exactly how to run the Railways on business principles while retaining their character as a departmental undertaking and, at the same time, carry on the various obligations imposed on them by the government in the pursuit of its social objectives. We are, once again, faced with the dilemma of reconciling the commercial objectives set out for Indian Railways with the social and allocative efficiency concerns which the Indian government has sought to pursue in operating the country's railway system.

The key question to pose then is whether in the light of the institutional environment in which Indian Railways operate and the conflicting policy objectives set for them by the government, can one really make a sensible case for their privatisation? Being a departmental undertaking, the Railways have practically no effective control over their investment and pricing policies. For all practical purposes, their investment programmes are determined by the Planning Commission while their pricing policy is subject to parliamentary control. Now, the case made by the proponents of privatisation is as follows: In today's competitive environment, unless the Railways enjoy full freedom to control their pricing and investment policies, improve their productivity and provide the type of service their customers want, there is little hope of their financial survival. A revolutionary change is therefore called for in the structural organisation of Indian Railways, involving new managerial practices, operational procedures and profit-oriented work ethics. Such a structural change in the Railways' administration can only be brought about, according to the proponents, by their privatisation. Privatisation will transfer control over their pricing and investment decisions from the hands of the precedent-bureaucrats to those of an independent, professionally-minded board of directors, who would presumably manage them, depending upon the incentives structure offered for them, in the best interests of their customers as well as their shareholders. They must bear their customers' interest in mind, otherwise they would lose them to their competitors. They must also satisfy the expectations of their shareholders for a fair

return on their investment because, according to the agency theory, the shareholders are the principals who engage them to run their business. A privatised management structure for Indian Railways would thus be best suited to optimise the objectives of both the consumers and the shareholders.

This argument is undoubtedly unassailable in terms of the economic theory of property rights. The central focus of this theory is to determine an optimal incentive structure for the principal to lay down for their agents to maximise the internal efficiency of the firms. Can Indian Railways be operated within the framework of principal-agent relationships while still functioning as a public industry? The Railways have historically played a crucial role in the country's economic development and socio-political integration. They have also carried a number of social obligations to fulfil the government's non-commercial goals. If Indian Railways were to operate within the framework of principal-agent relationships, the central question to address would be how to account and pay for the benefits enjoyed by the country from the non-commercial output produced by the Railways. Now, there is no methodological problem so long as the Railways' entire equity capital is subscribed by the central government. For then the principals whose interests the Railways would serve would be the taxpayers themselves. There would be no conflict of interests since the taxpayers can determine, through voting process, the amount of non-commercial output the Railways should produce. The problem arises if the Railways' equity capital were entirely held by private investors, which naturally would be the case under privatisation. For then the agents (i.e. the management) operating the Railways would not find it in their interests to fulfil the social objectives of the government. On the other hand, it would be in their interests to maximise the commercial output of the Railways, as this would give maximum return to the principals on their investment. If the Railways were still required to carry their social burdens, the costs of these burdens should fall, according to the proponents of privatisation, upon the taxpayers and not the users of the railways. For, otherwise this would amount to cross-subsidisation.

There is a good economic case, in the present-day conditions, for shedding a large number of the social burdens of Indian Railways. These burdens need to be carefully reviewed so that a correct financial strategy might be evolved to meet their costs without burdening the finances of Indian Railways. The crucial issue to ponder is whether Indian planners and policy-makers can afford to sacrifice the allocative efficiency and equity-distributional objectives which the Railways have been required to pursue in

the interest of the country's development. Many Indian planners believe, in my judgment, that the pursuit of these objectives is still important for India's socio-economic development. If this view is correct, then it is clear that a privatised railway system would not be able to achieve these objectives as efficiently as would a publicly owned railway system.

PRACTICAL PROBLEMS

Even if we set aside the allocative-efficiency issues associated with the privatisation of Indian Railways and concentrate only upon productive-efficiency aspects, the case for privatisation is still difficult to justify because of the non-applicability of the contestability model to the Railways. First, because of the technical indivisibilities of their assets, investment in railways are huge and chunky, requiring resources usually beyond the reach of private investors. However, as has been mentioned in the theoretical section of this paper, it is not the size of fixed investment that acts as a deterrent to private investors from entering an industry but the 'sunkness' of the costs. Almost all investments in railway assets, including not only investments in tracks but also in locomotives and rolling stock, are sunk costs because of the specificity of use of railway assets. If Indian Railways were to be privatised as a single entity, it is difficult to visualise how private investors can afford to commit resources on such a large scale to purchase assets which cannot be easily disposed of if the demand for rail traffic declines. This problem will arise no matter what model were adopted for privatisation. For example, even if the model proposed for the privatisation of BR were adopted, in which the operators acquiring franchises to operate services can rent locomotives and rolling stock instead of purchasing them, the company (or companies) supplying these assets will be lumbered with huge sunk costs, should the demand for railway service decline. The very logic of the contestability theory militates against the privatisation of the railway system not because the requirements of funds for fixed investment are enormous and often beyond the means of private investors but because sooner or later the investments are likely to be "sunk" because of the risks and uncertainties involved in a mode of transport whose market has been progressively eroded by inroads from other modes of transport.

Secondly, the operations of Indian Railways are probably more vertically integrated than those of many other railways in the world. For example, most of the equipment required to operate their line-haul system, including signalling and communications, locomotives and coaches, are manufactured by Indian Railways within their own integrated workshops. The Railway

Board in consultation with the Planning Commission co-ordinates the various components of the Railways' investment programmes to ensure technical and operational compatibility between line-haul assets and rolling stock equipment, so that there is no mismatch in the facilities developed. Indeed, the co-ordination problem goes much beyond merely ensuring technical compatibilities between rail equipment. As Helm and Thompson (1991) have pointed out, privatisation may lead to under-investment in the transport sector, particularly in the creation of long-lived facilities and equipment, if privatised companies faced inadequate incentives to invest efficiently. Indian Railways have already been facing this problem in respect of the production of wagons which, unlike locomotives and coaches, is carried out in the private sector. Whenever the demand for wagons has fallen and manufacturers had surplus stock on hand, they have found it hard to trust the Railway Board's forecast of the future demand for wagon capacity. This has caused difficulties in matching investment in wagon manufacturing capacity with the Railways' wagon stock expansion programmes. However, since the scale of sunk costs in the production of railway equipment is not as prohibitive as in the creation of line-haul assets, one might make a good case, using contestability argument, for privatising as well the production of locomotives and coaches required by Indian Railways, provided enough care is exercised for ensuring adequate investment in, and the requisite compatibility of, the rail equipment manufactured by private companies.

Another operational problem the privatisation of Indian Railways will certainly throw up relates to the difficulties involved in the timetabling process. The co-ordination of the timetabling process is a difficult task in every railway system but considering the size of Indian Railways' network, it would be impossible in practical terms to replicate this process through market mechanism. As Adamson, et al (1991) point out, if, for example, the rights to train paths were bought by one company, this would affect its requirements for platform access and rolling stock starting at a terminus being shared with other operators. The availability of platform space at a given time would in turn affect the availability of paths on other routes, and so on. Hence all scarce capacity which critically affected other stress points on the network would have to be simultaneously commercially traded and subsequently operated in a co-ordinated manner to ensure efficient competition. The interdependence inherent in train planning would make timetabling a tortuous process in a privatised regime, unless the whole railway system were handed over to a private operator as a single entity. Any other model adopted for

the privatisation of the Railways would have to face this problem.

STRUCTURAL MODEL FOR PRIVATISING

If Indian Railways were to be privatised, despite the reservations expressed against their privatisation above, it would be instructive to speculate which of the various models proposed for rail privatisation would be most appropriate for them to adopt. As I had mentioned earlier, the British proposal for the privatisation of BR had considered four possible options, viz, (i) privatising BR as a single unit, (ii) privatising BR along business sectors, (iii) breaking and privatising BR as regional companies, and (iv) splitting BR into track and train operations, and franchising train operations separately through competitive tendering. The British Government has selected the fourth option for privatising BR. On the other hand, except in the case of freight operation, the Japanese government chosen to break JNR's passenger service network into six regional companies for privatisation. The freight business was privatised as a single unit and handed over to a nationwide company to operate. For the privatisation of Indian Railways, the best model often suggested is the Japanese one. The preference for the Japanese model is based upon the fact that Indian Railways are already organised on a zonal basis, with each of the nine zonal Railways functioning more or less as a separate operating and costing unit. All the same, it must be remembered that the nine Zonal Railways are very closely integrated not only in terms of their ticketing and timetabling operations but also marketing and business operations and so, if they were to be successfully privatised, it might be necessary, as a preliminary step to privatisation, to run them for some time as independent business units in order to test their financial viability individually. It may not be practical to sell all the zonal companies simultaneously; the government should start selling the most profitable companies first as these would be in a better position to attract private investors and then the less profitable companies, and so on. The loss-making zonal railways, such as the North-East Railway, probably may not find takers in the private sector.

The privatisation model, suggested above, would eliminate the need for cross-subsidisation between different zonal railways, since each zonal company would be operating on its own. But it is likely to raise a number of operational problems for the government. First, since not all zonal companies are likely to be financially equally viable, the government may have to subsidise from the central revenues those companies which do not have enough traffic to cover their operating costs. Secondly, under a privatised regime, the government would have to offer outright grants to the operators

for the various social obligations borne by them at the instance of the government. These obligations were previously financed by Indian Railways through cross-subsidisation, including the operation of loss-making commuter services in the metropolitan areas. Thirdly, the government would be faced with the problem of maintaining uniformity in the technical standards and the levels of service-quality achieved by different zonal companies. This is because since the financial strength of the different regional companies would not be the same, the rate at which different companies would be able to absorb new technologies or modernise their equipment would differ, thereby creating technical disparities in the country's railway network. If the zonal model were adopted for the privatisation of Indian Railways, all these problems must be carefully addressed and suitable remedies devised to deal with them before embarking upon the privatisation programme.

The other privatisation models are less suitable for Indian conditions. For example, the business-sector model is not possible for Indian Railways since their operations are not structured on business-sector lines as in the case of BR. One may, all the same, visualise a scenario of privatising Indian Railways' most profitable long-distance intercity passenger or freight services to start with, as these are most likely to attract private operators, leaving the less profitable business for sale later and the Railway Board to operate only the loss-making services with financial support from the central exchequer. One wonders if the Indian government would be prepared to entertain such proposal, if only because it would raise the most insurmountable difficulties of allocating joint costs as both the profitable and non-profitable sectors would be using the same tracks and other common assets. Moreover, the idea of hiving off the profitable parts of the Railways' businesses to private operators, leaving the Railway Board with the loss-making services to run, may sound bizarre to many policy-makers.

It is true that the modern trend in both developed and developing countries is towards deregulation and privatisation of their industrial structures. I welcome the policy of deregulation in every sector of the Indian economy, since I believe that such measure would open up new opportunities for both producers as well as consumers – for producers to adopt new technologies and engage in the production of whatever goods and services they find most profitable to produce and for consumers to consume whatever goods and services give them maximum satisfaction. While deregulation is most welcome in every sector of the Indian economy, including the transport sector, any proposal for the privatisation of Indian Railways must be carefully examined. Such

examination must not only take account of the effects of privatisation upon the productive efficiency of the Railways but also the equity-allocational objectives of the government. And even while focusing upon productive efficiency objectives, it would be essential to give careful thought to the various operational problems highlighted in this paper. Otherwise, privatisation might as well open a Pandora's Box for the Railways rather than solve any of their productive efficiency problems.

VI

Indian Railways as a Corporation

While I reject privatisation as a solution for improving the productive efficiency of Indian Railways, there is much to be said in favour of changing their structure from a departmental undertaking into an independent public corporation. The establishment of such a corporation, if properly structured and armed with adequate powers for making decisions on such key variables as pricing and investment, would, in my view, provide the management of the Railways the necessary freedom to run their operations on sound commercial principles.

This proposal has been a subject of much public debate in the past but no action has been taken due to pressures from the vested interests. I believe it would not be out of context in the privatisation debate to restate the case for converting Indian Railways into a public corporation under the ministry of railways. I intend to devote the final section of the paper towards this end.

The case for choosing a corporate structure for the Railways was examined in detail by an Expert Group on the Capital Structure of

Indian Railways set up by the ministry of railways in 1978. The group had cited the following advantages which the Railways would enjoy if they were to operate as a public sector corporation:

- (i) As a corporation, they would have chosen their capital structure so as to finance as much of their investment as possible by raising equity, thereby keeping their loan liabilities to a minimum.
- (ii) They would have greater flexibility in fixing their fares and freight rates, and relating them as far as possible to costs.
- (iii) Since they would have been under pressure from their equity holders to break even, they would not have continued with their unremunerative operations.
- (iv) They would have invested more on innovations and modernisation of their capital equipment in the face of competition from other modes of transport in order to reduce their operating costs.

Unfortunately, the expert group considered that the question of ownership of Indian Railways was beyond its terms of reference and accordingly decided not to make any specific recommendations in this regard. However, it had raised some important policy issues which are equally relevant in the present context. The group, of course, looked at the question of converting the Railways into a public corporation from the viewpoint of restructuring their capital base rather than giving the Railways an autonomy for decision-making without ministerial interference. In India, public sector undertakings, which are organised in the form of corporations, have their capital structure as a mixture of equity and loan capital. However, being a departmental undertaking, the entire capital base of the

New
Book
from

MD

Publisher of the
Humanities, Natural
& Social Sciences

ENCYCLOPAEDIC DICTIONARY OF PSYCHOLOGICAL TERMS

By

J C Banerjee

The book has been compiled with a view to making it a ready reference book with an up-to-date record on the subject for both teachers and students. More than 2000 terms have been dealt within the book as recommended by the universities in India and abroad, arranged as per alphabetical order from A to Z.

1994, x, 320p; 25x16cm ISBN 81-85880-28-8

Rs 500.00

Send your orders and write for complete catalogue to :

M D PUBLICATIONS PVT LTD
11 Darya Ganj, New Delhi-110 002
Tel. : 3273347, 3271378, 3285830, 3268046
Fax : 91-11-3275542 Cable : INDOLOGY

PUBLISHERS
DISTRIBUTORS
EXPORTERS

Railways is in the form of non-repayable, but interest-bearing, loan from the central government.² Interest (dividend) payments are exempted on certain segments of railway investment on the recommendations of Railway Convention Committees. Thus, as has been observed earlier, although they do not have to repay their loans, Indian Railways are required to pay to the central government a fixed dividend of around 6.5 per cent on their loan capital, whether or not they made profits. Since a large part of their capital has been financed by borrowing from the government rather than internal savings, the Railways' financial structure has been highly over-capitalised. The expert group wanted to relieve the Railways of this anomaly in their capital structure. By converting the Railways into a public corporation, it would be possible, the group argued, to convert part of their fixed interest-bearing liabilities into equity, thereby releasing the Railways from an obligation to pay a predetermined dividend.

There is, however, a fundamental difference between the equity capital provided by private investors to a joint stock company and that provided by the government to a public sector corporation. The equity shareholders in a joint stock company can always withdraw their capital, by selling their shares on the stock market, if the company is losing money but this option is not available to the government in relation to a public sector corporation. Equity capital given to a public corporation, therefore, amounts effectively to an outright grant if it is losing money and must therefore be treated on the same footing as a grant from taxpayers to a departmental undertaking. According to the theory of ownership rights, there is no bankruptcy constraint on a public sector corporation whose shares are not freely traded on the stock market. From this point of view, the requirement to pay a fixed dividend on their loan capital imposes on the Railways, at least in theory, an obligation to earn a surplus over their operating costs. The Expert Group, accordingly, concluded that "unless according a corporate status to the Railways means complete autonomy to them in their pricing and investment decisions, so that the fares and freights fixed by them reflect the real cost of providing their service, there is no reason how the mere restructuring of the Railways' capital on the equity principle would help the Railways in getting out of their present financial plight."

As has been observed above, the expert group looked at the question of according a corporate status to the Railways from a rather narrow standpoint of changing the capital base of the Railways. The group, therefore, came to a negative conclusion on this issue as it believed that the mere conversion of railway capital into state-owned equity would have no consequence on the

Railways' financial position. However, to my mind, the importance of the issue goes much beyond its impact on the restructuring of the railway capital. It assumes special importance in the context of the privatisation debate. For the accord of a corporate status to the Railways is likely to bring about a fundamental change in the relationship between the management of the Railways and the government. The nature of this relationship would depend upon three factors: (a) what sort of corporate objectives the management is required to optimise? (b) what degree of freedom the managers enjoy from ministerial control in managing the affairs of the Railways? and, (c) what kind of incentive scheme the management has been offered to optimise the Railways' corporate objectives? In the conventional model of the nationalised industries, the standard approach has been to regard managers as the trustees of the wider public interest, and expect them to manage public enterprises by optimising some form of social welfare function. The 'public interests' theories are, however, of little relevance to the present-day conditions. A more useful approach would be to look upon public corporations in their role as developed in the theory of property rights.

This theory, as has been outlined earlier, presumes the managers of corporations as agents who serve the interests of their principals, viz. the shareholders, who supply capital to the corporations. In a perfectly competitive markets, the managers also automatically satisfy the interests of their customers by meeting their demand at a minimum cost, but this need not be the case if the markets are less than perfectly competitive. Now, the question to ask is: can the principal-agent theory be applied to public corporations, even if private investors were allowed to own only a sizeable part of their share capital? The answer will depend upon three major factors, viz., (a) the size of shareholding the private investors are allowed to hold – generally, the larger the size of this holding, the more effective would be the stock market control on the operations of the corporations; (b) whether the shares of the corporations held by the public are allowed to be traded on the capital market; and (c) the extent of managerial autonomy provided in the statutes setting up these corporations.

Presently, the equity capital of the Railways is, as we have noted above, entirely owned by the central government, which implies, *ipso facto*, that the 'principals' whose interests the railway management must serve are the taxpayers. If the Railways were accorded a corporate status, it will be crucially important that the structure of the proposed corporation is modelled to fulfil the three conditions mentioned in the previous paragraph. For example, if the equity capital of the proposed Railway

Corporation were entirely held by the central government, as in the case of a departmental undertaking, the framework of control over the operation of the Railways would be no different from the existing ministerial control and bureaucratic intervention. Such system would not be conducive to injecting commercial procedures and market discipline into the management of Indian Railways. An important and innovating breakthrough in the structural model of public corporations in India would be to invite private sector to freely participate in their equity base. Such a structural reform has already been introduced by the present Indian government by inviting the private sector to purchase up to 20 per cent of the share capital of a number of selected public corporations. The same structural model should be adopted for the Railway Corporation by inviting private investors initially to purchase 20 per cent of the Corporation's share capital, but gradually this share should be raised to 49 per cent. This would still leave the control of the Railways with the central government, if so desired.

If Indian Railways were converted into a public corporation on the above lines, it will, in my view, go a long way in revolutionising their managerial practices and operating procedures and bringing about technological changes which are so vital for improving their productive efficiency and financial health. I strongly support the case for converting them into a public corporation. In such a corporation, the central government would hold the major share of its equity capital but by offering private sector an opportunity to acquire a sizeable part of its equity base, the government would expose the Railways, at least partially, to the financial discipline and the shareholder monitoring of the capital market. However, to obtain the full benefits from the structural change suggested in this paper, two further requirements would be in order: (a) suitable provisions in the statute setting up the proposed Rail Corporation in order to ensure the managers necessary freedom from ministerial intervention, so that they may manage the business of the Railways on commercial principles, (b) and a properly structured incentive scheme for the managers to optimise the corporate objectives set for the Railways. There is no room in this paper to go into these modalities, which should best be left to the experts to work out.

VII Conclusion

The Indian government has adopted a liberal approach in its economic and industrial policies. Liberalisation implies deregulation of industrial structures and abolition of all forms of licensing and restriction on the

entry and exit of firms in every sector of the economy. It does not necessarily mean denationalisation or privatisation of public enterprises. In fact, public and private enterprises can coexist and compete with each other in a deregulated economy, and there can be competition between different public corporations themselves in a given industry without any involvement of the private sector. But where public corporations are not performing satisfactorily and there is a hard empirical evidence that the private sector can do better, there may be a good economic case for handing over such corporations to the private ownership and management.

A number of activities in India's transport sector may fall in this last category. For example, there is no economic justification for reserving intercity road passenger transport exclusively for the public sector, as it happens in a number of Indian states, and public interest will be better served if state road passenger transport corporations are exposed to competition from private operators by deregulating the road passenger transport industry in these states. Similarly, there is a good economic case for deregulating India's domestic airline services and privatising the third airline service, the Vayudut, which has been running into losses. Markets in these sectors of transport are contestable as sunk costs are negligible. The same, however, cannot be said about rail transport, as has been discussed in this paper. But the case against the privatisation of Indian Railways goes much deeper than that. My case against privatisation was not only based upon the non-applicability of contestability theory to the Railways and hence the lack of any gains to the Railways in productive efficiency but also the fear that privatisation would, in fact, entail losses of allocative efficiency and other non-commercial gains the country has enjoyed from the historical role the Railways have played in its socio-economic development.

While I have opposed the idea of privatising Indian Railways, I have argued for converting their structure from a departmental undertaking into a public corporation, with its equity capital open for private sector participation. I believe such structural change in the Railways' corporate status, with statutory provisions to ensure the management freedom from ministerial interference, would go a long way in ensuring their commercial success, while simultaneously enabling them to continue to fulfil their social objectives.

Notes

[This paper was presented to a seminar organised by Railway Fare and Freight Committee and Institute of Social and Economic Change at Bangalore.]

- 1 The equity capital of these companies is held by a state holding company which has not yet offered it to the public.
- 2 Recently, the Railway Finance Corporation, a subsidiary of Indian Railways, had issued 9 per cent tax-free bonds which were mainly subscribed by financial institutions.

References

- Adamson, M J, W Jones and R Pratt (1991): 'Competition Issues in Privatisation: Lessons for the Railways' in Banister, D and Button K (eds), *Transport in Free Market*, Macmillan, London
- Alchian, A and H Demsetz (1972): 'Production, Information Costs and Economic Organisation', *American Economic Review*, Vol 62: 777-95.
- Bailey, E E (1986): 'Price and Productivity Change Following Deregulation: The US Experience', *The Economic Journal*, Vol 96.
- Baumol, W J (1982): 'Contestable Markets: An Uprising in the Theory of Industrial Structure', *American Economic Review*, Vol 72: 1-15.
- Baumol, W J, J Panzar and R D Willig (1982): *Contestable Markets and the Theory of Industrial Structure*, Harcourt Bruce Jov, New York.
- Baumol, W J and R D Willig (1986): 'Contestability: Developments Since the Book', *Oxford Economic Papers* (supplement), Vol 38 9-36
- Beesley, M E (1992): *Privatisation, Regulation and Deregulation*, Institute of Economic Affairs Publication, London.
- (1986): 'Commitment, Sunk Costs and Entry to the Airline Industry', *Journal of Transport Economics and Policy*, Vol XX, No 2.
- Department of Transport (UK) (1992): *New Opportunities for the Railways. The Privatisation of British Rail*, London
- Helm, D and D Thompson (1991): 'Privatised Transport Infrastructure and Incentive to Invest', *Journal of Transport Economics and Policy*, Vol xxv, No 3.
- Indian Railways (1978): *Report of the Expert Group on the Capital Structure of Indian Railways*, New Delhi
- (1979): *Report of the High Level Committee on the Social Burdens of Indian Railways*, New Delhi.
- Kay, J W and D J Thompson (1986): 'Privatisation: A Policy in Search of a Rationale', *The Economic Journal*, Vol 96.
- Rickard, J (1991): 'Competition Issues in Privatisation: Lessons for the Railways, A Response' in Banister, D and Button, K, op cit, above
- Siverleaf, A (1992). *Manpower Aspects of Restructuring Railways in Developing Countries: A Synthesis of Six Country Case Studies*, ILO, Geneva
- Vickers, J and G Yarrow (1989) *Privatisation: An Economic Analysis*, MIT Press, London

JUST PUBLISHED

READINGS IN MODERN SOCIOLOGY

Edited by : **Renuka Birdi**

(Senior Consultant, Institute of Social Studies, New Delhi)

VOL. 1 : FRAMEWORK OF MODERN SOCIOLOGY

VOL. 2 : SOCIOLOGY OF DEVELOPMENT

VOL. 3 : DYNAMICS OF MODERNISATION

The present volumes attempt to bring together in three specific compilations, useful as well as readable materials of three vital aspects of Sociology : A framework of modern sociology, the sociology of development and the burning issues related to it, and finally the dilemma at modernisation.

23 cm 1995
ISBN 81-7391-064-2

Cloth Rs. 1550 (Set)
(Set in Three Vols.)

Rush your orders to :

Kanishka Publishers, Distributors

9/2325, Street No. 12, Kailash Nagar,
Delhi-110031 (India) Phone : 2229769

Economic Reforms in Developing Countries

Theory and Evidence

Nirupam Bajpai

Economic reforms are being undertaken almost throughout the developing world today, preceded in most of the countries, including India, by a fiscal and balance of payments crisis. It is argued that the reforms are guided by rules-of-thumb and the underlying general equilibrium model of the economy for which these standard rules apply is an unrealistic portrayal of most of the developing economies. The model holds good only under very restrictive assumptions, perhaps only for small economies and not large ones. Besides, while it is important to attain and maintain fiscal discipline, the IMF's approach has prolonged the process and invariably failed to yield the desired results.

I

Introduction

ALMOST throughout the developing world the introduction of market-oriented reform agendas have been put in place under the auspices of the International Monetary Fund (henceforth Fund) and the World Bank (henceforth Bank). While the Fund's focus is essentially short-term stabilisation, the Bank has focused on realising longer term structural adjustment in all developing and now quite a few erstwhile socialist economies. Structural adjustment is used to promote the marketisation of economies through reliance on market signals to guide economic decisions and allocate resources. As part of this agenda, the Bank goes on to seek structural reform built around deregulation, import liberalisation, marketisation, and privatisation of the national economy.

In the initial stages, emphasis of the reform programme is on stabilising the economy with fiscal restraint and currency devaluation taking the leading role. Having stabilised the macro-economic environment, it is suggested that the emphasis should shift to structural adjustment encompassing various micro-economic and institutional reforms in order to remove inefficiencies and to ensure an adequate rate of growth. However, this set of sequence is not being followed in the last five-seven years since both the Fund and the Bank are operating simultaneously and hence the broad sequencing of stabilisation and then reforms is no longer adhered to.

While most developing country governments' economic reform programme adheres to an orthodox pattern associated with the Fund, the Bank, and the mainstream western macro-economic profession, some other countries are struggling, with varying degrees of success, to chart their own course. However, there appears to be a broad consensus among economists and policy-makers regarding the applicability and effectiveness of the Fund/Bank programme or what is often called the stabilisation-cum-structural adjustment package.

An attempt is made in this paper to assess the extent of theoretical and empirical support behind economic reforms. The rest of the paper is organised as follows. While Section II deals with the broad sequencing of stabilisation and then reforms, Section III discusses the rules-of-thumb approach. Trade policy reform and related issues are analysed in Section IV. Distinction between allocative and productive efficiency at the micro level is discussed in Section V. Section VI lays emphasis on a novel three-gap adjustment model (for savings-investment, trade, and fiscal limitations) at the macro level. Concluding remarks are presented in Section VIII.

II

Stabilisation, then Reforms

Although both the Fund and the Bank have been emphasising that stabilisation should precede structural adjustment, in practice, both stabilisation and structural reforms are found to be going on simultaneously. An important reason for this is that the Fund's approach toward stabilisation results in a long drawn process primarily due to the neglect of crucial macro-economic factors, such as linked foreign exchange and fiscal constraints, financial fragility, and the dynamics of the inflation process. By implication, therefore, the results of Fund-supported programmes have been far from satisfactory.

Studies have found that the Fund's programmes have not been optimal for stabilisation, growth or income distribution. Most Fund-sponsored programmes relied heavily on cuts in real wages and devaluation of the exchange rate. However, we argue that the former usually resulted in further declines in aggregate demand and growth while the latter resulted in higher inflation and drops in production. The elasticities of substitution in consumption and production were usually very low, hence consumers did not quickly switch to cheaper domestic goods, nor did producers switch quickly to the export sector.

Furthermore, the Fund's contention that large improvements were seen in the programme implementing countries in the post programme period is debateable. First, the Fund's programmes have not yielded the desired results on the price stability front. Also, the use of fiscal deficit by the Fund as the sole indicator of fiscal correction may not be correct. The conventional budget deficit and revenue deficit would perhaps be more relevant. In India, for instance, the key area for action is the reduction in the revenue deficit. The growing revenue expenditure and the resultant revenue deficits may pre-empt a large part of household savings that could be invested. Second, whatever improvements are seen in the balance of payments are because of: (a) drops in imports as aggregate demand falls dramatically, rather than higher exports and (b) the infusion of fresh external resources due mainly through the Fund itself, and the resumption of new lending through commercial banks and in some cases relatively greater direct foreign investment.

Accompanying the Fund's stabilisation programme are the Bank's Structural Adjustment Loans (SALs). Contrary to what the Bank had always maintained, that is, structural reforms would be undertaken only in an environment of macro stability, World Development Report (1989), in reality, this is not the case. Both the Fund and the Bank are, in fact, operating simultaneously in the developing countries and in the process are neither able to achieve macro stability nor restoration of sustainable growth, especially in the Latin American countries Bajpai (1993).

Both policies result in a 'competition for instruments', where what is required to succeed on one front is the opposite of what is needed to succeed on the other. Historical evidence from successful Asian exporters suggest stabilisation should be consolidated before attempting trade reforms Sachs (1987). Moreover, since inflation generates serious distortions, liberalisation will take place under inappropriate signals. Hence, the need to bring down inflation first Fischer

(1987). In countries with high inflation where stabilisation requires the use of exchange rate as a nominal anchor, it is preferable to postpone trade reform until the economy has attained a reasonable degree of macro stability.

Data in Table 1 suggests that despite having implemented orthodox policies for over a decade, the economies have continued to suffer from macro instability and low rates of economic growth. While it is argued that South Korea, Chile and Turkey are success cases of orthodox reform policies, this, in our view, is not entirely true. South Korea's success, to a large extent, is attributable to its state, which developed the necessary infrastructure, human resources, and intervened in the process of resource allocation so as to achieve overall development. As the Korean economy grew, with a strong industrial base, the Koreans gradually undertook liberalisation, and rightly so. It made sense for them to open up since it was the only way to ensure further growth of the economy. Chile can hardly be called a success since a few years of strong export growth is by no means an indicator to suggest that the reform programme has succeeded. Moreover, Chilean exports (largely copper and primary products) are growing not because of the orthodox policies, but due to the heavy investments made by the state in the copper mines over the last 10-12 years. Turkey, on the other hand, is facing serious macro problems today, and a few years of stable growth in between (which is not sustainable) cannot be termed a success case.

III

Economic Policies Guided by Rules-of-Thumb

Most of the economic policies advocated by the Bank, and asked for in return of SALs are guided by rules-of-thumb. The underlying general equilibrium model of the economy for which the standard rules apply is an unrealistic portrayal of most developing economies. Devarajan and Lewis (1992) construct a simple two-sector model to highlight the critical assumptions for different rules-of-thumb, and it demonstrates what happens to the standard prescriptions when these assumptions do not hold. However, we focus in this paper on trade and exchange rate policies in the currently pursued adjustment strategy.

In the macro-economic arena, governments are asked to 'get the exchange rate right' by maintaining an appropriate real exchange rate. Appropriate adjustments in the exchange rate are identified by conventional wisdom as those required to offset the difference between domestic and world inflation. Similarly, in the area of trade reform, the

focus is on the level and pattern of import tariffs. Government are advised to lower the average level of tariffs, and reduce or eliminate the dispersion of rates across different commodities. Also, it is suggested that quota restrictions (QRs) should be removed from intermediate inputs, capital goods, and other non-competing imports as also from a variety of final goods that do compete with domestic production.

Fund programmes bear testimony to the fact that exchange rate reform has been a nearly universal element in the standard package prescribed for developing countries. Exchange rate policy focuses on two distinct issues: first, changing the level of exchange rate (usually through a devaluation) in order to reduce pressure on the balance of payments and to remove distortions in the relative price of tradables and non-tradables, and second, managing movements in the exchange rate in order to minimise the impact of adverse external developments. While it may be true that major exchange rate adjustment is required to reduce the distortions between tradables and non-tradables, rules-of-thumb are, however, of little use in providing a guide in such cases. Often it is the case that policy-makers proceed by trial-and-error in choosing how large an adjustment should be made, of course, political feasibility often constraining the choice.

It is believed that maintaining a competitive exchange rate is one of the most important guarantees for achieving a sound closure of the external gap. Since the pre-stabilisation situation, often, but not all the times, includes an overvalued exchange rate, it becomes necessary to devalue early on. However, devaluation has complicated, economy-wide effects. By increasing import costs, it may be price inflationary and output contractionary (Agenor (1991), Krugman and Taylor (1978)). Recent experience in Tanzania and Ghana suggest that capital inflows provided to support devaluation can be used to reduce excess demand by allowing intermediate imports and production to rise, with a corresponding reduction in inflation. A reasoned judgment about the likely effects of devaluation is essential in the design of stabilisation programmes. If any rule applies, however, it might be that small, open economies which are externally constrained are more likely to respond favourably to a devaluation/capital inflow package than are large, closed ones.

The co-ordination of devaluation with other policies is also problematic in the context of both stabilisation and adjustment. For anti-inflation purposes, the exchange rate may be frozen as a nominal anchor. Of course, if inflation continues there will be real currency appreciation, and consequently imports will rise and export growth decline

thereby upsetting the real side of the economy as in numerous failed stabilisation attempts in Latin America over the past two decades. With regard to fiscal policy, if depreciation is expansionary, then it can usefully be combined with austerity. The exchange rate change improves the trade balance, while fiscal policy helps avoid an inflationary excess demand situation. However, in the event of a devaluation being contractionary, which is most often the case, combining it with fiscal austerity can lead to disastrous results.

Furthermore, devaluation by itself cannot improve the trade performance. Getting rid of extreme price distortions appear to be a necessary condition for (or at least correlated with) greater tradability of domestic activities. However, mere price incentives are never sufficient for improvement in trade performance. A real exchange rate with a reasonable, stable value is an invaluable stimulant to net exports. Of course, it must be supplemented with directed trade promotion policies, such as tax drawbacks, export subsidies, and cheap credit, etc., as well as state intervention to improve infrastructure. The real exchange rate could be held stable by following a crawling peg policy involving frequent nominal mini-devaluations to keep the exchange rate in line with the domestic price level. Briefly put, the simple rules-of-thumb are inappropriate if a complex representation of the economy is adopted. Only under very restrictive assumptions is the simple exchange rate rule appropriate. For example, a rule used for real exchange rate policy makes sense only when the balance of trade is zero or for instance unifying tariff rates is efficiency improving only when all other taxes are set optimally.

IV

Trade Policy Reform

Trade policy reform is perhaps one of the most crucial components of the currently pursued adjustment strategy. It is argued that developing countries need to move away from a distorted trade policy regime toward a more neutral one. As part of the move toward a more liberal regime, a standard sequence of policies is recommended: first, there should be macro stability; thereafter, quotas should be converted into tariffs, and then the tariff schedule should be simplified to two or three rates in the 10-50 per cent range, sufficient to provide some protection and generate revenue (for country details refer to Table 2). By contrast, experiences of many countries have shown that sustained output growth is possible even with a distorted trade regime, and moreover, most

formal models show that eliminating distortions is likely to be of second order significance anyway.

While the orthodox view has maintained that trade liberalisation and currency devaluation are crucial to attain and more importantly sustain higher levels of economic growth, we argue, on the other hand, that trade policy orientation may not be a dominant determinant of growth and hence may not perhaps deserve the attention being given to it. Several authors including Rodrik (1992) and Krugman (1989) have emphatically suggested that multiple equilibria are possible with trade reform. With low investment level in the economy, the probability of reform collapse is high and similarly another equilibrium point exists wherein the investment level needs to be sufficiently large to bring down the probability of collapse.

Programming the level and composition of non-competitive intermediate and capital goods imports has been a key factor in the success of developmentalist states. In South Korea, for example, authors of diverse viewpoints agree that instruments, such as quotas, directed credits, and targeting were used to promote import substitution which led to export growth. Similarly, Brazil used

protection and licensing to build an automobile sector which flourished until the economy was derailed on the macro front in the 1980s. Turkey, Colombia, and Kenya have proved to be successful exporters primarily due to their policies of import quotas and export subsidies which directly focus on exports.

Furthermore, the objective of trade liberalisation is in direct conflict with the objectives of reducing the balance of payments deficit and the budget deficit [Bajpai 1990]. Tariff reduction typically results in reducing government revenue and simultaneously increasing the import bill. This, in turn, increases both the budget deficit and the balance of payments deficit. In Mexico, for example, the trade reform reduced by half the share of trade taxes in the total government revenue and magnified the requisite fiscal retrenchment. Moreover, in Thailand and Morocco, tariff reductions were ultimately reversed, to a large extent, for budgetary reasons.

Similar to the case of exchange rate policy, the traditional rules-of-thumb with regard to trade reform are appropriate only for highly simplified model economies. In the process, the standard rules of tariff reform tend to neglect certain crucial aspects

about the underlying economy. Typically, tariffs are ignored as an important source of revenue for the government and also the fact that there may be other domestic taxes in the system. In addition, the reform programme also ignores the fact that imports and domestically produced goods in the same sector may not be perfect substitutes. Country studies in Taylor (1993) have shown that reducing tariff levels do not always help exports and that reducing the dispersion in tariff rates does not necessarily improve efficiency.

V

Allocative vs Productive Efficiency

The structural adjustment programme typically encompasses various micro-economic and institutional reforms in order to remove inefficiencies and to ensure a high growth rate. While structural adjustment is a multifaceted process, the currently pursued approach emphasises the role of economic liberalisation. The argument underlying the case for economic liberalisation is that allocative efficiency can be improved by lifting controls in the markets for commodities, credit and foreign exchange. The removal of price distortions is expected

TABLE 1 ECONOMIC INDICATORS

(Annual Average Rates of Growth)

	GDP Growth			Gross Dom Investment (Percentage of GDP)			Merchandise Export Growth (US \$ Terms)			Inflation* Consumer Prices			Real Wages 1987 = 100			Real Output Per Employee (1987 = 100)		
	1980	1985	1992	1980	1985	1992	1980	1985	1992	1980	1985	1992	1980	1985	1992	1980	1985	1992
Argentina	2.7	-6.6	8.6	25.3	17.5	16.7	-6.7	11.9	2.0	100.8	672	25	101	103.5	76.2	121	78	86
															(1989)			(1989)
Brazil	9.1	7.9	-0.9	23.3	19.2	17.5	23.3	2.1	12.9	83	227	1008	60.1	99.2	72.6	84	88	101
															(1990)			(1990)
Chile	8.2	7.0	10.3	24.6	17.2	23.7	-2.8	6.2	14.4	35	31	15	101.7	98.2	107.7	-	-	-
															(1990)			(1990)
Colombia	4.1	3.3	2.7	19.1	19.0	17.6	18.0	4.4	13.2	27	24	27	86.5	99.7	100.2	68	88	112
															(1990)			(1990)
Ghana	1.2	5.1	3.6	5.6	9.6	12.6	13.3	26.5	9.8	50	10	10	-	-	-	-	-	-
India	6.7	5.4	4.3	20.9	23.9	23.2	-9.1	-3.9	10.6	11	6	12	81.2	98	108.5	61	91	108
															(1989)			(1989)
Indonesia	7.9	2.6	6.3	24.3	28.0	34.6	-2.9	-10.4	16.2	18	5	8	69.9	96.5	129.7	57	83	119
															(1990)			(1990)
Ivory Coast	-12	4.5	-0.3	26.5	12.6	8.9	26.8	4.2	-	15	2	4	-	-	-	-	-	-
Mexico	8.4	7.9	2.6	27.2	21.2	23.7	35.7	-5.8	-2.9	26	58	16	146.6	109.8	109.7	85	99	117
															(1990)			(1990)
Peru	3.1	2.1	-2.8	28.8	18.4	16.3	-16.0	21.4	5.2	59	163	74	99.9	74.7	70.5	-	-	-
															(1988)			
Philippines	3.4	-7.3	-	29.1	15.3	22.6	15.4	-2.2	2.1	18	23	9	68.9	75.1	119.8	91	90	109
															(1990)			(1990)
South Korea	-3.3	6.9	4.8	29.5	29.3	39.1	10.0	6.5	8.4	29	3	6	68.8	85.7	130	60	84	123
						(1991)									(1990)			(1990)
Tanzania	2.7	1.2	3.7	23.0	15.7	42.4	2.8	-11.0	18.5	30	33	22	286.4	145.0	87.9	108	115	105
															(1988)			(1988)
Turkey	-0.7	5.0	5.5	21.9	21.0	22.5	19.1	16.4	9.1	110	45	70	116.7	98.2	114.4	60	82	115
															(1990)			(1990)
Uruguay	6.1	1.6	7.4	17.3	11.4	12.8	24.5	-2.7	1.5	64	72	69	86.2	82.9	92.2	91	97	102
															(1989)			(1989)

Note: * Percentage change over previous year, calculated from indices.

Sources: International Financial Statistics, IMF, 1993 and World Tables, World Bank, 1994.

to enhance efficiency by calling forth an appropriate behavioural response. We argue, that although allocative efficiency gains do accrue with the removal of distortions, but they are only a one-time gain. Reallocation of resources to the sectors where they are most productive at world prices would lead to a once-and-for-all gain in the efficiency of the economy [Krugman 1989]. Such a reallocation can explain only a one-time gain, however, not a continuing process of growth. Besides, Krueger (1985), one of the strong advocates of the liberalisation policies admits "...while there were numerous micro-economic changes that accompany devaluation, liberalisation, and altered (trade policy) bias, it was not possible to detect significant effects of these changes on growth performance".

At the micro-economic level it is important to distinguish between "allocative" and "productive" efficiency gains. With regard to industry and finance, Hjalmarsson (1991) and UNCTAD (1991) respectively make a distinction between allocative and productive efficiency. The latter is by no means assured by removing price distortions to put allocative efficiency into place. There are several other factors which affect productive efficiency, for instance resource endowments as defined by changing technology and tastes, market and capital stock structures, the size of the economy, access to geopolitically determined capital inflows and penetrable markets. Moreover, gains in allocative efficiency via changes in real macro prices, such as wages, exchange rate and the interest rate can be misleading, if improvements in productive efficiency are trivial at best. Also, movements in their nominal counterparts have complicated and economy-wide effects Taylor (1993).

Increases in GNP can be registered while the one-time reallocation of productive factors lasts and hence it may be incorrect to presume that liberalisation can raise the rate of growth over the medium to the long run. However, one comes across overwhelming literature favouring across-the-board liberalisation to attain and more importantly sustain higher levels of economic growth. Be that as it may, the theoretical underpinnings of the liberalisation policies seems to be rather weak. For example, it is significant to distinguish between (a) an increase of, say, 2 per cent in GNP every year, and (b) a permanent increase of 2 per cent in the growth rate of GNP. The economic theory underlying the case for liberalisation makes a claim only regarding the first scenario. The practical difference between the two scenarios can be observed by noting that an economy with an underlying growth rate of 4 per cent a year will have a GNP

under scenario (b) that is almost one-fifth larger at the end of a decade than under scenario (a) [Lucas 1989].

Perhaps an analogy could be drawn between what we have discussed earlier, i.e. 'allocative' and 'productive' efficiency on the one hand with 'level' effects and 'growth' effects respectively on the other. Qualitatively, the 'neoclassical' growth model makes a distinction between the level and growth effects. The former are the

changes that raise or lower balanced growth paths without affecting their slope, while the latter are changes in parameters that alter growth rates along balanced paths. The structural adjustment programmes suggest that developing countries should remove import quotas and reduce their import tariffs significantly since these are inefficient barriers to trade and hence act as a limitation on growth. However, removal of trade barriers as per the neoclassical

TABLE 2 TRADE POLICY REFORMS IN SELECTED DEVELOPING COUNTRIES

Argentina:	Trade liberalisation began in 1986 and accelerated in 1991 when virtually all QRs were removed (except on automobiles). Stabilisation programmes were launched in 1989 and 1990 which were unsuccessful. 1986 to 1991 average <i>ad valorem</i> tariff on imports fell from 115 per cent to 35 per cent. In 1992, the tariff band was reduced to 0-20 per cent.
Brazil:	In 1990, trade liberalisation began with lifting of import restrictions on 1,800 goods. The average tariff came down from 20 per cent to 17.1 per cent by 1992 and was further reduced to 14.1 per cent in July 1993.
Chile:	Reforms began in 1973; QRs eliminated by 1979 and uniform tariff rate of 10 per cent, this rose to 35 per cent during 1982-83 crisis but was then reduced to 15 per cent.
Colombia:	Starting in 1983, import quotas were converted into tariffs contributing to one-third of revenue increase from taxes till 1987. Average tariffs were 20.9 per cent in 1979, fell to 18.7 per cent in 1984 and rose to 29 per cent in 1989; by August 1991, average tariff fell to 15 per cent.
Ghana:	Reforms began in 1982; between 1983 and 1986 currency was devalued 32-fold then by a further 66 per cent in 1987 and a further 43 per cent in 1989. Average tariffs have fallen from 39.7 per cent in 1982 to 6.3 per cent in 1989. In January of 1989, import licensing was abolished. Tariffs remain very low in Ghana.
India:	Major reform of trade regime in 1991. Import control through licensing has more or less been abolished. A continuous process of tariff reductions since July 1991. The peak rate of import tariff has fallen from 150 per cent to 65 per cent between 1991 and 1994.
Indonesia:	Reforms began in 1983; Average tariff rate fell from 17.8 per cent to 13.4 per cent between 1983 and 1989. 1983 currency was devalued by 28 per cent after which real effective exchange rate was kept stable till 1986, when there was a further devaluation of 31 per cent, between 1986 and 1992, proportion of domestic goods protected by import licensing fell from 43 per cent to 13 per cent while average nominal protection has halved.
Ivory Coast:	Structural adjustment programme launched at the end of 1981. The next phase of reform began (1984-86) saw tariff conversion followed by an increase in average tariff rate from 23.5 per cent to 26.6 per cent over 1984-88. 1989 saw a major stabilisation programme.
Mexico:	Trade liberalisation in two phases, 1985 to 1987 saw tariff conversion and reduction in import licensing coverage from 92 per cent to 25 per cent; 1987 onwards emphasis on tariff reduction (average fell from 8.2 per cent in 1987 to 5.4 per cent in 1989). NAFTA envisages phased elimination of tariffs.
Peru:	Stabilisation programme commenced in August 1990 and included substantial trade reform. All QRs were eliminated and the tariff system was simplified to include only three rates (10 per cent, 25 per cent and 50 per cent). The top rate was reduced to 25 per cent in March, 1991.
Philippines:	1983 crisis forced the country to embark on a major stabilisation effort. Serious efforts at structural reforms commenced in 1986. Most QRs were removed; 1992 foreign exchange market was fully deregulated, phased reduction announced in import tariffs.
South Korea:	Trade liberalisation was selective (concentrating on capital goods and intermediates) and commenced in 1972. Between 1983 and 1989, the proportion of product classes carrying import restrictions fell from 19.6 per cent to 5.3 per cent.
Tanzania:	Early 1986 simultaneous implementation of stabilisation and adjustment programmes including liberalisation of trade regime and devaluation.
Turkey:	1980 liberalisation began; average tariffs fell from 39.1 per cent in 1979 to 11.1 per cent in 1980; 1984-import surcharges introduced that increased opacity of the system.
Uruguay:	Significant efforts were made between 1973 and 1982; import quotas and licensing were eliminated in 1975 and controls on capital goods imports terminated in 1977; 1982-85 recession was followed by efforts to stabilise and restructure. Broke down in 1988, efforts resumed in 1990 and were relatively more successful.

Sources: Rodrik 1992, and World Bank 1992.

growth theory is a level effect, analogous to the one-time shifting upward in production possibilities, and not a growth effect. Growth rates that are both large and more importantly sustained may not be achieved simply by allocative efficiency gains or level effects.

VI

Three Gap Approach

In order to highlight how inter-linkages among external shocks, internal (especially fiscal) factors, and the structural features of the developing economies can lead to macro-economic imbalance, a three gap model is being used by many economists. The traditional two gap model is extended by adding a third fiscal/financial constraint to the specification. The liberalisation literature postulates that if institutional obstacles are removed, a market economy will attain an equilibrium position by itself. By contrast, the new gaps approach considers that disequilibrium phenomena may or may not persist after barriers to the free working of market forces are taken away. The outcome will depend on whether or not market signals by themselves induce economic actors to close the gaps; however, this will be determined by the structural features of the economy at hand.

The three gap approach is designed explicitly to incorporate the diverse structural characteristics of developing economies. Such details are ignored by the orthodox neoclassical approach since it sets out a universal policy package to be applied irrespective of the country in question. Country studies in Taylor (1993) suggests at least five sets of factors contributing to macro-economic imbalance. Numerical evidence in this regard is presented in Table 3.

The public sector plays an important role in capital formation in almost all the countries in the sample. Furthermore, most of the country studies have shown a strong linkage between public investment and the consequent crowding in of private capital formation. Indeed, public capital formation may be the only vehicle for stimulating investment after a period of adverse shocks. Unless, of course, export growth pulls investment demand up in a cumulative process as was the case in Korea, in any event private capital formation can hardly be seen as an answer.

Also, the public sector in most of the countries is a strong net saver. Of course, there are exceptions, such as Nicaragua, Uganda, Zambia, and Zimbabwe (Table 3). This is largely due to the macro-economic distress in these countries. Savings by the public sector reflects its activity in capital formation as well as the ability of the state

to gather resources. Table 3 indicates that private savings flows are also large. They must be intermediated into capital formation and/or loans to the state to cover the public sector borrowing requirement (PSBR). This process can lurch into imbalance if a fall in the demand for domestic assets squeezes credit to the public sector or for private investment projects.

Table 3 shows negative trade deficit, that is, surpluses for most of the countries. However, with the exception of India, Nicaragua, Sri Lanka, Tanzania, and Uganda. In many cases these reflect foreign shocks suffered in the 1980s. Of course, Latin American countries had to run surpluses to meet foreign interest obligations at the same time as their governments needed fiscal surpluses since they had nationalised foreign debt. Poor primary product exporters in Africa, on the other hand, were hit hard by steady declines in their terms of trade and lagging export volumes [Bajpai 1992].

The dynamic macro-economic behaviour of developing economies is strongly affected by the features mentioned above, especially when they are hit by an external shock. A sudden cut-off of credits or a significant fall in the terms of trade, besides triggering inflation if devaluation is necessary, is likely to cause reductions in both output and investment. The following channels are emphasised by the three gap models: first, the data in Table 3 suggests that by limiting imports, scarce foreign exchange either squeezes current production or capital formation. This is so because local commodity production requires imported intermediates while foreign made capital goods are an essential

component in most investment projects.

Secondly, since capital inflows are a source of savings, they are to be replaced domestically if their flow is curtailed. The required reduction in aggregate demand, however, is often realised through an acceleration in inflation. Finally, fewer funds will be flowing through the financial system, reducing the supply of credit and therefore capital formation. Since international capital markets are imperfect, the economy tends to adjust to reduced point in time availability of foreign exchange via output reductions mediated by faster inflation and domestic credit rationing.

VII

Concluding Remarks

An attempt is made in this paper to highlight the inadequacies of the traditional rules-of-thumb approach toward economic reforms in developing countries. The underlying model does not seem to address the complexities of economic structures in the developing economies and hence holds good only under very restrictive assumptions. However, despite these fundamental weaknesses the standard rules have enjoyed widespread use and acceptance.

Any move toward dramatic liberalisation needs to be preceded by a successful stabilisation programme. A structural reform programme accompanying stabilisation measures may neither help achieve macro stability nor the restoration of sustainable growth. Of course, any major adjustment or stabilisation programme has always to keep in mind a very important boundary condition,

TABLE 3. DEVELOPING COUNTRY TRADE, INVESTMENT AND SAVINGS FLOWS ...

Country and Year	Intermediate Imports	Investment (Percentage of GDP)				Savings		Trade Deficit
		Foreign Capital Goods	Domestic Capital Goods	Public Sector	Private Sector	Public Sector	Private Sector	
Argentina (1988)	6.0	1.8	12.6	7.6	6.8	0.8	15.6	-2.0
Brazil (1987)	3.8	2.1	17.9	6.2	13.8	6.2	18.3	-4.5
Chile (1988)	14.9	6.8	11.6	7.9	10.5	5.7	15.6	-2.9
Colombia (1988)	5.4	3.5	14.6	7.1	11.0	4.0	16.7	2.6
India (1988)	4.5	2.4	20.8	12.7	10.5	2.4	18.9	1.9
South Korea (1987)	24.7	15.7	13.9	6.2	23.4	11.1	28.5	-10.0
Malaysia (1988)	22.1	11.5	11.7	9.3	13.9	5.9	27.5	-10.2
Mexico (1988)	7.9	2.5	18.1	6.4	14.2	4.2	20.1	-3.7
Nicaragua (1989)	17.5	12.1	12.1	2.1	22.1	2.0	9.5	16.7
Nigeria (1986)	1.7	3.8	8.1	7.6	4.3	3.1	8.9	-0.1
Philippines (1988)	11.4	4.1	13.8	3.0	15.2	0.0	19.2	-1.0
Sri Lanka (1987)	11.5	6.5	19.9	14.9	11.5	4.4	18.0	4.0
Tanzania (1986)	5.7	11.9	15.0	8.3	18.6	5.6	11.8	9.5
Thailand (1987)	9.8	8.6	15.0	6.7	16.9	5.4	19.7	-1.5
Turkey (1987)	13.5	1.0	24.4	13.3	12.1	8.2	19.5	-2.3
Uganda (1987)	5.6	8.6	8.4	3.9	13.1	-5.6	16.0	6.6
Zambia (1987)	30.7	8.0	2.7	7.7	3.0	-16.7	12.5	-5.1
Zimbabwe (1986)	11.1	7.1	15.4	11.9	10.6	-5.1	30.9	-3.3

Source: Taylor (1993)

that is, the capacity of the state, both with regard to its political and administrative limitations. The state will ultimately have to play a crucial role in the success of any structural adjustment programme. The fiscal, foreign, and savings gaps are closely linked. Improvement in the first is not likely without gains for the other two as well. Indeed, external support may well be required on all the three fronts. However, the currently pursued adjustment strategy does not take into account the diverse structural characteristics of developing countries which the three gap approach does.

The currently pursued adjustment strategy lacks theoretical support, and moreover empirical evidence from Latin America, Africa, and more recently from Eastern Europe and Russia suggests that different economies with different institutional relationship and varying lines of causality in their economic systems require different approaches to stabilisation and structural reform.

There are examples of successes and failure of both orthodox and heterodox policy initiatives. The problem at hand is how to invent and sequence policy changes relevant for each economy's historical and institutional context. Be that as it may, factors, such as the structure of the existing capital stock, the size of the population, and natural resource endowments put somewhat flexible boundary conditions on policies aimed at raising productive efficiency, but a general solution is nowhere at hand.

[The author is grateful to Tahir Andrabi, Stanley Fischer, Lance Taylor and Thierry Verdier for useful discussions. However, the views expressed in the paper are author's own. The paper was written while the author was a visiting scholar at the Department of Economics, Massachusetts Institute of Technology, Cambridge, Massachusetts.]

References

- Agenor, P R (1991). 'Output Devaluation and the Real Exchange Rate in Developing Countries', *Weltwirtschaftliches Archiv*, Bank 127, Heft 1.
- Bajpai, N (1993). 'Stabilisation with Structural Reforms: Can the Two be Pursued Simultaneously?', *Economic and Political Weekly*, Vol 28, No 20, May 15.
- (1992) 'Severely Indebted Low-Income Countries Mounting External Debt and Servicing Burden', *Economic and Political Weekly*, Vol 27, No 17, April 25.
- (1990) 'World Bank's Structural Adjustment Lending: Conflicting Objectives', *Economic and Political Weekly*, Vol 25, No 15, April 14.
- Devarajan, Shantayanan and Jeffrey D Lewis (1992) 'Structural Adjustment and Economic Reform in Indonesia: Model Based Policies vs Rules-of-Thumb' unpublished paper.
- Fischer, Stanley (1987) 'Economic Growth and Economic Policy', in Vittorio Corbo et al (eds) *Growth-Oriented Adjustment Programmes*. Washington, DC, IMF and World Bank.
- Hjalmarsson, Lennart (1991) 'The Scandinavian Model of Industrial Policy' in Magnus Blomstrom and Patricia Meller (eds), *Diverging Paths: Comparing a Century of Scandinavian and Latin American Economic Development*, Washington, DC, Johns Hopkins University Press.
- Krugman, Anne (1985): 'Trade Policies in Developing Countries' in R W Jones and P B Kenen (eds) *Handbook of International Economics*, 1, Amsterdam, North Holland.
- Krugman, P (1989): 'Developing Countries in the World Economy', *Daedalus*, Vol 118, No 1.
- Krugman, P and L Taylor (1978): 'Contractionary Effects of Devaluation', *Journal of International Economics*, 8.
- Lucas Jr, Robert E (1989): 'On the Mechanics of Economic Development', *Journal of Monetary Economics*, Vol 22.
- Rodrik, D (1992): 'The Limits of Trade Policy Reform in Developing Countries', *Journal of Economic Perspectives*, Vol 6.
- Sachs, J (1987): 'Trade and Exchange Rate Policies in Growth-Oriented Adjustment Programmes', mimeo, Harvard University, Cambridge, Massachusetts.
- Taylor, Lance (1988) 'Varieties of Stabilisation Experiences: Towards Sensible Macroeconomics in the Third World', Oxford, Clarendon Press.
- (1993): *The Rocky Road to Reform: Adjustment, Income Distribution, and Growth in the Developing World*, Cambridge, MA, MIT Press.
- UNCTAD (1991): *Trade and Development Report*, New York, United Nations.
- World Bank (1994) *World Tables*, Washington, DC.
- (1992): *Trade Policy Reforms under Adjustment Programmes*, World Bank Operations Evaluation Study Washington, DC.
- (1989): *World Development Report*, New York, Oxford University Press.

10% DISCOUNT
POSTAGE FREE

JUST RELEASED

National Seminar Series - IV

INSTITUTE OF DEVELOPMENT STUDIES, JAIPUR

NEW ECONOMIC POLICY AND THE VULNERABLE SECTIONS

ISBN : 81-7193-060-3 (HB)

210 X 140mm

176pp

Rs. 225/-

ABOUT THE BOOK

The book is a collection of articles on the New Economic Policy and its impact on vulnerable sections. The articles debate on the rationale and the imperative to change the economic policies and how the vulnerable sections are likely to be affected by accelerated growth as well as expected changes in the composition of growth. The articles explore the rationale for public interventions in favour of vulnerable sections, the strategy to be adopted and the design of such programmes, particularly how basic education and health services could be made more cost effective and more target oriented.

Send your order to :

CLASSIC PUBLISHING HOUSE

260/61, II Floor, S.M.S. Highway, Jaipur - 302 003 Ph.: 563097

Disempowerment of Indian Bureaucracy

A Class Analysis

S K Das

A bureaucracy becomes autonomous and exercises power when the process of class formation is weak or when no class is dominant in a society. Once a class becomes dominant, the autonomy of the bureaucracy ceases to exist and it becomes an instrument in the hands of the dominant class. In India, the growth of classes was stunted during the Moghul and British rule; in the post-colonial situation, no class was dominant. Since the Indian bourgeoisie is now in the process of establishing its dominance, Indian bureaucracy will soon lose its autonomy and power.

IT is commonly believed that with the dissolution of the 'licence-permit raj', the process of disempowerment of the Indian bureaucracy has finally begun. From the right, such a process is seen as the result of a situation in which the bureaucracy has been overtly regulatory and intrusive, and has steadfastly supplanted market forces and individual initiative. The left has viewed such a process as having been brought upon itself by a bureaucracy that is uncaring, unjust and inattentive to the needs of the economically disadvantaged. Those in the middle have attributed this process to the working of a bureaucracy that has been wasteful of public money, slothful, inefficient, inconsiderate of the general public and monumentally corrupt.

Such analyses, albeit well-founded as the woes experienced by the public would testify, remain inadequate, as they are mere critiques of the bureaucracy *qua* bureaucracy. They neither fully problematise the process in the specificity of the Indian situation, nor do they locate it in the complexities of the relationships among class, bureaucracy and state power; this is what this article attempts to do.

THEORETICAL FRAMEWORK

In recent years, there has been considerable discussion of the state as an object of theoretical and empirical enquiry, both in the writings of contemporary Marxists and non-Marxists, but an explicit focus on the working of the bureaucracy has been significantly absent. Some interesting work on the functioning of bureaucracy has been done by Goran Therborn,¹ Claus Offe,² and Erik Olin Wright,³ but such work has tended to concentrate on the bureaucratic structures in advanced capitalist societies. Therefore, the writings of Max Weber, Marx and Engels still provide the crucial points of reference for any meaningful discussion of class, bureaucracy and state power.⁴

About bureaucracies, Weber says,

The decisive reason for the advance of bureaucratic organisation has always been its purely technical superiority over any other form of organisation. The fully

developed bureaucratic apparatus compares with other organisations exactly as does the machine with the non-mechanical modes of production. Precision, speed, unambiguity, knowledge of the files, continuity, discretion, unity, strict subordination, reduction of friction and of material and personal costs – these are raised to the optimum point in the strictly bureaucratic administration and especially in its monocratic form.⁵

About the overwhelming power that the bureaucracy exercises, Weber writes,

Under normal conditions, the power position of a fully developed bureaucracy is always overpowering. The political master always finds himself in the position of a dilettante who stands opposite the expert.⁶

Can the bureaucracy ever be dismantled? Weber's answer is in the negative. He says,

Once it is fully established, bureaucracy is among those social structures which are the hardest to destroy... And where the bureaucratisation of administration has been completely carried through, a form of power relation is established that is practically unshatterable. The ruled, for their part, cannot dispense with or replace the bureaucratic apparatus of authority once it exists.⁷

Since bureaucracy cannot be eliminated, the problem, according to Weber, was how to check bureaucratic power and to provide guarantees that would prevent bureaucrats from overstepping their proper place. Writing about Germany, Weber advocated a strong working parliament that alone could control the bureaucracy.⁸

Weberian insights into the nature and working of bureaucracies, profound and seminal though they were, are not particularly useful for the purposes of our analysis because of the following reasons. First, for Weber bureaucratic power is not derived from the economic hegemony of the class that founds the state but from the need for rational and predictable administration. Thus class and power in the Weberian paradigm are related only in a contingent manner. Such a formulation misses the very crucial relationship between bureaucracy and class power; in Weber, there is no assumption of

shared interest between the bureaucracy and the dominant class.⁹ Second, the only scenario in which Weber contemplates erosion of bureaucratic power – the creation of a strong, working parliament – is not realistic as it does not take note of the important relationship of parliamentary institutions to class power. While it may be true that a strong, working parliament may circumscribe bureaucratic power to some extent, it is debatable whether a strong parliament is at all possible given the contradictions of a capitalist society. Weber himself was not overtly optimistic about the long-term durability of parliaments, but his pessimism had more to do with the organisational problems faced by a parliament when dealing with a powerful bureaucracy. Weber never tried to situate the question of efficacy of parliamentary institutions in the context of the social contradictions of capitalist society.¹⁰

Marx's observations about the bureaucracy came out of his critique of Hegel, particularly Hegel's observations in *Philosophy of Right*.¹¹ In that book, Hegel contended that the most important institution in the state was the bureaucracy which represented "the absolutely universal interests of the state proper", the particular interests having been mitigated by hierarchy, specialisation, expertise, co-ordination and the internal and external pressures for competence and impartiality. Marx, on the other hand, argued that the bureaucracy, far from representing the universal interest as characterised by Hegel, only transformed universal interests into private interests. As Marx writes,

The bureaucracy asserts itself to be the final end of the state. Because bureaucracy makes its formal aims its content, it comes into conflict everywhere with the real aims. Hence it is obliged to present what is formal for the content and the content for what is formal. The aims of the state are transformed into aims of bureaus, or the aims of the bureaus into aims of the state. The bureaucracy is a circle from which nobody can escape. Its hierarchy is a hierarchy of knowledge. The highest point entrusts the understanding of the particulars to lower echelons, whereas these, on the other hand, credit the highest

with an understanding in regard to the universal (the general interest); and thus they deceive one another.¹²

Marx argues that so long as private and public spheres are conceptualised as distinct and opposed to each other, the bureaucracy would claim to represent the general interest of the community. As a matter of fact, such distinction and opposition provides the legitimisation on the basis of which the bureaucracy justifies its power. Marx contends that such a dualism between the spheres of private and public interest does not exist. The claim of the state and its bureaucracy to represent the general interest is negated by the existence of classes. Marx therefore argues that the independence of the state from the dominant class is illusory; it is the ownership of property that determines political power. As Marx put it definitively in *The Communist Manifesto*,¹³ "the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie." The state and its bureaucracy are instruments of the dominant class, such an instrumentalist perception of the state by Marx was further expanded and refined by Lenin,¹⁴ Paul Sweezy,¹⁵ and Ralph Miliband.¹⁶

The other interpretation of Marx's account of the relation among classes, the bourgeoisie and the state, particularly the characterisation of the Bonapartist state, emerges out of a reading of *The Eighteenth Brumaire of Louis Bonaparte*.¹⁷ This was taken up further by Louis Althusser¹⁸ and Nicos Poulantzas.¹⁹ Poulantzas' formulation is based on the Althusserian interpretation of Marx that posits a relative separation between the economic and political instances of the capitalist mode of production.

Althusser argues that the Marxist social whole is constituted by a certain type of complexity, the unity of the structured whole containing levels or instances which are distinct relatively autonomous, and which co-exist within this complex structural unity, articulated with one another according to specific determinations, fixed in the last instance by the level or instance of the economy. Poulantzas borrows the concept of relative autonomy from Althusser and enlarges it to conceptualise the autonomy of the state apparatus from the dominant class in a capitalist society. Poulantzas argues that the capitalist state functions to maintain the cohesion and unity of the social formation, but carries out this function specifically by containing class struggle by way of organising the dominant class and disorganising the dominated classes. This is done by cleverly presenting the state as the unity of the people-nation, both by concealing the class character of the state apparatus from the dominated classes and by specifically excluding them from state institutions. This is possible only because

the state apparatus is relatively autonomous from the economic instance.²⁰ Poulantzas argues that the capitalist class is not a homogeneous class; it consists of several fractions whose interests are not always identical. The state can serve the ruling class only when it is relatively autonomous from the diverse fractions of the capitalist class precisely in order to organise the hegemony of the whole of this class.

Such a conception of the relative autonomy of the state apparatus has been used in a wider perspective to mean that the state generally, and the bureaucracy in particular, emerge as a distinct sphere in society, may take a variety of forms, and constitute a source of power which need not be linked to the interests, or be under the control, of the capitalist class.²¹ The concept of relative autonomy, however, may not apply to social formations where the autonomy of the state does not necessarily result in the hegemony of the dominant class, as has been shown by Thomas Banat in his study of Peru and Brazil,²² and Anupam Sen in his study of India.²³ In fact, as Hamza Alavi writes with reference to the state in Pakistan and Bangladesh,

Such a proposition (*relative autonomy*) cannot apply to a discussion of post-colonial societies in which the problem arises not with reference to 'diverse fractions' of a single class, the bourgeoisie, but rather with reference to three different propertied classes, which do not constitute 'a whole', for they have different structural bases and competing class interests²⁴ (emphasis added).

There is, however, a third strand in the writings of Marx and Engels which suggests that the bureaucracy could become independent when classes in the social formation have stunted growth or when no class emerges as the dominant class. In such scenarios, the bureaucracy becomes the ruling class.²⁵ As Marx says,

The independence of the state is only found nowadays in those countries where the estates have not yet completely developed into classes, where estates, done away with in more advanced countries, still have a part to play, and where there exists a mixture, countries, that is to say, in which no one section of the population can achieve dominance over the other.²⁶

In fact, this strand of Marx's position is continued by Engels when he comments on the situation in Germany:

Bureaucracy... very soon becomes an unbearable fetter for the bourgeoisie... And the more the industry develops, the more 'conscientious officials' appear – that is, officials who either from pure narrow-mindedness or from the bureaucratic hatred of the bourgeoisie, pester the factory owners with the most infuriating chicaneries. The bourgeoisie, therefore, is compelled to break the power of the indolent and pettifogging

bureaucracy. From the moment the state administration and legislature fall under the control of the bourgeoisie, the independence of the bureaucracy ceases to exist, indeed from this moment, the tormentors of the bourgeoisie turn into their humble slaves.²⁷

The discussion so far suggests a theoretical framework for our analysis, follows. The bureaucracy is independent and exercises power when classes in the social formation have stunted growth or when no class emerges as the dominant class in a social formation. In such situations, the bureaucracy becomes the ruling class. However, once a class becomes dominant over other classes in a social formation, the independence of the bureaucracy ceases to exist and it becomes an instrument in the hands of the dominant class.

INDIAN SITUATION

In India, the process of class formation has been very different from that in Europe. In the European case, capitalism grew out of feudalism; the development of merchant capitalism and industrial capitalism was made possible by the operation of internal economic forces.²⁸ For instance, under feudalism excessive exploitation of peasants and serfs by feudal lords in quest of larger rents to meet their increasing demand for luxuries, the association of merchant capital with land purchase deals, and the resultant commercialisation of agriculture, gave rise to a situation in which labour was rendered surplus and a large segment of the peasantry was eventually transformed into landless wage-labourers.²⁹ As Marx says,

The prelude to the revolution that laid the foundation of the capitalist mode of production was played out in the last third of the fifteenth century and the first few decades of the sixteenth. A mass of 'free' and unattached proletarians was hurled into the labour-market... the great feudal lords, in their defiant opposition to the king and the Parliament, created an incomparably larger proletariat by forcibly driving the peasantry from the land, to which the latter had the same feudal title as the lords themselves, and by the usurpation of the common lands.³⁰

The important point to be noted here is that the relation of production – the feudal lords owned the lands and the serfs as well – was central to the process of separation of the producers from the land and to the creation of the necessary antagonism between the feudal lords and the peasantry.

More important, the absolutism in politics that dominated the European scene in the 17th century was, in fact, a crucial determinant in the process of merchant capital establishing its control over the state apparatus. Absolutism in politics was made

possible in Europe primarily because the bourgeoisie aligned itself with the king. Such absolutism was instrumental in circumscribing the power and influence of the feudal lords; in addition, the absolutism of the state was used very effectively to eliminate all possible fetters on the growth and development of capitalism. Eventually the successful bourgeois revolution against the state brought about the end of absolutism in politics and enabled the capitalist class to found its own state.¹¹

In India, class formation was stunted from the very beginning. In fact, the process of class formation, as it developed, was unlike the progression of stages as in Europe. In India, the dissolution of the primitive society or clan organisation did not give rise to a slave system or feudalism. Instead, there was what Marx described as the Asiatic mode of production with the Oriental despotic state as its principal characteristic. In this mode, the zamindars or the jagirdars could not emerge as an independent class, as the feudal lords did in Europe, because of the fact that the zamindars and jagirdars were not the owners of the land on which they collected revenue. This was also the reason why capitalism was unable to evolve smoothly and naturally out of the Asiatic mode, the precondition for the emergence of capitalism, namely, wage labour, was significantly absent. Since the zamindars and jagirdars did not own the land, they were not in a position to separate the workers from the land as in Europe.¹²

However, the Asiatic mode of production was not as irretrievably stagnant and immobile as Marx would have us believe. In the 17th and 18th centuries when trade was opened up with the West, a merchant class that was prosperous and had the capacity to achieve dominance in the social formation, came into existence. But with the industrial revolution in England, India was made into an importer of manufactured commodities instead of being an exporter; that was the end of the rising merchant capitalist class.¹³ Ultimately, an indigenous capitalist class did emerge in colonial India, but in the scheme of things, it could only be a comprador class, thoroughly subservient to the metropolitan bourgeoisie that controlled the state apparatus.¹⁴ Such a comprador bourgeoisie that was a mere agent of the metropolitan bourgeoisie could never become the dominant class.

At the time of independence, post-colonial Indian society had three classes, but none of them were dominant. The Indian capitalist class, congenitally weak because of its comprador status, was in no position to achieve dominance. The metropolitan bourgeoisie was no longer dominant, because in the post-colonial era it did not control the state apparatus any-

more. There was, of course, the landed class, but it did not enjoy dominance. Thus, in the history of the Indian social formation, either the process of class formation was stunted, or when classes did eventually emerge, none of them was in a position to achieve dominance over the other classes.

In such a situation, the Indian bureaucracy was autonomous and exercised power both during the Moghul and the British rule, because the growth of classes was stunted.¹⁵ At the time of independence and after, the bureaucracy was autonomous because no single class was able to establish its dominance over other classes. What Hamza Alavi said of post-colonial societies in Pakistan and Bangladesh, applied equally to the Indian situation:

The essential problem about the state in post-colonial societies stems from the fact that it is not established by an ascendant native bourgeoisie but instead by a foreign imperialist bourgeoisie. At independence, however, the direct command of the latter over the colonial state is ended. But, by the same token, its influence over it is by no means brought to an end. The metropolitan bourgeoisie, joined by other neo-colonialist bourgeoisies, is present in the post-colonial society—the state in the post-colonial society is not the instrument of a single class. It is relatively autonomous and it mediates between the competing interests of the three propertied classes, namely, the metropolitan bourgeoisie, the indigenous bourgeoisie and the landed classes, while at the same time acting on behalf of them all to preserve the social order in which their interests are embedded, namely, the institution of private property and the capitalist mode as the dominant mode of production.¹⁶

In the post-colonial situation, the Indian bureaucracy also assumed an autonomous economic role euphemistically, to promote egalitarianism, to influence income distribution and to alleviate poverty. In fact, the bureaucracy appropriated a substantial part of the economic surplus and deployed it in bureaucratically directed economic activities ostensibly to promote economic development; in the process, it arrogated to itself the commanding heights of the economy to the exclusion of the Indian bourgeoisie. The output, of course, was woefully inadequate; there was a steady worsening of overall economic conditions for the poor juxtaposed with uncontrolled consumptionism for the rich and the burgeoning middle class. The inevitable happened—there was a serious depletion of foreign exchange resources and the state was driven, out of sheer necessity for consumption even on a quotidian basis, to seek financial assistance from international funding agencies.

The international funding agencies have,

of course, agreed to dole out largesse, but have made it contingent on the implementation of a programme for dismantling the bureaucratic stranglehold, the programme to be supervised by their resident representatives in India. More importantly, the agencies have insisted upon anointing the Indian bourgeoisie as the favoured agency for the country's development, and in the process have mounted an ideological offensive against any form of bureaucratically induced statism that in their minds, constitutes imperfections in hegemonising the bourgeoisie. This effectively creates the necessary conditions for the Indian bourgeoisie to establish its dominance in the social formation. Considering the emerging close linkages between these agencies and India, and given the performance of these agencies in managing economic development and guiding class formation in much of the third world,¹⁷ coupled with their institutional capability to do so, it is only a matter of time before the Indian bourgeoisie actually establishes its dominance in the social formation.¹⁸

There are two factors of contemporary significance that valorise the ongoing process of the Indian bourgeoisie establishing its dominance. First, there has been an overwhelming global consensus that for the economy to reach a higher growth path, the bourgeoisie should be hegemonised; any deviation by way of statism or bureaucratic intrusion would merely detract from this objective.¹⁹ Second, third world countries are vying with one another in welcoming MNC operations to their soil, the MNCs on their part, are attracted by the immense potential of the ever-expanding market outlets in these countries. The MNCs, however, have shown a marked preference for operating through the domestic bourgeoisie so that they could pursue their sole interest of profit-making without being distracted by political risks attendant on direct investment. To enable the domestic bourgeoisie to provide meaningful support in these joint ventures, the MNCs now have a vested interest in ensuring that this class is made dominant in the social formation.

Is this ascendant bourgeoisie a comprador one? If it is, its subordinate status would necessarily detract from its colonising the bureaucracy. It has now become fashionable to attribute the ascendancy of the Indian bourgeoisie to a patron-client relationship; the international funding agencies are viewed as omnipotent patrons that can metamorphose domestic bourgeoisies at will, while the Indian bourgeoisie is seen as a weak, dependent and subordinate client. It would be sheer naivete, however, to see the IMF and the World Bank as demurges, organising

singlehanded the process of hegemonisation of weak domestic bourgeoisies in errant capitalist countries of the third world: they should rather be seen as 'organic intellectuals' in their role in promoting and installing abroad a project for hegemonising the bourgeoisie on a global scale.⁴⁰ As Antonio Gramsci put it, "Every social group creates together with itself, organically, one or more strata of intellectuals which give it homogeneity and an awareness of its own functions not only in the economic but also in the social and political fields. The capitalist entrepreneur creates alongside himself the industrial technician, the specialist in political economy, the organisers of a new culture, of a new legal system, etc."⁴¹ The organic intellectuals provide the political, intellectual and moral leadership through which hegemony is established. With the IMF and the World Bank as organic intellectuals, the hegemony that is sought to be established is that of the bourgeoisie as a class; the project is to expand it economically, politically and ideologically to cover the entire globe.⁴²

The increasing number of joint ventures between the MNCs and the domestic bourgeoisie, with the MNCs taking the initiative, has given rise to an influential critique that also invokes the comprador argument, this critique tends to see the domestic bourgeoisie as weak and dependent vis-a-vis the MNCs. Such a characterisation of the ascendant Indian bourgeoisie as comprador to the transnational bourgeoisie is a mere mindless chanting of the *dependencia* mantra.⁴³ The new relational pattern that joins the Indian bourgeoisie to the transnational bourgeoisie can be more appropriately described as a mutuality; it is neither antagonistic nor comprador. The MNCs value their new-found relationship with the Indian bourgeoisie, because such a relationship gives them access to the Indian market for their merchandise and technologies without subjecting them to the political risks inherent in direct investment, and without their having to navigate the intractable realities of an unfriendly environment. The Indian bourgeoisie, on its part, gets access to technology and entry into the hallowed portals of international business. Thus, the relationship is beneficial to both, the dependence is mutual and equal; the mutuality is between partners, neither unequal nor hierarchical.

The Indian bourgeoisie is now in the process of emerging as the dominant class in the social formation. It will eventually found its own state and colonise the bureaucracy; the Indian bureaucracy will ultimately become an instrument of the Indian bourgeoisie. Such a process is gradual and incremental; even Lenin, perhaps the greatest protagonist of the instrumentalist view, who believed that a

socialist revolution would instantly demolish bureaucratic structures,⁴⁴ found to his disgust that bureaucracy can be subordinated only over a period of time. Addressing the Eighth Party Congress in 1919, Lenin said, "We have been hearing complaints about bureaucracy for a long time, the complaints are undoubtedly well-founded... Here we are suffering from the fact that Russia was not sufficiently developed as a capitalist country. Germany, apparently, will suffer less from this because her bureaucratic apparatus passed through an extensive school, which sucks people dry but compels them to work and not just wear out armchairs as happens in our offices."⁴⁵ Now that the Indian bourgeoisie is in the process of being dominant, the autonomy and power of the Indian bureaucracy will gradually wither away; the dissolution of the licence-permit raj was, perhaps, the beginning of the end.

Notes

- 1 Goran Therborn, *What Does the Ruling Class Do When It Rules?*, New Left Books, London, 1978.
- 2 Claus Offe, 'Political Authority and Class Structures - An Analysis of Late Capitalist Societies', *International Journal of Sociology*, 11, Spring 1972, pp 73-108. Also see 'The Theory of Capitalist State and the Problem of Policy Formulation' in Leon Lingberg, et al (eds), *Stress and Contradiction in Modern Capitalism*, Lexington, Mass, DC, Heath.
- 3 Erik Olin Wright, *Class, Crisis and the State*, Verso Edition, London, 1979.
- 4 David Held and Joel Krieger, 'Theories of the State: Some Competing Claims' in Stephen Bernstein, Held and Krieger (eds), *The State in Capitalist Europe*, Geo, Allen and Unwin, 1984, p 1.
- 5 Max Weber, *From Max Weber: Essays in Sociology*, Oxford University Press, New York, 1946, p 214.
- 6 Ibid, p 232.
- 7 Ibid, p 228.
- 8 Held and Krieger, op cit, pp 6-7.
- 9 Ibid, pp 7-8.
- 10 Erik Olin Wright, op cit, p 219.
- 11 T M Knox, *Hegel's Philosophy of Right*, Oxford, 1952.
- 12 Karl Marx, *Critique of Hegel's Philosophy of Right*, J O'Malley (ed), Cambridge University Press, 1971, pp 46-47.
- 13 Karl Marx and F Engels, *The Communist Manifesto*, International Publishers, New York, 1948.
- 14 V I Lenin, *State and Revolution*, International Publishers, New York, 1932, pp 9-10.
- 15 Paul Sweezy, *Theory of Capitalist Development: Principles of Marxian Political Economy*, Monthly Review Press, New York, 1942, p 234.
- 16 Ralph Miliband, *The State in Capitalist Society: An Analysis of the Western System of Power*, Basic Books, New York, 1969.
- 17 Karl Marx, 'The Eighteenth Brumaire of Louis Bonaparte' in D Fernback (ed),

Karl Marx: Surveys from Exile, Penguin, 1973.

- 18 Louis Althusser and Etienne Balibar, *Reading Capital*, New Left Books, London, 1970.
- 19 Nico Poulantzas, *Political Power and Social Classes*, New Left Books, London, 1973.
- 20 Ibid. For an exposition of the concept of relative autonomy and also its critique, see Haldun Gulap, 'Capital Accumulation, Classes and the Relative Autonomy of the State' in *Science and Society*, Fall 1987, pp 287-313.
- 21 Held and Krieger, op cit, p 4.
- 22 T Bamat, 'Relative State Autonomy and Capitalism in Brazil and Peru', *Insurgent Sociologist*, Spring 1977.
- 23 Anupam Sen, *The State, Industrialisation and Class Formations in India*, Routledge and Kegan Paul, London, 1982.
- 24 Hamza Alavi, 'The State in Post-Colonial Societies: Pakistan and Bangladesh', *New Left Review*, 74 (July-August), 1972, p 72.
- 25 Sen, op cit, p 217.
- 26 Karl Marx and F Engels, *The German Ideology*, C J Arthur (ed), International Publishers, 1976, p 80.
- 27 F Engels in 'The Constitutional Question in Germany', as quoted in Sen, op cit, p 215.
- 28 Sen, op cit, pp 14-15.
- 29 Karl Marx, *Capital*, Volume I, Vintage Books, New York, 1977, pp 877-926.
- 30 Ibid, p 878.
- 31 Sen, op cit, p 15.
- 32 Ibid, p 16.
- 33 Ibid, pp 19-32.
- 34 Ibid, pp 47-54.
- 35 Ibid, pp 131-36.
- 36 Alavi, op cit, pp 61-62.
- 37 Robert B Stauffer, 'The Philippines under Marcos. Failure of Transnational Developmentalism', TNC Research Project, University of Sydney, 1986, pp 172-73.
- 38 S K Das, 'Regulation of Labour Market', *The Economic Times*, Bangalore, February 20, 1990.
- 39 S K Das, 'Impact of Political Policies on Economic Performance', *The Hindu*, January 24, 1991.
- 40 S K Das, 'Leadership to Private Sector', *The Economic Times*, Bangalore, February 19, 1990.
- 41 Antonio Gramsci, *Selections from the Prison Notebooks of Antonio Gramsci*, International Publishers, New York, 1972, p 182.
- 42 S K Das, 'Leadership to Private Sector', op cit.
- 43 For a discussion on the comprador nature of the Latin American bourgeoisie, see Andre Gunder Frank, 'The Development of Underdevelopment' in Charles K Wilber (ed), *The Political Economy of Development and Underdevelopment*, Random House, New York, 1983, pp 99-108. Also see Fernando Henrique Cardoso, 'Dependency and Development in Latin America', *New Left Review*, 74 (July-August), pp 83-95. For a critique of the concept of comprador bourgeoisie, see David G Becker, 'Development, Democracy and Dependency in Latin America: A Post Imperialist View', *Third World Quarterly* 61: 2 (April 1984), pp 411-31.
- 44 Erik Olin Wright, op cit, p 219.
- 45 V I Lenin, *Collected Works*, Vol 29, Progress Publishers, Moscow, 1965, p 182.

TFRP in Manufacturing Industry

D U Sastry

THIS is a brief note with reference to the paper by P Balakrishna and K Pushpangadan (*EPW*, July 30, 1994) and the reaction to it by Isher Judge Ahluwalia (*EPW*, October 22, 1994).

The point raised by Isher Ahluwalia is whether double deflation is better than single deflation and whether reliable price indices for raw materials are available to deflate raw materials. On the first point Isher Ahluwalia agrees that double deflation procedure is better than single deflation. On the second point, she says she did not do double deflation as she did not find reliable data.

Ahluwalia observes that raw material prices have been rising faster than output prices in Indian industry during the 1970s and 1980s. In such a situation, will not single deflation method result in understating value added? This has obvious consequences for productivity growth. And therefore it is both necessary and desirable to go in for double deflation procedure in obtaining a real measure of output.

The second point is about non-availability of reliable data on price indices for raw materials. The wholesale price index numbers put out regularly by the office of the economic adviser, ministry of industry, government of India, report data on raw material prices as well as fuel prices both for the aggregate as well as for individual items within the group. From these it is possible to construct a weighted index for each individual industry. For instance, the price index for electricity, limestone and coal could be combined with relative weights and this index could be used for deflating raw materials consumed in cement industry. Similarly, for other industries, raw material price index can be constructed with more recent base 1981-82=100.

It is also possible to construct price index of raw materials for each industry from the Annual Survey of Industry volumes. ASI volumes present detailed data under the head Basic Raw Materials Consumed, on raw material inputs both in quantity and value terms. The only item for which only value figures are reported is the item 'Others' which is a negligible fraction of the total raw materials consumed. The construction of such an index for each industry is undoubtedly an enormous task both in terms of time and effort.

Isher Ahluwalia points out that raw material price deflator with 1973-74 weights derived from 1973-74 input-output table by Balakrishna and Pushpangadan is not quite

appropriate as it does not capture structural changes in the 1970s and 1980s. The point is valid. But Laspeyres Index with fixed weights, no matter what base you consider, cannot accommodate structural changes. This is the limitation of the Laspeyres Index. Structural change is a continuing phenomena because prices are changing, new commodities are emerging and technology is changing. This is especially so in the Indian context due to planning and more recently due to changing policy environment. Once this is recognised, the alternative open is to construct a chain index which incorporates such structural change. The effort involved in the construction of such a chain index is even more demanding in terms of data and time.

For these reasons most scholars resort to single deflation procedure. I myself have done this in my studies. More often than not, the point does not strike one until someone points it out. The argument that reliable data does not exist is simply not true. It is also important to remember that all deflation procedures, whether single or double, are at

best approximations, no matter how much meticulous care you take.

Two other points require special mention. There are a number of reasons to believe that ASI output data are somewhat understated. First, output is ex-factory net of taxes and duties. The scope for tax evasion exists due to seepage in output. How much of it escapes the tax net is anybody's guess. Second, while output is ex-factory, raw materials consumed are inclusive of taxes and duties. This would imply under-valuation of value added. Third, wholesale price index numbers used for deflation of output/value added include taxes and duties, while output is ex-factory. This also affects value added.

The second point relates to ASI coverage. ASI covers only the organised manufacturing sector. The small sector which produces about one-third of industry output is outside the scope of ASI. Inferences drawn using ASI data should at least qualify explicitly their limitation. Unfortunately, recent studies on productivity have generally overlooked this factor.

It is easy to brush aside comments. A smart reply is not always a correct reply. Scientific progress comes through intense debate, dissent and an open mind to understanding others. There is much to learn from one another.

Calculating the Fiscal Deficit

I S Gulati

BOTH M Subbarao (*EPW*, August 27, 1994) and R J Mody (*EPW*, September 17, 1994) have offered very insightful comments on my note (*EPW*, May 21, 1994) on calculating the fiscal deficit. Subbarao takes the view that given the way the government has chosen to define the fiscal deficit, namely, as: [Total expenditure (revenue and capital)] minus [Total revenue receipts + non-debt creating capital receipts], there is little room for ambiguity as "the formula provides automatically for netting out recoveries of past loans from fresh loans advanced during the year, just as it provides for netting out disinvestment proceeds from fresh investment in public enterprises". Not only is there no ambiguity about the treatment of public sector disinvestment proceeds, according to Subbarao, but also there is "nothing particularly wrong in taking credit for these proceeds in determining the fiscal deficit as long as the fiscal deficit itself is used with the caution that it warrants".

The concern addressed in my note, I may clarify, was not with regard to the departure

made by government from standard usage in defining the fiscal deficit for its purposes, but with the questions and doubts the definition thus adopted raised, particularly with respect to the treatment of the proceeds from public sector disinvestment. It will be useful to recall in this context that no objection was raised to the government definition on grounds of ambiguity. What my note was really trying to examine was the extent to which the doubts raised by critics with respect to netting the fiscal deficit for public sector disinvestment proceeds were valid and came to the conclusion that

...from the point of consistency, if recoveries of loans are allowed to be set off against total government expenditure, there should not be any objection to treating sales realisations of public sector equity similarly.

Having said that, my note went on to raise a question about the implications, for purposes of policy analysis, of netting the fiscal deficit for certain types of capital receipts, which the government described as non-debt creating. The net amount realised

from these non-debt creating receipts, it was argued in my note,

would legitimately be considered in the nature of government receipt that should be taken to raise and not reduce the fiscal deficit because such receipt itself takes on the nature of borrowing in the sense that the amount thus received, like other amounts the government borrows, goes towards the financing of current government expenditure

The point being made here is not so much about whether the so-called fiscal deficit is higher as a consequence but about the nature of government receipts that finance its expenditure. Basically, I believe, from the point of view of macro-economic management, it is how government expenditure is financed that is important. When Subbarao refers to the 'critical importance' of the method of financing the fiscal deficit because "it influences the macro-economy in ways more diverse than can be captured by its aggregate value or the terms of its financing" or when Mody refers to the objectives of stabilisation, I think our concerns are very much the same

I am attracted to Mody's suggestion that the fiscal deficit be defined in terms of the net increase in the government's financial liability rather than in the way the government has chosen to define it – not so much because it accommodates my "argument for treating both the terms (i.e., recoveries of loans and public sector disinvestment) in the same manner" as because, as Mody ably demonstrates, it is a concept relevant "if economic stabilisation is the goal of fiscal policy". In the current Indian context, however, I too like Mody, feel that "the good old concept" of deficit finance in the sense of budget deficit is "more relevant" and "quite sound as compared to the newly imported concept" of fiscal deficit

Also, I fully agree with Mody when he observes that we need not take a particular definition of deficit as sacrosanct. A concept has to be useful for the purpose it is meant to subserve. Mody and I are evidently agreed on the usefulness of the budget deficit as a concept in the formulation and implementation of macro-economic stabilisation policy

One should instead see the phenomenon in terms of social transition. A situation where specific forms of feudalism have been destroyed without agrarian surplus acquiring a dynamic of self-reproduction and thereby overthrowing or subsuming all pre-capitalist relations that bind the tiller to the soil. What we see in the green revolution areas can hardly be described as large-scale profit-maximising farmers at one end and formally free agricultural proletariat at the other end of the scale, so to speak.

What characterises Indian agriculture instead is a welter of production relations with the common thread of various degrees of unfree labour by marginalised and landless peasantry. For, even in the green revolution areas of Andhra Pradesh, formal cash payment is not wages in return for definite labour time but payment in return for unspecified services and labour time. This is often compounded by usury and bondage of varying intensity depending upon the peculiarities of local custom and alternative sources of livelihood to the producer. To see a class of 'capitalist landlords' in this is to fall victim to the vulgarised and mechanistic understanding of academics who see in Indian agriculture 'patches of capitalism' surrounding a vast hinterland of feudalism.

Extrapolating from this and describing NTR's campaign as anti-feudal rhetoric amounts to imposing a priori concepts on reality. In fact, NTR's rhetoric is thoroughly feudal. Witness his emotive appeal to the pride of his 'Telugu kin' with himself as their benign patriarch, the invoking of the battles of Palanadu in Guntur or Bobbili in Vizianagaram districts or his much-publicised subsidised rice scheme as a personal largesse to his 'Telugu' constituency

As for the abolition of the village officer system, one can justifiably ask whether purely administrative reforms would in themselves constitute abolition of a certain mode of production. Surely, the author with his sense of history, is aware of the administrative reforms undertaken by the Nizam's state under the administration of Salar Jung or Aravamudan Ayyangar, or of the reality of the Telengana armed struggle being the strongest in the Warangal and Nalgonda subhas which were ryotwari areas.

What NTR has performed is a purely administrative reform striking at the base of the Congress Party's structure of support and patronage systematically built up over the decades and broadening the base of the state by incorporating new sections of landed/propertied classes

That the emergence of these new sections and their articulate representatives in civil society has led to a social ferment in Andhra society is a heartening fact, but ultimately class is as class does.

Caste and Politics in Andhra Pradesh

K Narendra Mohan

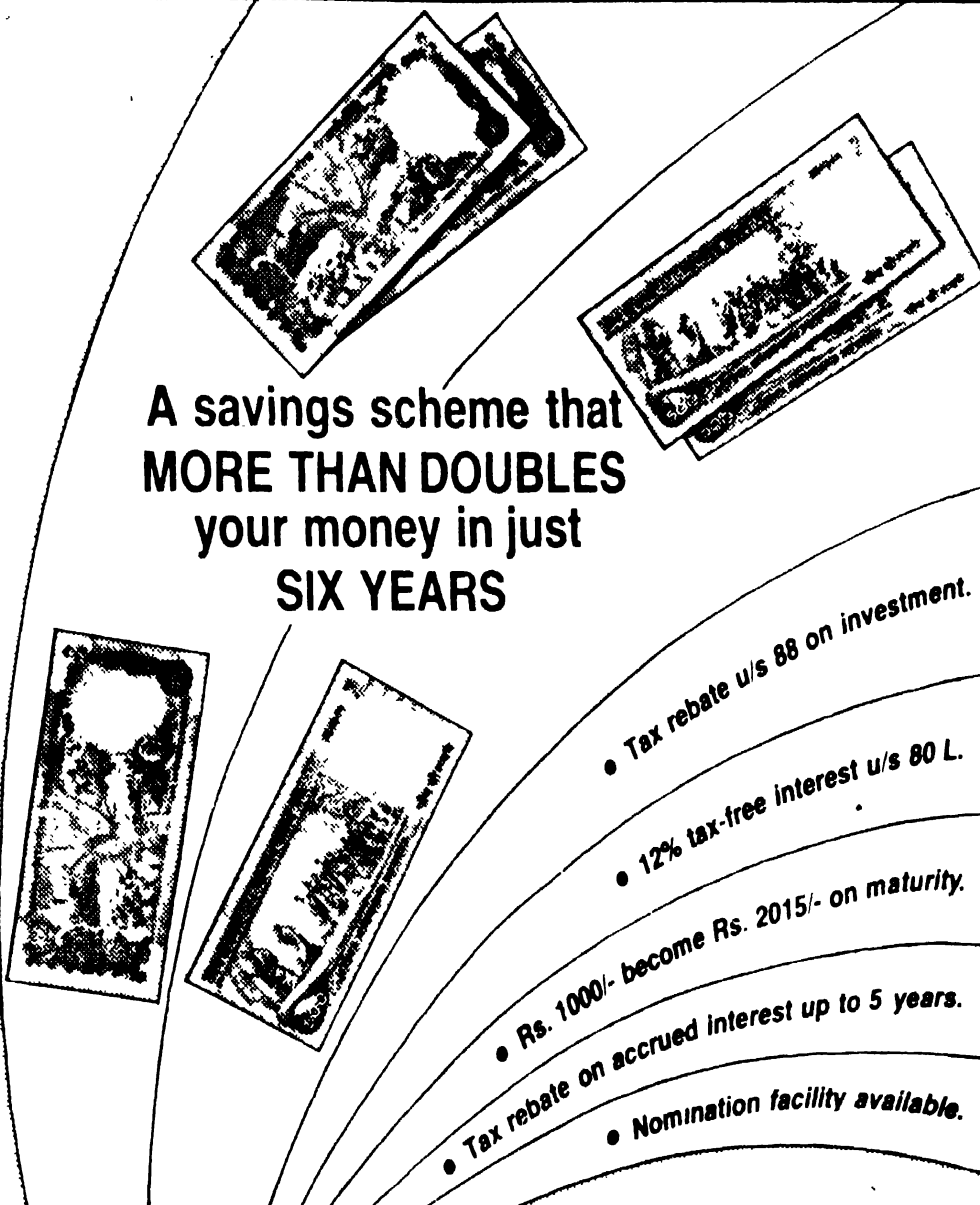
K SRINIVASULU's article 'BSP and Caste Politics' (EPW, October 1, 1994) occupies an uneasy middle ground between Marxism and the politics of identity and will in all likelihood be sniped at from both sides. While it would seem the wisdom of hindsight to comment upon the performance of the Bahujan Samaj Party in the assembly election in November-December 1994, one cannot leave unexamined the questions raised in the article both about our understanding of the mode of production and the possible identification of certain castes with a particular mode of production – in the present case, the supposed confrontation of the 'feudal' reddy of Telengana by the 'capitalist' kammis of coastal Andhra.

Karamchedu is not a tobacco-growing (and at the same time a green revolution) village, but a canal-irrigated and predominantly paddy-growing coastal Andhra village. Tobacco cultivation in coastal Andhra is nearly a century old and far predates the green revolution.

Coming to more debatable questions, one cannot leave unchallenged the theoretical assumption behind the observation "if one were to imagine them [caste riots] to be symptomatic of pre-capitalist social relations (for, in the received paradigm of understanding, caste riots are taken to be characteristic of a backward

feudal social milieu like Bihar), it must be pointed out that these riots, pre-planned and meticulously executed had occurred in the advanced green revolution areas of coastal Andhra". Or what is stated in as many words in a later paragraph: "The rich peasant and 'capitalist landlord' class-caste that emerged in the fertile coastal Andhra region over a period of time and crystallised into a *nouveau riche* stratum with multiple economic interests in cinema production and distribution, agro-industry and the tertiary sector (in social terms predominantly belonging to the kamma caste) but denied access to the corridors of power during the three decades of Congress rule found in NTR a general who could rally the masses in the electoral battlefield and further the political interests of this class."

Implicit here is the conception of agrarian capitalism in terms of the tractor-tubewell-HYV-canal irrigation paradigm that has informed much of the mode of production debate and which is put forth with unfailing regularity by the peasant organisations of the CPI and CPI(M). To see green revolution areas, with their relatively more developed productive forces, infrastructure and output for a market of sorts, as representing capitalism in agriculture, is a perversion of the CPI(ML) position on semi-feudalism.



A savings scheme that
MORE THAN DOUBLES
your money in just
SIX YEARS

• Tax rebate u/s 88 on investment.

• 12% tax-free interest u/s 80 L.

• Rs. 1000/- become Rs. 2015/- on maturity.

• Tax rebate on accrued interest up to 5 years.

• Nomination facility available.



SIX YEARS
NATIONAL SAVINGS CERTIFICATES
8th ISSUE

DIRECTORATE OF SMALL SAVINGS, GOVERNMENT OF MAHARASHTRA

For your precious little girl.



Raj Lakshmi

UNIT PLAN
For her better tomorrow

FEATURES:

- An open-ended Plan
- Minimum investment of Rs 1500 and in multiples of Rs 500 thereafter. No upper limit
- Any individual, state govt., central govt., trust, society, corporate body can invest for a girl child up to 5 years of age
- Investment of Rs 1500 made at birth of child may become Rs 21,000 in 20 years. Quantum of growth depends on age at entry
- Date of maturity will be calculated from the date of acceptance of the application
- Bonus dividend, if declared periodically, will be payable on maturity.



UNIT TRUST OF INDIA

All investments in mutual funds and securities are subject to market risks and the NAV of schemes may go up or down depending upon the factors and forces affecting securities market. Past performance is not necessarily indicative of future results. Raj Lakshmi is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or returns. There can be no assurance that the plans objectives will be achieved. Please read the offer document before investing.

ECONOMIC AND POLITICAL

WEEKLY

Sameeksha Trust Publication

Rs 15.00

Vol XXX No 3

January 21, 1991

- **LIBERALISATION, UNEMPLOYMENT
AND CAPITAL REFORM**
- **DALIT PROTEST LITERATURE
IN TELUGU**
- **KARNATAKA: FARMERS' MOVEMENT
IN A DILEMMA**
- **SECURITY OF THE SOUTH IN
EMERGING INTERNATIONAL
SYSTEM**
- **ANDHRA ELECTIONS: WHAT
HAPPENED AND WHAT DID NOT**
- **TRANSPORTATION, ENERGY
AND ENVIRONMENT**
- **PANCHAYAT RAJ AND INDIA'S
TWO SOCIETIES**
- **ASSAULT ON THIRD WORLD
HEALTH CARE**



PRISM CEMENT LTD.

Registered Office: 305, Laxmi Nivas Apartments, Ameerpet, Hyderabad 500 016 Tel: 319135

Corporate Office: Vikas Centre, 106, S. V. Road, Santacruz (W) Bombay 400 054 Tel: 6100176/77 Fax: 6100179

TWO SIMULTANEOUS BUT UNLINKED PUBLIC ISSUES OF 7,87,60,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT PAR AGGREGATING RS. 78,76,00,000
37,00,000 13.5% SECURED REDEEMABLE PARTLY CONVERTIBLE DEBENTURES OF RS. 250/- EACH FOR CASH AT PAR AGGREGATING RS. 92,50,00,000.

HIGHLIGHTS OF THE ISSUES

1. Project to set up 2 million tonnes per annum cement plant in Satna district of Madhya Pradesh
2. Company promoted by Mr. Rajan Raheja (a real estate developer having interests in several industries) Hathway Investments Pvt. Ltd., F. L. Smidth & Co. A/S, Denmark (FLS) and the Industrialisation Fund for Developing Countries, Denmark. Technology and core machines from internationally well known and renowned FLS Group together with performance guarantees and on-going technical support.
3. International Finance Corporation, Washington has sanctioned a Term Loan of U.S. \$30 million (approx. Rs. 94.5 crores) and participation in Equity of Rs. 15.75 crores. The Industrial Credit and Investment Corporation of India Ltd. has sanctioned a Term Loan of Rs. 80 crores and Underwriting of Rs. 20 crores.
4. The Company has made arrangements for buy back of Non-Convertible portion of debentures (KHOKHA) with Unit Trust of India (UTI) and Housing Development Finance Corporation (HDFC). The cost of the Equity Shares to allottees who opt for this facility would be Rs. 12.20 per share.
5. Easy Liquidity: Listing at the Ahmedabad, Bombay, Delhi and Hyderabad Stock Exchanges.

RISK FACTORS

A Internal to the Company

1. The project is capital intensive and any delay in implementation of the project resulting into overrun would adversely affect the cost of the project. However, as on date, the Company does not foresee any delay in the implementation of the project.
2. The Company has spent about Rs. 32 crores on the project as on December 10, 1994 and as such, the project is in the early stages of implementation.
3. The Company has yet to tie up working capital requirements with banks.

B External to the Company

1. The profitability of the Company will be affected by any change in Government policy in respect of excise duty rates, administered prices for raw materials and in case of foreign currency loans to the extent of exchange rate variations.
2. Demand for cement and its price realisation is influenced, amongst others, by excise duty on cement and economic growth of the country. Any adverse changes in these may affect the Company's profitability.

3. The project envisages borrowings in foreign exchange to the extent of US\$ 30m i.e. Rs. 94.5 crores approximately. Any adverse exchange rate variation will have a bearing on the entire cost of the project and profitability.

4. Investors may note that listing on the stock exchanges does not necessarily ensure liquidity.

MANAGEMENT'S PERCEPTION OF RISK FACTORS

- A.1 The project team is well experienced in setting up cement projects in the country. Moreover, a contingency provision of Rs. 59.07 crores in the cost of the project has been made which in the opinion of the management is adequate to meet cost overrun, if any.
- A.2 The Company has already firmed up orders for about 85% of plant and machinery thus reducing the possibilities of cost overrun.
- A.3 The Bankers to the Company have agreed to provide the necessary working capital at an appropriate time.
- B.3 The foreign exchange component comprises about 17% of the project cost. The project cost, therefore, will not be substantially affected by exchange rate fluctuations, if any.

Credit Rating

CRISIL has assigned a rating of "BBB-" (pronounced "Triple B plus") to the issue of the Debentures being offered through the Prospectus. The "BBB-" rating indicates sufficient safety with regard to timely payment of interest and principal, however, changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal than for Debentures in the higher rated categories.

Ceiling on Application

Resident Indian Public may note that an application can be made for a maximum of 15,00,000 shares and/or 2,00,000 Debentures.

If the Company does not receive the minimum subscription of 90% of the issue amount of either Equity Shares or Debentures, including development or underwriters, within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription received in respect of either the Equity Shares or the Debentures as the case may be. For any delay beyond 78 days in refund of subscription, the Company shall pay interest as per Section 3 of the Act.

Terms of allotment will be finalised in consultation with the Regional Stock Exchange at Hyderabad. In the event the issues being oversubscribed more than 100%, the representative of SEBI will also be associated in the allotment process.

**ISSUES
OPEN
ON 31st
JANUARY, 1995**

LEAD MANAGERS TO THE ISSUE

ICICI Securities and Finance Company Ltd.
169, Backbay Reclamation
Bombay 400 020
Tel: 2837060/1/2
Fax: 2046582

SBI Capital Markets Ltd.
202, Maker Towers, E
Cuffe Parade
Bombay 400 005
Tel: 2189166/2182883
Fax: 91 22 2180196

D S P Financial Consultants Ltd.
Tulsiani Chambers
212, Backbay Reclamation
Bombay 400 021
Tel: 2845275/211411
Fax: 022 2048518

Kotak Mahindra Finance Ltd.
5 C, 1, Mitha Court
224, Nariman Point
Bombay 400 021
Tel: 2029933/2844550
Fax: (91) 22 2027391

REGISTRARS TO THE ISSUE

Karvy Consultants Ltd.
6-1-88/2, Sarifabad
Hyderabad 500 004
Tel: 242208/242209
Tlx: 0425 4769 KCPL IN
Fax: 230014 236602

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Will It Last?	127
Gujarat: Factions to the Fore - CPI(M): Note of Dissent - South Africa: Restitu- tion, Not Redistribution	128
Current Statistics	130
In the Capital Market	132
Companies	133
Commentary	
Andhra Elections. What Happened and What Did Not Happen —K Balagopal	136
Karnataka: Raitha Sangha's Political Dilemma —Kripa A P	140
A Modest 'Giant' —Nirmal Sengupta	142
Security of the South in Emerging International System —Amit Gupta	143
Perspectives	
Turning Health into an Investment Assaults on Third World Health Care —David Werner	147
Review Article	
Panchayat Raj and India's Two Societies —T V Sathyamurthy	152
Special Articles	
Liberalisation, Unemployment and Capital Reform —Ranjit Sau	157
Transportation, Energy and Environment: Case Study of Bangalore —B Sudhakara Reddy	161
Dalit Protest Literature in Telugu: A Historical Perspective —A Satyanarayana	171
Discussion	
Redefining Irrigation Potential. Don't Damn the CV Alone —S M Vidwans	176
Letters to Editor	126

ECONOMIC AND POLITICAL WEEKLY

Hitkari House

284 Shahid Bhagatsingh Road, Bombay 400 001

Phones 261 6072/73 Grams Econweekly

FAX: (022) 261 6073

Editor

Krishna Raj

Senior Assistant Editor Padma Prakash

Editorial Staff Cleatus Antony, Prabha Pillai

Gautam Navlakha (Delhi)

Circulation A S Shetty, B S Sharma

Advertisement Manager M K Ansari

Manager K Vijayakumar

EPW RESEARCH FOUNDATION

C 212, Akurli Industrial Estate, Kandivli (East)

Bombay 400 101 Phones 887 3038/3041

FAX: (022) 887 3038

Director

S L Shetty

Vol XXX No 3

January 21, 1995

Liberalisation and Asset Distribution

Given the presence of a large number of assetless poor in a country as an initial condition, a competitive equilibrium will have a sizeable volume of involuntary unemployment consisting mostly of these very poor people. In other words, liberalisation, which essentially means introduction of market competition, cannot resolve the unemployment problem so long as sharp inequality in asset distribution persists. Having started with radical land reforms, east Asia's situation in this regard was radically different from that of south Asia and Latin America today. 157

Paying for Privatisation

Too often high-level health and development planners get so absorbed in macro issues of health economics that they lose sight of the micro issues. Little research has been done to examine the extent to which the money poor families spend on health care affects their nutritional status and thereby their health and survival, particularly of women and children. Yet these questions are crucial in the context of the west's current assault on health care in the third world in the name of privatisation and cost recovery. 147

Sharing Power

Of India's 'two societies', one is poised to receive marginal benefits from the broadening of the institutional base of power that is being promoted under the two amendments to the Constitution on the subject of decentralisation and elected self-governing local authorities, while the other is left to fend for itself under regional, national and international conditions more hostile than ever before experienced in the country's post-colonial history. 152

Transport and Environment

Urban transportation in India is dominated by road transport. Study of passenger transport by vehicle type and energy intensity in a large city throws interesting light on the relation between transportation and energy consumption and the environmental impact. 161

Mocking 'Populism'

The Telugu Desam Party's cheap rice scheme has undoubtedly attracted the people. The question of fiscal profligacy cannot be divorced from the larger question of how and on what basis the nation's resources are being shared out. Under neither the bureaucrat-politician nexus nor the laws of the capitalist jungle do the weak have any place and so they are bound to seek protective measures from the government on pain of voting it out. Contemptuous attitudes towards 'populism' have to be judged in this light. 136

Irrigation Potential

A large amount of data is now available for completed irrigation projects on annual and seasonal rainfall in the catchment, run-off and discharge, and the volume of water in the reservoir every year, classified by different types of catchment. Redefining the irrigation potential of projects on the basis of these data instead of sticking to old, almost ancient, formulae should engage the attention of irrigation engineers. 176

Farmers and Politics

One of the most surprising outcomes of the Karnataka assembly elections was the dismal performance of the Karnataka Rajya Raitha Sangha, the powerful organisation of farmers. The reason for this lies in the Sangha's very approach to electoral politics. 140

Dalit Literature

While there was no literary genre distinctively known as 'dalit literature' in Telugu in the pre-independence period, the agony and anger of the dalit masses were reflected in the writings of dalit intellectuals. 171

Securing the South

The west now seems to view the south as a threat which needs to be militarily and politically countered. How can the countries of the south enhance their external security in this emerging international system? 143

Rooted

Despite his national and international stature, Malcolm Adiseshiah, who passed away in Madras in last November, retained a very local identity. 142

LETTERS TO EDITOR

Dark Corners

THE Bangla bandh on December 22 was more or less a standardised specimen of the by now patented brand, but distinguished from others only by some of its bizarre qualities. Called by the state Congress (I) to condemn the murder of Ramzan Ali, a Forward Bloc MLA, in the MLAs' Hostel in Calcutta, the bandh was pointedly opposed by the Forward Bloc itself, along with, of course, the Left Front spokespersons.

Captioned in a leading Calcutta daily 'A ghastly end to a nefarious character', the story of this crime is very bewildering. Convalescing after an eye operation, Ali was strangled at midnight of December 20-21 in his bed at the MLAs' Hostel in the presence of his (second) wife and another woman, a former Gorkha League MLA. About two hours after the crime, the two women who claim to have been gagged and tied up by the assassins managed to set themselves free and ring up someone at another room in the same hostel through the intercom. Finally, the police was brought in after nearly two hours.

There are many intriguing elements in the reported account of the crime which will tax the credulity of any person. A high level investigating team has been set up at Jyoti Basu's intervention. This affair, however, sheds a lurid light on the moral sensibilities of a leading Left Front party and by extension of the leader of the Left Front, CPI(M). From all account Ramzan Ali was not exactly a man of sterling character. He was accused of involvement in many shady deals, including the siphoning of Rs 1.66 crore of funds from a co-operative bank. This charge is now under CBI investigation. Earlier, he was one of the accused in a murder case in his district. By now, owner of considerable property, Ali was reported to have been involved in smuggling with Bangladesh across the border. Yet, apart from being an FB MLA, he was also the president of his party's kisan organisation in the state. Reported to have been one of the main financiers of his party, he was seen to be close to the FB minister in charge of co-operatives in the Left Front government.

Certainly the Congress (I) did not cover itself with glory by seeking to paralyse the state on account of what is likely to be revealed as a sordid but private drama. The popular participation in the bandh was absolutely passive and partial and induced partly by considerations of personal safety and partly by opportunistic consideration of an unearned leave.

Solution of the murder mystery apart, Forward Bloc and the leading Left party CPI(M) surely owe the public an explanation as to how such a shady character could have

sneaked into a Left party and prospered under its protective wings so far. This is particularly relevant as the Left Front is in the front rank of the fight for probity in public life in parliament.

A READER

Calcutta

Hunger, Scarcity and Policy

FOR the past seven years we have organised a major conference, the Hunger Research Briefing and Exchange, in collaboration with Interaction, the American Council for Voluntary International Action. The eighth annual briefing will be held on April 5-7, 1995 at Brown University in Providence, Rhode Island.

The 1995 briefing focuses on the interplay of resource and policy factors that link vulnerability to hunger and capacities for sustained development in people's lives. Hunger usually is linked to resource scarcity, but are key intervening variables population growth or policy failure? In view of changing relationships of people to land, and peoples to states, how can government, intergovernment, and non-government (including community, field-based, and academic) programmes collaborate to make overcoming hunger part of the broader sustainable developmental goals of economic growth, positive political change, environmental protection, public health, and education?

Key topics to be addressed in the briefing include: the conflicting regarding the impact of economic liberalisation and GATT on food security; the politics of protecting the vulnerable in failed states; control of land and water resources by hungry populations; community involvement in nutrition improve-

ment and child health; household perspectives on agricultural productivity and food security; hunger in development education, and changing hunger scenarios in the US.

The briefing will offer an extensive exhibit of books and other publications and will be held in conjunction with the annual awards ceremony for the Alan Shawn Feinstein World Hunger Awards. More than 175 individuals from government and academic institutions and private voluntary organisations around the world typically attend the briefing.

ELLEN MESSER
DIRECTOR

World Hunger Programme,
Brown University,
Providence, Rhode Island,
USA.

Press in India

THE article 'Foreign Print Media Incarnating as Indian Fourth Estate?' by V R Krishna Iyer (December 3, 1994) is an enlightening exposition of the developments likely to be detrimental to the independence of India due to the entry of the foreign print media. His assertion that there are possibilities of abuse of the freedom of the Press and the domination will be difficult to repudiate. At the same time one is amazed that the writer has ignored of the lamentable monopoly of a few families in the realm of journalism. These have engaged writers of a community to be editors of their dailies and weeklies whose partiality for and identification with corrupt political leaders and eagerness to take refuge in the 'cult of silence' are well known.

T M GNANAPRAGASAM

Madurai

Revised Subscription Rates

Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years (in rupees)
Institutions	-	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	-	325	-	900
Students	-	225	-	-

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign
Air Mail
(in US \$)

	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe,				
Japan, New Zealand,				
Australia & Russia	150	100	90	65
All other countries	100	70	70	50

All remittances to Economic and Political Weekly

Will It Last?

THECSO's index of industrial production (base: 1980-81=100) has risen impressively since the beginning of the current fiscal year. In the April-June quarter, the index rose by 7.3 per cent over the corresponding quarter of 1993-94 and in the July-September quarter by 8.8 per cent, thus yielding an industrial growth rate of 8.1 per cent in the first half of 1994-95 against 3.4 per cent in the first half of 1993-94 and 4.2 per cent in the second half. The index for the manufacturing sector rose by 8.8 per cent in April-September 1994 against 2.4 per cent in the comparable period of 1993-94. The use-based classification of industries shows an interesting pattern of growth. While the basic goods and intermediate goods groups have experienced a deceleration from 7.1 per cent and 10.8 per cent in the first half of 1993-94 to 4.3 per cent and 4.6 per cent, respectively, in the first half of 1994-95, the growth of the capital goods sector has picked up from -10 per cent to 23 per cent. There has been some improvement in the growth of the consumer goods group from 2.6 per cent to 6.4 per cent. Within the consumer goods group, while the growth of the consumer durables sub-group has continued to be high at 10.4 per cent it has decelerated somewhat from the 12.9 per cent achieved in the first half of 1993-94. Interestingly, the consumer non-durables group seems to be coming out of its long spell of low growth and has grown by 5.5 per cent compared to 0.4 per cent in the same period last year.

While spokespersons of industry and government have been exuding confidence that industrial growth will soon touch 10 to 12 per cent per annum, the nature of the growth so far does not suggest that such optimism is well-founded. In a number of industries, the recent growth has been in the nature of what may be termed 'replacement' growth after three consecutive years of decline in output. In fact, the output index for these industries is still well below that in 1990-91, four years ago. For instance, in the case of the capital goods industries group, the average index in 1990-91 was 291.7 whereas that in the first half of 1994-95 was only 277.6. Further, the overall growth rate has been raised above 8 per cent as a result of the very sharp rise in a few industries. The 32.1 per cent growth in the group 'electrical machinery, apparatus and appliances' and 16.8 per cent growth in 'transport equipment and parts' have been largely responsible for the rise in the aggregate index in April-September 1994. Within these groups, there have been striking increases of nearly 60 per cent in commercial vehicles, 17 per cent in passenger cars, 25 per cent in two-wheelers and 54 per cent in three-wheelers. Increases ranging from 20 to 50 per cent have occurred in refrigerators, cement machinery, lifts, power distribution transformers and textile and chemical machinery. However, in all of them, the level of output this year is still below that four years back. Except chemicals and chemical products and synthetic fibres, no other major industry

can be said to have grown in a sustained manner over the past three or four years.

The jump in output in particular industries is attributable to special circumstances. In the case of commercial vehicles, for instance, improved agricultural output in 1994-95, sizeable defence purchases, the railways' continued poor performance and induced demand from easy availability of bank credit have contributed to the sharp rise in output. Larger expansion of non-food credit (Rs 25,583 crore over the past 12 months against Rs 9,628 crore in the preceding 12 months) also contributed to the rise in demand for passenger cars and other consumer durables. For the capital goods sector, a sizeable contribution has come from the expansion in the output of commercial vehicles, though amongst the machinery items some like textile machinery, cement machinery, machine tools, construction equipment and some items of power equipment (power semi-conductors, turbines and electric generators) have also shown sizeable increases. With substantial backward and forward linkages with agricultural output, many items of intermediate and consumer goods have got an immediate impetus. In some agriculture-based industries, increase in exports too may have contributed to higher output.

The country has experienced seven good agricultural years, but investment in agriculture has been sluggish. The system of rural credit, which provided some impetus to agricultural growth in the 1970s and 1980s, is in disarray. The buoyancy in the overall availability of commercial bank credit, which originated in the sizeable capital inflow from abroad, may not also continue. Some strain in liquidity in the banking system is already in evidence and the consumer durables group has apparently begun to feel the pinch. The monetarist approach of the authorities is likely to induce them to restrain credit expansion by operating on interest rates. In any case, the persistent high rate of inflation will also erode purchasing power with the middle classes, thus affecting the demand for industrial goods and undermining domestic saving.

Industrial growth, if it is to be sustained, has to be supported above all by growth of investment in the economy. In this respect the available indicators are hardly encouraging. At the aggregate level, gross domestic investment has at best stagnated in the past few years. It touched a peak of 27 per cent of GDP at current prices in 1989-90 and thereafter fell to 25 per cent in 1991-92 and a little over 24 per cent in 1992-93 and 1993-94. Taking into account the likely picture of domestic saving and inflow of foreign capital, it is unlikely that domestic investment will exceed 25 to 25.5 per cent of GDP in the current year. Among the different components of investment, reports suggest that while investment in residential construction has picked up, that in factory construction and machinery and equipment has not.

Studies at the micro level confirm the above prognoses. Projections of corporate investment by the Reserve Bank of India on the basis of costs of projects sanctioned by the term-financing institutions suggest that the rate of growth of total capital expenditure in real terms has declined from 18.5 per cent in 1992-93 to 14.5 per cent in 1993-94 and further to 10 per cent in 1994-95. Similarly, a CMIE survey of 3,000 industrial investment projects on hand involving a total investment of Rs 7,76,444 crore shows a sharp rise in fresh investment intentions (45.7 per cent) but very slow growth in projects actually being implemented (4.4 per cent). The RBI study shows concentration of new project proposals in chemicals and petrochemicals (32.7 per cent) and metals and metal products (18.4 per cent). CMIE data show that power plants accounted for about 75 per cent of the increase in investment proposals between the end of 1993 and 1994. The CMIE survey has also brought out that a large number of projects have been stalled for one reason or the other, if they have not been abandoned outright. A frequent reason cited is the new competition that industry is facing from imports. This is particularly true of chemicals and petrochemicals, where reduction of customs duties has rendered projects unviable. A few steel projects have similarly been put on the shelf after the recent reduction in import duty on sponge iron and finished steel. Investment in the power sector has suffered for three major reasons: virtual stoppage of new investment by central government enterprises such as NTPC and NHPC, transfer of several projects earlier proposed by SEBs to the private sector with consequent delays and cost overruns and entanglement of the new power policy in controversies over high capital costs and non-transparent agreements for power purchase by SEBs based on assured returns and guarantees and counter-guarantees offered by the government to foreign investors.

Finally, under the present policy framework it is unlikely that export of manufactures will provide much momentum to industrial growth. Among the lessons to be learnt from the experience of industrialisation of the south-east Asian countries are that the state has to play an active role in industrial restructuring with clear priorities and that export growth will not be sustained unless it is knowledge- and capital-intensive, which in turn requires a dynamic technology transfer and absorption policy and also a policy for import substitution. The government's stance in these respects leaves much to be desired and the effects on industrial growth will be apparent even in the medium term of the next five years or so.

GUJARAT Factions to the Fore

WITH no third force in sight, the Congress and the BJP will be the main claimants for power in the coming assembly elections in Gujarat. But given the turn of events in the last year there is much to make both the parties circumspect about the eventual poll outcome.

The last assembly which came into being in 1990 went through notable shifts in power alignments. The late Chimanbhai Patel who formed the Janata Dal(JD) government with outside support of the BJP continued to remain in power even after the withdrawal of BJP support in the wake of the rath yatra. Chimanbhai Patel could achieve this feat by shrewdly delinking 67 out of the 70 JD legislators and constituting a Janata Dal (Gujarat) government with the help of Congress support. Later, JD(G) merged with the Congress in June 1992, taking the tally of the ruling party to 99 in an assembly of 182 seats.

Though officially merged, the factional divide between JD(G) and the Congress persisted. The upper caste countenance of the former hardly found favour with the latter which prided itself on its successful KHAM strategy of the 80s. The sudden demise of Chimanbhai Patel in February last year, a year before the scheduled assembly elections, created a leadership crisis. It took two months for the central leadership to ultimately sideline Urmilaben Patel, the widow of Chimanbhai Patel, and Prabodh Rawal, the chief of the state Congress unit, and opt for Chhabildas Mehta, the state finance minister, as the new chief minister. Thereafter, Madhavsingh Solanki, the chief architect of the KHAM strategy, attempted a comeback by first launching a campaign against Prabodh Rawal in May and then organising a convention at Bhavnagar in November demanding the purge of corrupt and criminal JD(G) elements from the Congress. The intention was clear: to get a larger say in the allocation of tickets for the coming assembly election. But Solanki's adventurism has backfired. The nomination of Ishwarsingh Chavda, father-in-law of Solanki, as the president of the Kaira district Congress resulted in an immediate retaliation from the JD(G) camp in the form of resignations (later withdrawn) of three ministers and six MLAs. And now the ticket distribution for the assembly elections next month shows that the JD(G) group has been able to corner 75 nominations compared to the Solanki faction which has got a paltry 10 seats. As a result, in spite of Prabodh Rawal's claim that almost all the rebel nominations have withdrawn, reports suggest that a large number of rebel Congress candidates remain in the fray.

But the BJP is not in a position to draw much comfort from the Congress infighting. Since June last year, out of the 10 states due to go to the polls, the BJP has been particularly hopeful about Gujarat. It had won 67 seats in the last assembly elections and 21 out of the

25 Lok Sabha seats. Further, the Congress rout in the assembly elections in Andhra and Karnataka had made the party particularly optimistic regarding the civic polls in Gujarat in December. Out of the 54 municipalities and nagar panchayats for which elections were held, BJP contested 50 while the Congress decided to play safe by contesting only 25 and supporting independents in the remaining. In the event the BJP performance was unimpressive. Though it improved upon its previous position by gaining control of 14 civic bodies, the achievement was far below its expectations. The party won 607 out of the 1,443 seats it contested and suffered major setbacks in its strongholds of Kutch, Saurashtra and north Gujarat. The debacle brought the simmering tensions within the state BJP to the fore. Shankersinh Waghela, MP, and Kashiram Rana, the state unit chief, blamed Keshubhai Patel, the leader of the opposition, and Narendra Modi, the RSS strongman, for sidelining long-standing party workers and favouring candidates with a RSS background. The internal bickering has resulted in sprouting of rebel candidates all over the state for the assembly elections.

Thus both the Congress and the BJP are plagued by similar problems. Yet till now Gujarat has never been a fertile terrain for a third force to emerge. On both the occasions when such a development did occur – Kisan Mazdoor Lok Paksha in 1975 and JD(G) in 1990 – it was Chimanbhai Patel who achieved the feat, on the basis of the cohesive patidar lobby. Kanshiram's attacks on Gandhi have alienated the Gujarati populace from the Bahujan Samaj Party (BSP). Though the BSP won 12 seats in the recent civic polls, all of them are from predominantly Muslim areas. This indicates that the Muslims in the state desire a new political formation, but given the pathetic condition of the state JD and the rawness of SP-BSP, in this election at least they will have to suffer their agony in silence. In fact muslims, dalits and backward castes constitute 76 per cent of the state's population. But the anti-reservation riots which snowballed into anti-Muslim riots in the 80s have driven a wedge between them and made an alliance of these forces difficult. The biggest gamer of this communalisation has been the BJP which has made significant inroads among the SCs, STs and OBCs. This development has forced the state Congress to rely on the patidar community. Thus with KHAM marginalised, only a united show by its various factions on the lines of Madhya Pradesh can assure the Congress of success.

CPI(M)

Note of Dissent

A correspondent writes:

THE veteran CPI(M) leader Nripen Chakravarty has become the centre of an embarrassing controversy for his party. Some days ago in the course of informal

talks with some local journalists from his hospital bed in Calcutta, he denounced in very sharp language the anti-working class policies of the West Bengal Left Front government and deplored the stink of corruption in the ranks of the state CPI(M). This naturally found its way into newspapers. Not only was he immediately removed from the easily accessible ward to the inaccessible cardiac ward, Jyoti Basu publicly declared that Chakravarty had been retired because of his old age from the politburo of the party. Indeed, even though Chakravarty soon thereafter left the hospital, he did not participate in the PB and CC meetings then in session in the city, although he was still here.

Soon afterwards, Chakravarty went back to his normal residence at Agartala in Tripura and is reported to be well enough to resume his normal life. He has not, however, repudiated or retracted his reported statements. In the meantime, on January 8, UNI circulated a message from New Delhi about the CPI(M)'s denial that he had been removed or retired from his party positions. This is understandable. Although there are historical instances of arbitrary removal of members from party positions or even their suspension and expulsion, the principles of communist party organisation do not permit such steps without giving the concerned person an opportunity to be heard. Violation of this principle has occurred and can occur only in underground conditions of party functioning which is not the case today.

Even if Nripen Chakravarty has not been removed from PB/CC by the leadership, the fact remains that by his public outburst against the leading unit of the party and, by implication, its most important leader today, Nripen Chakravarty has violated the normal party code. Whether the party proceeds against him remains to be seen. If it does, then it may lead to even more embarrassment to the party leadership. The old war horse that he is, Chakravarty may decide to gird up his loins for a battle royal, more so since truth, and absolute truth, is on his side.

SOUTH AFRICA

Restitution, Not Redistribution

LAND reform has begun in earnest for the settlement of people who were forcibly removed and a legislative framework has been set out to address land disputes arising from apartheid, in the form of the Land Claims Commission and the Land Claims Court. This is about the only specific legislative measure that president Nelson Mandela referred to in his new year-eve address, indicating not merely the government's and, even more, the ANC's sense of achievement over the passing of the measure but also of the high expectations raised. In the perception of the ANC, as spelt out in the report of the land affairs ministry

appended to the ANC secretary-general's report to the 49th national conference at Bloemfontein last month, the passing of the Restitution of Land Rights Bill by parliament on November 8 last year was a notable contribution in the resolving of "the crucial issue of land reform in a sensible, practical and democratic manner".

The legislation however provides only for the restitution of land rights, and is directly concerned with the undoing of the various apartheid laws, beginning with the Native Lands Act, 1913, and all the subsequent legislations that followed from it, by which the share of land of the black people constituting over 85 per cent of the population (75 per cent if one limits the concept of 'black' to Africans) was restricted to a mere 13 per cent of the total area of the country - the arcademarcated as the erstwhile 'homelands' - as well as the Group Areas Act of 1950 by which millions of people were forcibly removed from lands on which they had lived for generations. The generally agreed estimate is that around 3.5 million people were forced out of their lands subsequent to the Group Areas Act alone, apart from the many more millions relocated in the so-called homelands even if only notionally.

The proposed process of restitution applies to the 'dispossessed communities', a description that is applicable to those forcibly removed under the provisions of the Group Areas Act, the so-called apartheid removals. In the words of the land affairs ministry report, "the Bill [now an Act] makes provision for the restitution of right to land to persons or communities dispossessed of such a right under or for the purpose of furthering the objectives of racially discriminatory laws". But the fact is that black loss of land predated the apartheid laws - a point made not merely by the Pan Africanist Congress of Azania (PAC) but also by the Contralesa (Congress of Traditional Leaders of South Africa), the pro-ANC organisation of 'traditional leaders' whose annual general meeting last month recommended that the retrospective date for the restoration of lost land should be April 6, 1652, the day on which the first Europeans landed on the Cape coast. It was on the ground that the legislation provided only for restitution of land and not for its redistribution that the PAC opposed the bill when it was introduced in parliament.

The ANC does recognise the problem and proposes to tackle what it calls the "legacy of racially skewed land distribution" by redistribution which is to be "principally effected through state-assisted processes on the one hand and through market mechanisms on the other". State-assisted land acquisition is to include the allocation of state-owned land, directed at those in need of land for residential settlements and for agricultural purposes. The reconstruction and development programme (RDP) too calls for redistribution of 30 per cent of agricultural land over the next five years; and the land

affairs ministry has budgeted rand 316 million (approximately Rs 300 crore) for land reform pilot projects in selected districts of the nine provinces.

The problem however is that the official figures of available state-owned land (about 2,50,000 hectares) will hardly meet the requirements, let alone the expectations, of the landless. Quite simply, the problem cannot even be touched without affecting the powerful 'farmer' lobby, comprising almost solely of prosperous white 'farmers' whose organisation, the South African Agricultural Union (SAAU) made its clout felt by securing significant modifications in the Restitution of Land Rights Bill at the time of its introduction.

The proposed 'market route' to effect land redistribution is acknowledged in the ANC document itself as being limited by legislative, administrative and financial constraints. In the words of the document: "Part of the land reform programme tried to ensure that people are able to buy land on the open market. However, there are financial constraints: a rural finance enquiry has been established as a presidential commission. There are also legislative and administrative constraints, notably the sub-division of agricultural land tax."

**National Institute of Science
Technology & Development Studies
Dr.K.S.Krishnan Marg, New Delhi-12**

RECENT PUBLICATION

Science in Society: Some Perspectives". Edited by Prof. Yash Pal Ashok Jain and Subodh Mahanti. *Gyan Publishing House, New Delhi, 1994, Rs.400.00, pages xvii+405.*

The book containing twenty three articles views science as an integral part of social activity and not as an alienated sub-culture.

A distinctive contribution of the book lies in bringing together distinguished specialists from areas as diverse as physics, earth science, philosophy, economics, law, information science, science policy, agriculture and modern biology.

The themes covered by the book are Science and Spirituality; Excellence, Equity and Information Need in Science Education; Science Peace and Social Development; Challenge and Excitement in Science; Intellectual Property Rights; and Alternative Paradigms of Development.

Orders may be placed with either the publisher or NISTADS

CURRENT STATISTICS

EPW Research Foundation

1994 has ended with a 10 per cent inflation rate, a 20 per cent rise in M_3 and a 25.7 per cent expansion in reserve money. Scheduled commercial banks' deposits rose by 19.2 per cent (Rs 57,856 crore), advances by 18.1 per cent (Rs 28,659 crore) and investments by 26.3 per cent (Rs 31,685 crore). With around 3 per cent and 6 per cent increases in income originating in agriculture and industry respectively, GDP growth is estimated at about 5.2 per cent in 1994-95. Capital market activities have declined since September 1994. Foreign exchange reserves (other than gold) have been depleted by about \$ 770 million in the past two months.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Dec 31, 1994	Variation (Per Cent): Point-to-Point									
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	
				Latest	Previous	1994-95	1993-94					
All Commodities	100.0	277.1	0.4	10.0	8.5	7.3	8.1	10.8	7.0	13.6	12.1	
Primary Articles	32.3	286.6	1.1	12.4	7.4	10.7	9.8	11.5	3.0	15.3	17.1	
Food Articles	17.4	316.8	0.3	11.7	4.1	13.0	5.7	4.4	5.4	20.9	18.9	
Non-Food Articles	10.1	301.8	2.3	15.3	11.3	7.7	16.7	24.9	-1.4	8.1	19.3	
Fuel, Power, Light and Lubricants	10.7	281.4	0.4	5.3	13.8	1.2	8.7	13.1	15.2	13.2	14.4	
Manufactured Products	57.0	271.0	0.1	9.5	8.2	6.6	7.0	9.9	7.9	12.6	8.9	
Food Products	10.1	267.5	-0.4	8.9	9.4	6.1	9.5	12.3	6.8	10.2	13.2	
Food Index (computed)	27.5	298.7	0.1	10.7	5.9	10.6	6.9	7.0	5.8	17.1	16.9	
All Commodities (Average Basis) (April-December 31, 1994)	100.0	271.1	-	10.3	7.7	10.5	7.8	8.3	10.1	13.7	10.3	
Cost of Living Indices	Latest Month		Variation (Per Cent): Point-to-Point									
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	
				Latest	Previous	1994-95	1993-94					
Industrial Workers (1982=100)	289 ¹⁰		0.3	10.3	7.4	8.2	7.8	9.9	6.1	13.9	13.6	
Urban Non-Man Emp (1984-85=100)	238 ^v		0.8	9.7	6.4	7.2	5.9	-	6.8	13.6	13.4	
Agri Lab (July 60 to June 61=100)	1285 ¹¹		1.6	11.2	6.5	9.4	9.8	11.6	0.7	21.9	16.6	
Money and Banking (Rs crore)	Dec 23, 1994		Variation									
			Over Month	Fiscal Year So Far				1993-94	1992-93	1991-92		
				1994-95	1993-94							
Money Supply (M ₃)	494795		2295 (0.5)	61229 (14.1)	45434 (12.4)			66741 (18.2)	49344 (15.5)	51653 (19.4)		
Currency with Public	94825		2399 (2.5)	12627 (15.4)	9986 (14.6)			13925 (20.4)	7175 (11.7)	8050 (15.2)		
Deposits with Banks	396386		465 (0.1)	47546 (13.6)	35135 (11.8)			51601 (17.4)	41741 (16.3)	43392 (20.5)		
Net Bank Credit to Govt Sector	215794		900 (0.4)	12008 (5.9)	21255 (12.1)			27548 (15.6)	17975 (11.4)	18070 (12.9)		
Bank Credit to Comm'l Sector	262092		5540 (2.1)	24889 (10.5)	9148 (4.2)			17068 (7.8)	32141 (17.1)	16225 (9.4)		
Net Foreign Exchange Assets	70103		-1744 (-2.5)	16376 (30.5)	9773 (39.2)			28775 (15.3)	3726 (17.6)	10645 (100.6)		
Reserve Money	154326		-1597 (-1.0)	15704 (11.3)	16018 (14.5)			27843 (25.1)	11274 (11.3)	11726 (12.4)		
Net RBI Credit to Centre	91249		-3274 (-3.6)	-5534 (-5.6)	8237 (8.5)			263 (0.3)	4257 (4.6)	5904 (6.7)		
Scheduled Commercial Banks												
Deposits	358475		-57 (0.0)	43343 (13.8)	32047 (11.9)			46560 (17.3)	37814 (16.4)	38216 (19.8)		
Advances	187166		5248 (2.8)	22748 (13.8)	6525 (4.3)			12436 (8.2)	26390 (21.0)	9291 (8.0)		
Non-Food Advances	173734		5130 (3.0)	20223 (13.2)	2760 (1.9)			8272 (5.7)	24317 (20.1)	9127 (8.2)		
Investments	152243		3811 (2.5)	19720 (14.9)	14902 (14.1)			26867 (25.4)	15460 (17.1)	15131 (20.2)		
Index Numbers of Industrial Production (1980-81=100)	Weights	Aug 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages							
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	
General Index	100.0	233.1	227.8 (7.4)	212.2 (3.4)	3.0	2.3	0.5	8.4	8.6	8.7	7.3	
Mining and Quarrying	11.5	220.2	213.4 (3.9)	205.3 (3.0)	2.5	0.5	0.9	4.5	6.3	7.9	3.8	
Manufacturing	77.1	224.2	219.3 (8.1)	202.9 (2.3)	2.2	2.1	3.0	9.1	8.6	8.7	7.9	
Electricity	11.4	305.9	300.1 (6.6)	281.6 (9.3)	7.3	5.1	8.5	7.8	10.8	9.5	7.7	
National Accounts (Rs crore)	1994-95 (Proj)	1993-94 (Adv Est)	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88				
GDP at factor cost:												
1980-81 prices	242290(5.2)	230424(3.8)	222089(4.1)	213590(1.1)	211260(4.9)	201453(6.9)	188642(10.7)	170322(4.3)				
Current prices	816580(15.7)	705775(12.4)	627913(13.8)	551552(16.0)	475604(16.4)	408661(15.9)	352703(19.6)	294851(13.4)				
Per capita GNP at factor cost:												
1980-81 prices	2636(3.5)	2547(2.1)	2495(2.3)	2438(-1.4)	2473(2.6)	2410(4.7)	2301(7.8)	2134(1.9)				
Current prices	8887(13.8)	7811(10.5)	7070(12.0)	6310(13.1)	5579(13.8)	4902(13.3)	4326(16.6)	3709(10.7)				
Foreign Trade	Nov 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91					
		1994-95	1993-94									
Exports: Rs crore	6657	50012 (15.2)	43405 (31.3)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)					
US \$ mn	2121	15941 (15.2)	13840 (19.5)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)					
Imports: Rs crore	7495	55227 (22.5)	45075 (7.6)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)					
US \$ mn	2388	17603 (22.5)	14372 (-2.2)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)					
Non-POL US \$ mn	1832	13908 (32.2)	10524 (-2.9)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)					
Balance of Trade: Rs crore	-838	-5214	-1669	-3259	-9687	-3809	-10640					
US \$ mn	-214	-1662	-532	-1039	-3345	-1545	-5930					
Foreign Exchange Reserves (excluding gold)	Jan 6, 1995	Jan 7, 1994	Mar 31, 1994	Variation Over								
				Month Ago	Year Ago	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	
						1994-95	1993-94					
Rs crore	60474.4	30591.7	47626.0	-373.3	29882.7	12848.4	9753.0	27430	5385	10223	-1383	
US \$ mn	19230.0	9751.0	15176.0	-73.0	9479.0	4054.0	3109.0	8724	731	3383	-1137	

Capital Market

Share Price Index	Jan 20, 1995	Month Ago	Year 1994	1994-95 So Far		1993-94		End of Fiscal Year			
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92	1990-91
BSE sensitive index (1978-79=100)	3601 (-4.1)	3927	3753 (48.2)	3600	4604	2037	4286	3779 (65.7)	2282 (-46.8)	4285 (266.9)	1168 (49.6)
National index (1983-84=100)	1740 (-6.7)	1864	1802 (56.2)	1765	2176	934	2055	1830 (79.2)	1021 (-48.1)	1968 (234.1)	589 (39.9)
BSE-200 (1989-90 = 100)	411 (-13.5)	443	475 (57.3)	433	526	224	507	450 (92.3)	234 (60.0)	585 (267.9)	159 (-)
Dollex (1989-90 = 100)	218 (-13.5)	235	252 (31.3)	230	281	119	269	239 (91.2)	125 (-66.8)	376 (178.5)	135 (-)

P/E Ratio (Month Average)	Dec 94	Nov 94	Dec 93	Quarter Ending				End of Fiscal Year			
				Sep 94	Jun 94	Mar 94	Dec 94	Sep 93	Mar 94	Mar 93	Mar 92
BSE sensitive index	34.7	37.4	39.7	45.8	51.9	46.8	39.7	36.9	46.8	29.3	44.3
National index	38.6	40.9	39.8	47.6	51.2	46.9	39.8	33.7	46.9	27.1	41.9

BSE Turnover (Rs. crore)	Dec 94	Nov 94	Dec 93	Cumulative for		Quarter Ending		Full Fiscal Year			
				1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Specified shares	680	1026	8176	11417	46627	62213	33207	54610	28863	25212	17357
Non-specified shares	3569	4010	1927	37907	10927	22324	12489	17168	7149	4173	3206
Total	4249	5036	10103	49324	57554	84537	45696	71778	36012	29386	20563
Average daily turnover	249.9	296.3	1010.3	322.4	364.3	387.8	238.0	332.2	188.5	134.8	97.5
No of working days	17	17	10	153	158	218	192	216	191	218	211

Market Capitalisation (Last working day) (Rs crore)	Nov 94	Oct 94	Nov 93	Quarter Ending				End of Fiscal Year			
				Sept 94	June 94	Mar 94	Dec 93	Sept 93	Mar 94	Mar 93	Mar 92
BSE listed companies	401692 (50.6)	415881	266738 (42.6)	416966 (4.8)	398044 (15.6)	344462 (12.9)	305000 (36.4)	223549 (21.6)	344462 (81.9)	189405 (-38.1)	305987 (-)
100 National index-based scrips	166068 (38.5)	170052	119893 (46.7)	169646 (7.0)	158586 (8.5)	146176 (16.2)	125795 (26.0)	99868 (30.2)	146176 (100.0)	73075 (-34.8)	112041 (-)

Capital Issues Launched	Nov 94	Oct 94	Nov 93	Cumulative for		Quarter Ending		Full Fiscal Year			
				1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Amount (Rs crore)	1443	1629	2130	9561	13984	1748	980	1531	4375	4568	540
Number of issues	94	103	120	897	637	148	97	138	86	96	40

Investment by Foreign Institutional Investors (FIIs) in Secondary and Primary Markets (for each month)

Month (1994)	No of Regd FIIs (Cumulative)	Gross Purchases		Gross Sales		Net Investment		Cumulative Net Investment @ US \$ mn
		Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	
Prior to Jan 1994								777.8*
January	136	1288.6	415.7	54.0	17.4	1234.6	398.3	1176.1
February	145	904.6	291.8	144.0	46.5	760.7	245.4	1421.5
March	158	762.4	245.9	203.5	65.6	558.9	180.3	1601.8
April	166	705.4	227.5	198.8	64.1	506.6	163.4	1765.2
May	191	962.5	310.5	160.4	51.7	802.1	258.7	2023.9
June	199	1029.1	332.0	274.2	88.5	754.9	243.5	2348.0
July	217	423.4	136.6	170.5	55.0	252.9	81.6	2449.4
August	222	539.5	174.0	178.1	57.5	361.4	116.6	2566.0
September	229	647.4	208.8	201.8	65.1	445.6	143.7	2717.3
October	241	610.8	194.7	265.8	84.7	345.0	111.3	2827.1
November	259	308.1	98.2	274.2	87.4	33.9	10.9	3012.6
December	259	363.7	115.9	316.2	100.8	47.5	15.3	3027.9

@ Inclusive of late reporting which is not incorporated in the monthly flows * RBI has placed it at \$ 829 million

Industrial Production

	Weight	Nov 94	Variation Over		Cumulative for Fiscal Year So Far		End of Fiscal Year	
			Month	Year	1994-95	1993-94	1993-94	1992-93
All commercial vehicles	1.37	15332	-1497(-8.9)	3136(25.7)	118730(58.6)	74843(-4.1)	141436(10.0)	128580(-14.2)
Medium and heavy commercial vehicles		8161	-250(-3.0)	1832(28.9)	59807(92.2)	31122(-32.2)	65975(-13.2)	7605(-)
Light commercial vehicles		7171	-1247(-14.8)	1304(22.2)	58923(34.8)	43721(36.1)	75461(43.7)	52529(-)
Cars	0.14	19586	3888(24.8)	1471(8.1)	153841(17.1)	131320(32.8)	209695(28.6)	163100(-0.9)
Jeeps	0.29	4845	1234(34.2)	532(23.3)	27678(-4.4)	28948(13.3)	49896(27.0)	39276(42.9)
All two-wheelers	0.38	169411	-20649(-10.9)	33052(24.2)	1375470(25.5)	1095784(14.2)	1756155(17.0)	1500541(-6.7)
Scooters and mopeds	0.19	121080	-13818(-10.2)	16850(16.2)	979929(19.5)	819814(14.4)	1302200(16.1)	1121145(-4.6)
Motorcycles	0.18	48331	-6826(-12.4)	16202(50.4)	395541(43.3)	275970(13.5)	461955(21.8)	379396(-12.1)
Three-wheelers	0.03	9327	-2877(-23.6)	1809(24.1)	79273(53.7)	51585(20.5)	91608(40.6)	65166(-14.5)

Jindal Vijayanagar Steel

PROMOTED by JISCO and associated companies belonging to the Jindal organisation and the Karnataka State Industrial Investment and Development Corporation (KSIIDC), the company is setting up an integrated steel plant with a capacity of 1.25 million tons per annum of hot rolled coils at Torangallu in Bellary district of Karnataka, which has rich iron ore reserves having iron ore content up to 67 per cent. The company plans to use the COREX process which it proposes to procure from Voest Alpine Industrieanlagenbau (VAL), Austria. VAL is to provide the company technical details for the site work and performance guarantee in respect of productivity, coal consumption, top gas generation and calorific value of top gas. The process is non-polluting and generates insignificant quantity of effluents, fumes and dust as compared to the conventional steel-making process and hence is environment-friendly. The company proposes to sell its products through the established marketing network of the group. The project has been appraised by ICICI and the cost is estimated at Rs 3,300 crore. To part finance the project the company is entering the capital market with simultaneous but unlinked public issues of 13.5 crore equity shares of Rs 10 each at par and partly convertible debentures (PCDs) of Rs 40 each. The convertible Part A of Rs 20 of each debenture will be converted into two equity shares at par on allotment. The non-convertible Part B of Rs 20 is to carry 14 per cent interest payable half yearly and will be redeemed at par in four equal instalment at the end of the 6th, 7th, 8th and 9th years after allotment. The issue, slated to open on February 10, is being lead managed by ICICI Securities and Finance, Creditcapital Finance Corporation, IDBI, PNB Capital Services, SBI Capital Markets and Jardine Fleming India Securities.

CRB Capital Markets

Promoted by CRB Group, CRB Capital Markets has established itself as a front ranking finance company in the country providing a whole range of financial services from conception to completion. The company is registered as NBFC with the RBI and has been engaged in leasing

and hire purchase since its inception. The company is registered with SEBI as a Category-I merchant banker and a member of OTCEI. It has the top position among private merchant bankers in the country. The merchant banking division undertakes issue management, promoter's funding, loan syndication, etc. The other activities of the company are corporate financing, equity research and analysis and investment banking, sponsoring of mutual funds, OTCEI, fixed deposit mobilisation, security trading and capital market operation, consumer finance, international finance and NRI services and portfolio management. The company wants to increase its capital base for expanding leasing and hire purchase for investments in joint venture projects and for enlarging its existing branch/franchise network and setting up new branches and franchises abroad. These business plans have been appraised by Indian Overseas Bank and the cost is estimated at Rs 424 crore. To part finance this the company is entering the capital market with a public issue of 86.75 lakh equity share of Rs 10 each at a premium of Rs 90 per share aggregating Rs 86.75 crore. The issue, which is slated to open

on January 31, is being lead managed by Indian Overseas Bank and IFCI.

Rajdoot Paints

Rajdoot Paints, engaged in the manufacture of paints, has a wide range of products which have their application in domestic and industrial uses. The products are marketed under the brand name Rajdoot, Spred and Yak. The company is entering the capital market on January 31 with a public issue of 30 lakh equity shares of Rs 10 each at a premium of Rs 65 per share aggregating Rs 22.50 lakh. The stake of the promoters and associates in the post-issue equity will be 62.5 per cent. The company has been promoted by people who have decades of experience in the field and does not propose to undertake any new manufacturing activity. Therefore no gestation period is involved. One of the main purposes of the issue is to augment long-term resources for working capital requirements. The company proposes to install some machinery for improving its product quality and reducing process loss. The issue is to be lead managed by Allianz Capital and Management Services and ITC Classic Finance.

Call for Papers

Indian School of Social Sciences, Calcutta, 66 Acharya Prafulla Road, Calcutta-700009 will organise, in Calcutta, a 3-day Seminar on "Globalisation and its impact on India" in the 4th week of March 1995. Papers are invited from Social Scientists on economic, social and cultural aspects of Globalisation which should be sent before 11th March 1995.

SEARLE (INDIA)

Improved Performance

SEARLE INDIA, the pharma-cum-pesticides firm, has done well in 1993-94 after having suffered a decline in its margins the previous year. Net sales were Rs 103.25 crore (5 per cent rise), operating profit Rs 14.53 crore (up by 21 per cent) and net profits rose by 32 per cent (from Rs 4.41 crore to Rs 5.83 crore). The results were helped by increase in other income by Rs 1.23 crore and decline in interest charges and depreciation by 4 per cent. The dividend was raised by 8 per cent to 28 per cent. Debt-equity ratio has fluctuated at 39 per cent in 1991-92, 44 per cent in 1992-93 and 9 per cent in 1993-94. Sales to total assets and sales to gross fixed assets ratios have steadily increased over the past three years. Remuneration to employers has been fluctuating at 35 per cent in 1991-92, 37 per cent in 1992-93 and 34 per cent in 1993-94.

Searle India has two divisions, agrochemicals and pharmaceuticals. The agrochemical division accounts for 55 per cent of turnover and the larger part of profits. The company's fenvalerate is a market leader and is its largest selling product. It accounts for nearly 55 per cent of the agrochemical division's turnover. Searle's chloropyrifos (an insecticide-cum-ovicide) is also a market leader and has achieved this status in a short span of two years. The company has also introduced a wide range of other products like monocrotophos, cypermethrin, butachlor and dimethoate.

The pharmaceutical division was for some time a marginal player in the market since the company was diversifying itself into agrochemicals. But in 1993-94 the company's bulk drugs fared well with sales doubling. Lomofen, an anti-diarrhoeal, is a leading product. The company plans to launch a number of pharmaceutical products in the next two years and has been looking for suitable foreign collaborations.

The company invested Rs 79 lakh in R and D in the year, 25 per cent more than in the previous year.

KESAR ENTERPRISES

Fruits of Expansion

Kesar Enterprises has done well with net sales at Rs 94.55 crore in 1993-94. Operating profit (Rs 17.95 crore) went up by 19 per cent, while net profit more than doubled from Rs 2.11 crore to Rs 4.56 crore, despite Rs 35 lakh being paid as taxes (nil), increase in depreciation and interest charges by Rs 28 lakh and Rs 15 lakh. There was an increase

in other income of 18 per cent. Non-operating profit was Rs 6 lakh compared to a loss of Rs 20 lakh in the previous year. Exports fell further by Rs 7.33 crore (59 per cent) after an 18 per cent decline in the previous year. Imports were also down to Rs 7 crore against Rs 18 crore in the previous year. A 30 per cent dividend was declared for the year. Debt-equity ratio fluctuated at 73 per cent in 1991-92, 110 per cent in 1992-93 and 34 per cent in 1993-94. The sales to total assets and sales to gross fixed assets ratios have grown steadily in the past three years. Remuneration to employers has been steady at 26-27 per cent in the past two years.

The expansion and modernisation programmes started by the company a few years ago have begun to yield results. The sugar division's plants ran at a crushing rate of more than 4,500 TCD and the crushing capacity is expected to rise to 4,800 TCD in the coming season. Production in the distillery division declined from 108.68 kilo litres to 88.51 kilo litres. The problem of contamination forced closure of the plant for some time. The problem has been overcome. Production and distribution of country liquor has been satisfactory. The working of the ENA plant was stabilised and the product was found to be of good quality and the market is said to have accepted it. Since the demand for hiring tanks has been steadily growing, the DTC division has undertaken an expansion project at Kandla port at an estimated cost of Rs 15 crore which, when fully implemented, would double capacity. The project is to be completed by May this year.

Indian alcohol prices having gone up, the company now finds it unfeasible to export alcohol. The UP government continues to control 65 per cent of molasses production including its price, and 35 per cent is available for the free market sale. Due to this there was a shortage and prices shot up.

Kesar Marble and Granite is a wholly-owned subsidiary and incurred a loss in its first full working year. This was largely due to difficulty in procuring raw materials.

The company spent Rs 11 lakh on R and D. The R and D department has been involved in projects relating to by-products of the sugar factory, alcohol and methods of improving methane generation.

MADHUSUDAN INDUSTRIES

Rise in Profit

Madhusudan Industries manufactures vanaspati, refined oils, sanitary ware and glazed tiles and has done well in 1993-94. Net sales went up by 3 per cent, operating profit by 7 per cent and net profit by 91

per cent (from Rs 2.45 crore to Rs 4.68 crore). A 72 per cent growth in other income and increase in non-operating surplus from Rs 22 lakh to Rs 104 lakh, nil taxation and an 8 per cent decrease in depreciation and 17 per cent fall in interest charges all helped to keep margins high. An enhanced 30 per cent dividend was announced for the year. Exports were down by 21 per cent while imports increased by 23 per cent. Though the sales to gross fixed assets ratio declined by 76 percentage points over the past three years, it was still high at 298 per cent in 1993-94. Sales to total assets ratio declined by 35 percentage points over the past three years. The debt-equity ratio fluctuated at 57 per cent in 1991-92, 159 per cent in 1992-93 and 47 per cent in 1993-94. Raw materials consumed to value of production has remained steady at 65 per cent.

The recession in the oil industry coupled with the emergence of new vanaspati manufacturing units enjoying sales tax relief have adversely affected the competitive position of the company in Rajasthan and Maharashtra. Despite this the company has been doing well and production increased by 4.5 per cent and capacity utilisation was higher than the industry average. Excess capacity in the solvent extraction industry squeezed the company's margins. Frequent power interruption increased processing cost and lowered production in the solvent plant at Nimbahera. To overcome the problem, the company has installed a DG set.

Production of sanitary ware and ceramic tiles was lower by 530 mt and 978 mt respectively. This is attributed to labour unrest and disruption in gas supplies. The modernisation and expansion programme in the sanitary ware unit was completed in December 1994, raising capacity to 16,000 mt per annum. The company installed screen printing machines in the tiles unit during the year.

The company is diversifying into the energy sector by setting up a wind farm for generating 5 mw for captive consumption at a cost of Rs 20 crore in two phases. For the first phase the Indian Renewable Energy Development Agency has sanctioned a term loan of Rs 708.5 lakh. Allotment of land from the Gujarat Energy Development Agency is awaited.

The company has been undertaking R and D activities in development of new products with new designs as well as the development of new body and glaze for the ceramic division. The company is in the process of developing its refractories to improve the quality of the plaster of paris.

The Week's Companies

(Rs lakh)

Financial Indicators	Searle (India)		Kesar Enterprises		Madhusudan Industries		Supreme Industries		CEMINDIA	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	June 1994	June 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	10325	9794	9435	6955	11947	11580	22191	17660	10435	5634
2 Value of production	10523	10274	9045	8023	11854	11805	22874	17931	10435	5634
3 Other Income	371	248	520	438	155	90	362	147	64	40
4 Total income	10894	10522	9565	8461	12009	11895	23236	18078	10499	5674
5 Raw materials/stores and spares consumed	4938	4434	5044	4325	8968	8989	14310	11830	4077	1796
6 Other manufacturing expenses	1603	2290	1179	1294	903	904	1262	1098	780	500
7 Remuneration to employees	776	723	640	531	479	451	652	571	789	634
8 Other expenses	2124	1875	907	813	869	813	2910	1570	3954	2301
9 Operating profit	1453	1200	1795	1498	790	738	4102	3009	899	443
10 Interest	287	302	874	859	261	315	2070	1596	76	66
11 Gross profit	1158	899	927	619	633	445	2122	1524	825	380
12 Depreciation	165	172	436	408	165	180	1000	711	106	79
13 Profit before tax	993	727	491	211	468	265	1121	813	719	301
14 Tax provision	410	286	35	0	0	20	0	0	380	150
15 Profit after tax	583	441	456	211	468	245	1121	813	339	151
16 Dividends	219	157	174	91	138	82	395	278	51	46
17 Retained profit	364	284	282	120	330	163	726	535	288	105
Liabilities/assets										
18 Paid-up capital	782	782	634	360	462	305	956	695	128	128
19 Reserves and surplus	2797	2433	1890	1108	2462	1271	8493	5394	1067	1021
20 Long term loans	912	788	878	1624	1382	2514	13098	4474	0	0
21 Short term loans	265	720	3117	3318	587	399	2714	5463	0	98
22 Of which bank borrowings	218	723	2226	2711	363	230	1381	1398	0	98
23 Gross fixed assets	2527	2343	6153	5130	4003	3260	17842	13593	2056	1854
24 Accumulated depreciation	1268	1126	2596	2164	1430	1272	5163	3727	882	781
25 Inventories	2414	2182	3631	4031	1356	1440	3774	1890	935	865
26 Total assets/liabilities	6205	6057	9379	8718	5887	5464	31807	20794	6096	3676
Miscellaneous items										
27 Excise duty	603	426	557	482	676	919	3009	1633	0	0
28 Gross value added	2229	1933	2432	1957	1421	1217	4786	3774	1804	1144
29 Total foreign exchange income	970	1507	499	1235	791	1010	1017	554	0	0
30 Total foreign exchange outgo	893	810	21	22	190	148	6636	3288	203	55
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	166.4	161.7	100.6	79.8	202.9	211.9	69.8	84.9	171.2	153.3
32 Sales to total net assets (%)	217.1	207.4	144.7	108.5	244.2	258.0	87.8	110.2	873.2	451.8
33 Gross value added to gross fixed assets (%)	88.2	82.5	39.5	38.1	35.5	37.3	26.8	27.8	87.7	61.7
34 Return on investment (gross profit to total assets) (%)	18.7	14.8	9.9	7.1	10.8	8.1	6.7	7.3	13.5	10.3
35 Gross profit to sales (gross margin) (%)	11.2	9.2	9.8	8.9	5.3	3.8	9.6	8.6	7.9	6.7
36 Operating profit to sales (%)	14.1	12.3	19.0	21.5	6.6	6.4	18.5	17.0	8.6	7.9
37 Profit before tax to sales (%)	9.6	7.4	5.2	3.0	3.9	2.3	5.1	4.6	6.9	5.3
38 Tax provision to profit before tax (%)	41.3	39.3	7.1	0.0	0.0	7.5	0.0	0.0	52.9	49.8
39 Profit after tax to net worth (return on equity) (%)	16.3	13.7	18.1	14.4	16.0	15.5	11.9	13.4	28.4	13.1
40 Dividend (%)	28.00	20.00	30.00	26.00	30.00	27.00	50.00	40.00	40.00	36.00
41 Earning per share (Rs)	7.46	5.64	7.37	6.09	10.24	8.13	11.73	11.70	26.48	11.80
42 Book value per share (Rs)	45.8	41.1	40.5	42.1	63.9	52.4	88.0	69.5	93.4	89.8
43 P/E ratio (based on latest and corresponding last year's price)	28.2	53.2	9.3	12.1	10.6	8.6	30.7	31.2	28.7	42.4
44 Debt-equity ratio (adjusted for revaluation) (%)	25.5	24.5	34.8	110.6	47.3	159.5	155.7	92.6	0.0	0.0
45 Short term bank borrowings to inventories (%)	9.0	33.1	61.3	67.3	26.8	16.0	36.6	74.0	0.0	11.3
46 Sundry creditors to sundry debtors (%)	6.3	16.6	456.6	486.1	76.9	78.8	77.9	76.1	113.0	115.4
47 Total remuneration to employees to gross value added (%)	34.8	37.4	26.3	27.1	33.7	37.1	13.6	15.1	43.7	55.4
48 Total remuneration to employees to value of production (%)	7.4	7.0	7.1	6.6	4.0	3.8	2.9	3.2	7.6	11.3
49 Gross fixed assets formation (%)	7.9	6.5	19.9	11.8	22.8	37.1	-0.2	55.9	10.9	18.8
50 Growth in inventories (%)	10.63	30.82	-9.92	35.59	-5.83	39.81	99.68	-26.29	6.09	-1.26

SUPREME INDUSTRIES

Diversification Programme

Supreme Industries has done well in 1993-94 with net sales going up by 25 per cent, operating profit by 36 per cent and net profit by 37 per cent. This is commendable after the previous year's decline margins. Though depreciation was up by 40 per cent and interest charges by 29 per cent and non-operating surplus went down by 18 per cent, the bottomline was sustained by the 146 per cent increase in other income. A dividend of 50 per cent was declared for the year against 40 per cent for the previous year.

Exports were Rs 10.17 crore against Rs 6.61 crore in the previous year. Gross fixed asset formation declined drastically in the year. Debt-equity ratio has risen by 51 percentage points in the past three years. Sales to total assets and sales to gross fixed assets ratios have declined in the past three years. Return on investment also declined to 6 per cent in 1993-94. Short-term bank borrowings to inventories fluctuated at 36 per cent in 1991-92, 73 per cent in 1992-93 and 38 per cent in 1993-94. Remuneration to employees to gross value added ratio has fluctuated at 11 per cent in 1991-92, 15 per cent in 1992-93 and 13 per cent in 1993-94. Net value added to value of production ratio has declined in the past three years.

The company plans to embark on a modernisation, expansion and diversification programme. The industrial components business improved, thanks to the pick up in demand from the automobile and consumer durable industries. Materials handling cranes received a boost with the company supplying cranes to Coca-Cola and Pepsi Cola. The demand for moulded furniture has improved and the company has launched several new models of moulded furniture. It has also increased its furniture items capacity. AK Structural Foam was merged with the company.

The packaging division saw substantial expansion. The wide width film plant has already gone into production. This has opened up opportunities for making several new constructions of flexible packaging materials. The increase in demand for protective packaging products has also opened new avenues for investment.

The PVC pipes and fitting division has been working well and the company is planning to increase the volume and variety of products. The focus is on increasing the volume of specific products for the export market which has seen successful launching of several new products. Steps to augment the capacity of the fittings division by 1,800 tons per year have been undertaken. The

MLS division fared well with the refrigerator industry coming out of the recession.

Siltap Chemicals has enhanced capacity by 500 tons. The enhanced capacity has gone into commercial production. Further increase in capacity is being planned considering the growth in demand. Klockner Supreme Pentaplast, producing rigid PVC film and sheeting, has met with success in the market and hence has decided to increase its capacity. Supreme Petrochem and Mupnar Films has collaborated with Huntsman Couti (Hong Kong) to put up a plant to manufacture 1,500 tons of extended polystyrene foam food packaging products per year with an investment of Rs 20 crore. Huntsman Couti and Supreme are to have equal rights in Huntsman Supreme. Supreme Industries is to invest Rs 4 crore and the unit is expected to go into production by the end of this year.

The company has been carrying on R and D in the areas of cost reduction, modification for higher productivity and development of new products.

CEMINDIA

Expanding Operations

Cemindia Company, subsidiary of Tatalgar House Plc of UK renamed as Tatalgar House Construction, has done well with net sales going up by Rs 48 crore, operating profit by 103 per cent and net profit by 124

per cent. Though taxation increased a 153 per cent, depreciation by 34 per cent, and interest charges by 15 per cent and there was a 33 per cent decrease in non-operating surplus, net profits still remained high. Encouraged by the performance, the company declared a 40 per cent dividend for the year. Sales to gross fixed assets and sales to total assets ratios remained high at 507 per cent and 171 per cent. Earning per share has increased from 4 per cent in 1991-92 and 11 per cent in 1992-93 to 26 per cent in 1993-94. The company has given its shareholders a bonus issue in the ratio of 1:1. Remuneration to employees has seen a decline from 59 per cent in 1991-92 and 55 per cent in 1992-93 to 43 per cent in 1993-94.

The operations of the company have expanded substantially. New contracts for a total value of Rs 17,600 lakh were signed. Some of the major contracts include marine and civil works at JNPT, shipyard in Goa, Tuticorin Port Trust, North Madras power station project, Calcutta Port Trust, construction of bridges for UP government and IRCON, diaphragm working and anchoring and civil works for parliament library building in New Delhi.

The R and D department of the company has been recognised by the government's Department of Science and Technology. The department assisted in evolving system for liner protected piling and mechanised jetty construction.

New
from

SAGE

Publishers of the
Professional
Social Sciences

PSYCHOANALYSIS AS A HUMAN SCIENCE: BEYOND FOUNDATIONALISM

BHARGAVI V DAVAR and PARAMESHWAR R BHATT

The precise status of psychoanalysis has been the subject of considerable debate in recent years. Widely known as the 'foundations of psychoanalysis', this debate revolves around whether psychoanalysis can be treated as a cognitive science and, in turn, involves the epistemological status and ethical underpinnings of this theory.

This highly original work is an important contribution to the debate. In particular it challenges Karl Popper's critique of and Adolf Grünbaum's virulent attack on psychoanalysis. Contrary to Popper's view of the psychoscientific nature of the theory, the authors of this book provide an epistemological rationale for its scientificity and an ethical rationale for its humanism.

212 pages • 220 mm x 140 mm • Rs 245 (cloth) • Rs 145 (paper) • 1995



SAGE PUBLICATIONS INDIA PRIVATE LIMITED

Post Box 4215, New Delhi 110 048

Andhra Elections: What Happened and What Did Not Happen

K Balagopal

The voting statistics do not show that it was the cheap rice scheme and prohibition that were primarily responsible for the Telugu Desam Party's phenomenal victory. What is striking is not the increase in TDP votes, but the fall in Congress votes by as much as 12 to 14 percentage points.

I

SOMEBODY has remarked tongue-in-cheek that the two-party system has come to stay in Andhra Pradesh. The characteristic feature of this much hankered after state of political grace is that there are two hardly distinguishable political formations each with its own constituency of loyal voters, while the non-loyal voters shift from the one to the other in sufficient measure from one election to the next to ensure that governments keep changing with predictable regularity, if not an entirely predictable periodicity. Critics lacking in the blessed spirit of charity will call it a Tweedledum-Tweedledee political system, but it is no doubt better than having a single Tweedledum ruling in perpetuity. For one thing, while the general social and political character of the government remains the same from one change to the next, there is some check on how cavalierly the rulers can play games with the people. Congressmen of Andhra Pradesh who took their power for granted got a shock this time that they have not recovered from even a month afterwards. Secondly, the competition for the votes of the elusive voters who sit on the fence and amuse themselves by voting this way once and that way the next time does lead to however partial an attempt to meet the dire needs of the voting public at large, a healthy fall-out of political uncertainty that Manmohan Singh's admirers describe as populism. Blessed is this populism without which many more would have starved to death in this land which is marching from brahminical cruelty to capitalist cruelty, from the rule of dharma to the iron rule of the International Monetary Fund. And thirdly, there is this thing called empowerment of the powerless that everyone talks of a lot these days. One is not talking of the gratuitous empowerment that the CPI and CPI(M) are enjoying in Andhra Pradesh this season, but the empowerment of what the Supreme Court has with unfelicitous contempt described as the 'creamy layer' of the dalits and the backward castes. For all its much despised creaminess this class or class-fraction would have had little chance of coming close to

positions of power if a Congress clone such as the Telugu Desam Party had not come about and afforded the dynamic among the lower castes a chance to play one party against the other and push themselves into positions of power in this party or that. This too, of course, is 'populism', for it is not necessarily congruent with the most efficient use of the nation's resources that is the ruling dogma of today's India.

All this is not to say that alternatives to the Congress such as the Telugu Desam Party are the best that could have happened in this best of all possible worlds, for that would be taking a needlessly pessimistic view of an admittedly imperfect world. For the deadening effect that this replication of the Congress by other names has on the political culture of a people is an incalculably vicious consequence of the emergence of charismatic fakes such as N T Rama Rao. The purpose of this prologue, rather, is to caution against contemptuous attitudes towards 'populism' on the one hand, and on the other against the inability to see that in human affairs desirable ends can and frequently do realise themselves in seemingly immaterial, utterly uninspiring and even incongruous changes. The human historical agent is no match for its own glorious aspirations, and as much progress in its affairs (as well as resistance to retrogression) is wrought by incongruous irrelevancies as by revolutionary planning and firmness.

It is necessary also to caution against a third attitude, which is being developed into a whole myth by CPI(M) circles. This is to read in the recent victory of the Telugu Desam Party a rejection of P V Narasimha Rao's economic reforms. The CPI and the CPI(M) are at liberty to collect all manner of political creatures – including Congress clones, crooks and opportunists who would rather be in the Congress than outside it – around them; and in this free world one cannot prevent them from christening this motley grouping a left and democratic alliance or a national alternative or whatever; but one should firmly insist that they stop interpreting reality to suit their tactics. Assuming that the TDP won on a vote for cheap rice, that only

indicates popular resentment at rising prices and hungry stomachs. It is part of an unfortunate culture of interpretation that has become common with marxists to argue that since the recent spurt in prices is a consequence of economic liberalisation, the vote against price rise is objectively a vote against liberalisation. The gap between this reductionist interpretation and the actual consciousness of the people is an abyss that renders the interpretation a particularly bad case of wishful thinking. It is the wishful realisation of two elusive desires: one, that the people at large should recognise that economic reforms are bad for them, and should consciously reject them; and two, that the left forces should succeed in leading the people to the realisation.

It is of course a matter of delight to believe that the Telugu people stood up firmly against the prime minister's regressive economic policies and gave the old man a resounding rebuff for having presumed that because he is a 'child of the Telugus', the state would vote by him in a time of crisis. It is indeed true enough that the sentimental response that he expected (he used the word *bidda* which means daughter rather than son in his native Telangana, and in general Telugu usage connotes the child in its dependent and helpless aspect) was not forthcoming from the electorate. And yet, happy though one would be to arrive at such a conclusion, there is little reason to see the defeat of the Congress as principally a rejection of the prime minister's presumptuous appeal for support to his structural adjustment policies. Of the three reasons offered for the victory of the TDP – rejection of the economic reforms, vote for NTR's cheap rice and prohibition policies, and infighting of the Congress – the third and the least glamorous appears to have been the most significant, however reluctant we may be to accept such unromantic conclusions. Economic reform in the abstract was an irrelevant matter not only because the people at large are far from being aware of its implications and conscious in rejecting it, but also because NTR is hardly anti-liberalisation. He is, like most Congressmen, as much a convinced advocate of the philosophy of the market as he is utterly feudal in his cultural attitudes, and the Telugu Desam Party has never spoken out against liberalisation as such, though it has put to skilful electoral use the consequent price rise.

The cheap rice scheme has no doubt attracted people, and quite rightly, whatever may be said by persons who are worried about budgetary discipline. The question of budgetary profligacy cannot be divorced from the larger question of how and on what basis the nation's resources are being shared out, and when that is left either to the bureaucrat-politician nexus or the laws of the capitalist

jungle, in neither of which the weak have any place, they are bound to seek protective schemes from the government on pain of voting it out, especially because what such schemes eat into is administrative or infra-structural investment of a kind that does not solve their food and employment problems, except by way of an unredeemable assurance.

Much the same can be said about prohibition. The movement for total prohibition that appeared on the scene in Andhra Pradesh after country liquor (arrack) was banned in 1993 upon pressure from the rural women's struggle, was in fact not a movement to match the earlier anti-arrack struggle. The modern variety of inebriating fluid called IMFL is a middle class, lower middle class and organised working class men's addiction, and while women of these families are as much its victims as women of rural labouring classes are of arrack, they did not come out into the streets as the latter did. The total prohibition agitation was a meetings and seminars affair promoted through the press by Ecnadu, a paper that combines anti-Congressism with a determined effort to recreate lost legitimacy for the state's ruling elite. And yet, both the main political parties were fearful of the appeal the issue may have for women voters. Men are evidently never fully sure that the weighty arguments they offer (ranging from reasons of common sense to those of fiscal sense) for their inability to cure themselves of the addiction to drink as a habit and their addiction to the business of drink as a very lucrative economic activity, will ever convince women who suffer physically, emotionally and economically from it. And so NTR jumped in and declared that he would impose total prohibition within half an hour if he was voted to power, and the Congress chimed in saying that (though nobody believed them) they too would do so in due course, no matter that both the parties are chockful of manufacturers and vendors of liquor, licensed or illicit.

And yet, voting statistics do not show that it is the cheap rice scheme and prohibition that were primarily responsible for NTR's phenomenal victory. The percentage of votes the TDP and its allies got this time was not substantially higher than what they got last time, though as the polling percentage was higher this time, it means that a larger proportion of the electorate voted for them. What is striking is not the increase in TDP (plus allies) votes, but the fall in Congress votes, which appears to have been as much as 12 to 14 percentage points. A small part of these votes went to the TDP, another small part went to the BJP and the BSP, but the major part of it went to Congress rebels. This cornering of votes by Congress rebels is a very significant fact revealed by the voting statistics. The Congress has truly become a veritable jungle of clawing and biting wild animals which are unmindful

of the possibility that they will destroy the species in the process. No tears need be wasted over this, but their unconcern is a study in depravity. In district after district it was senior Congressmen who first of all played all possible dirty games to get candidates of their choice nominated, and when they failed against the wily Congress president who can play as dirty games as any of them, they set up their own candidates against the official nominees, or otherwise queered the pitch for their party. Members of parliament Dronamraju Satyanarayana in Visakhapatnam, Vizianagaram and Srikakulam districts; Magunta Subbarami Reddy in Nellore and Prakasam districts; Y S Rajasekhara Reddy in Cuddapah and Anantapur districts; Rayapati Sambasiva Rao in Guntur district; Ganga Reddy in Nizamabad district; former union minister Jalagam Vengal Rao in Khammam district and smaller fry elsewhere did their worst to get Congress candidates defeated. Their success in this effort was the most significant factor in deciding the huge margin of the Congress' defeat.

It is not that but for this the Congress would have won. The prohibition, the cheap rice scheme and general disgust with the Congress had done enough to stabilise the normal TDP vote and to decide the minds of the fluid voters. But for Congress infighting, it appears the TDP would in any case have won but with an unspectacular margin that would have left no scope for the largely misplaced encomiums the Telugu electorate is receiving for its perspicacity, firmness and wisdom, nor any room for myth-making about popular rejection of the structural adjustment policies.

II

Apart from the price rise, and resultant deterioration of living conditions, the other significant issue in the elections was whether and to what extent persons of scheduled castes, tribes and backward castes would come into positions of power in the changed context of post-Mandal politics. Such an aspiration can be dismissed as seeking power 'within the present oppressive system' as many Marxists have done, but since it is precisely one of the oppressive characteristics of the present system that positions of importance and authority are denied (both by virtue of the socio-economic structure and by conspiratorial tactics) to persons of the lower castes, such an aspiration is not a desire for change 'within the system' but is an attempt to dent the system along at least one dimension. This much is true, whether one believes that this will in due course generalise itself into a larger assault on the system in all its oppressive dimensions, or one suspects that it will end with a widening of the social base of the Indian state and capital. Indeed, which of these will happen is not something that can be predicted beforehand.

The victory of the SP-BSP in Uttar Pradesh on the basis of an explicitly anti-Hindutva campaign inspired many dalit activists in Andhra Pradesh to join the Bahujan Samaj Party and try to build it into a major political force in the state. Kanshi Ram, too, took a lot of pains to campaign in the state. The dalit movement has developed into an important political force in AP in the last decade, and a very sizeable part of the movement joined the BSP, unfortunately bringing with it its internal contradictions too. The other sizeable stream to join the BSP (especially in the Telangana districts) was that of former naxalites, of whom K G Satyamurthy and Chiranjeevi are the most prominent.

Nobody expected the BSP to win many seats in the elections, though BSP leaders, in imitation of the dominant political culture whose tone is set by the Congress, made vastly exaggerated claims about the seats they would win and the policies their government would adopt, and while the overstatement was very evident, most people were wary of cautioning them for fear of being dubbed anti-dalit, a term of abuse as potent today as 'petit bourgeois' was in the heyday of the now faded glory of communism. As it happened, the BSP won no seats and indeed it lost its deposit in all but one constituency, the exception being Bapatla in Guntur district where Katti Padma Rao, founder-general secretary of the A P Dalit Mahasabha did quite well.

But the entry of the BSP into electoral politics of Andhra Pradesh in a big way signifies not the possibility of immediate political power but the shifting of dalit political consciousness from the agitational arena to the electoral arena and its consolidation therein as a political party. If the BSP leaders had acknowledged this distinction, disciplined their claims accordingly, and concentrated on organisational work and on the elaboration of the full logic of their principal campaign slogan: 'vote hamara, seat tumhara - nahin chalega, nahin chalega', they need have caused no disappointment to their hopeful followers and sympathisers at the end. They spoilt things by neglecting organisational work to the point that they went through the elections without any organisational structure at all, dependent solely on Kanshi Ram's image and the appeal of their ideology; by making no attempt to set right the internal divisions which soon became public in ugly scenes at the time of seat allotment; and by allowing disenchanted SC and BC leaders from the Congress and TDP for whom the dalit activists have no regard to enter the party and acquire importance in it.

The other outcome expected from the entry of the BSP was that whether the Congress won or the TDP won, more persons from the lower castes would attain positions of political importance, which also would be

a social advance irrespective of what one thinks of the Congress and TDP as political parties. For the first time perhaps in the history of the Congress Party, backward caste and scheduled caste leaders talked openly about the injustice done to the lower castes by the Congress leaders in the allotment of seats and offices. Though they would add the ritual declamation that Kanshi Ram was an adventurer and that the Congress alone would solve the problems of dalits under the leadership of P V Narasimha Rao, 'great friend of the weaker sections', it was evident that they owed their new-found courage to that very adventurer and not to the great friend of the weaker sections. On the other hand, the Congress leadership became jittery at the large turnouts that attended Kanshi Ram's public meetings in the beginning. Vijaya Bhaskar Reddy, the Congress chief minister of the state, mobilised Congress leaders of each of the toiling castes to hold rallies of that caste at Hyderabad to which he himself would be invited as chief guest and would promise all things under the sun to that community: subsidised yarn to weavers, quarries to stone cutters, excise contracts to todday tappers, etc. As ticket-distribution day neared, grand promises were made that a large proportion of the Congress tickets would be given to persons of the lower castes.

And simultaneously, upper caste leaders for the first time started acknowledging caste openly. They gave up the earlier pretence that they had been dominating politics by virtue of sheer merit. Brahmins held meetings at Vijayawada, Nellore and Hyderabad in which one demand was that they should be allotted the tickets to certain specified constituencies, as the brahmin population therein was sizeable. This is the kind of argument that in the past only Muslims, Christians or backward castes would have used, and would have been branded narrowly casteist or sectarian by brahmins. Kamma Congressmen who have always felt overwhelmed by the Reddys in that party held a meeting and resolved obliquely that all castes should be given tickets in proportion commensurate with their 'importance', which in their case means not only numbers but also economic power, of which they have plenty. And the Reddys took visible pains to explain away their embarrassing preponderance in the Congress. Thus bahujan politics had achieved the first victory that any rebel movement aspires for: to force the dominant groups to dump their myths and acknowledge the hidden aspects of reality.

Unfortunately, the opportunities opened up by these developments slipped away as elections neared, with the visible decline in the euphoria surrounding the BSP. The Congress and TDP leaders soon felt quite reassured, and not many more seats were allotted to the SCs and BCs than is usual.

And in N T Rama Rao's new cabinet, the number and the importance of the posts given to the SCs and BCs is not very different from the past. A beginning has, however, been made in the matter, and the future can witness more significant changes if the BSP leadership draws the requisite lessons from this experience.

III

And there was plenty of violence, too. Rayalaseema warlord gangsterism has in the last few years become a major topic of lament in Andhra Pradesh. One reason could be the legitimacy problems it creates for the rulers, especially in view of the democracy vs violence antithesis that dominates their discussion of naxalism. Another reason is the growing awareness of democracy and democratic rights among the people of Rayalaseema. A third reason is the growth of the gangsterism into a major cancer in recent years, with its transmutation into an instrument of money-making and political advancement. Violence, as a consequence, has accompanied all recent elections, as has the exhortation that the violence should be – and the promise that it will be – contained in the interests of democracy. This time round the fear of Seshan – of his arbitrariness rather than the legal authority of the Election Commission, of whose exact extent nobody including Seshan is clear – restrained the contenders somewhat, but nevertheless there was plenty of rigging, bomb throwing and killing. At Dhone in Kurnool district, from where Vijayabhaskar Reddy contested, all the village factions united to rig the polls in the then chief minister's favour, and there was none left to protest in the villages. Alampur in neighbouring Mahbubnagar district saw a triangular fight that held up electioneering in the faction-ridden area to the most ludicrous light. The Congress candidate was a recent convert from the Telugu Desam Party, and the Telugu Desam candidate conversely a recent convert from the Congress, both of them Reddy factionists from Kurnool district, transported to Mahbubnagar district as a solution to the impossible seat-distribution problem. The third candidate was the sitting BJP MLA, also a Reddy factionist, but a local man. As a local voter described the three in helpless humour, 'one makes bombs in his house, one on the terrace and one in the basement'. The three of them made such thorough nonsense of the polling process that the entire constituency had to have a repoll, certainly an unusual thing.

But an entirely humourless terror stalked northern Telangana this time. The obstinate attempt by the People's War Group (PWG) to obstruct the poll campaign at all cost, and the determination of the police to thwart this attempt equally at any cost led to a spate of violence in which more than 50 lives were

lost. Neither those who believe in electoral politics nor those who reject it would reckon it worth so many lives. The PWG asked the people to boycott the polls as usual, and also threatened the contesting candidates not to campaign, on pain of physical violence (they made an exception from this ban on campaign for the CPI (ML) candidates and the BSP candidates). Those campaigners who violated this rule had their vehicles burnt and their bones broken. The police moved in, not merely to protect the contestants from this violence, but also to defeat the PWG's political tactics and ensure that votes are polled in large numbers. This much has happened in past elections too. The ostensible purpose of the police has been to ensure that 'voters can vote freely and fearlessly', though it is a matter of common knowledge that while the PWG has violently prevented the contestants from exercising their legitimate right to campaign, it has not interfered with the people's right to vote, in case they choose to disobey the PWG and go and vote. But this time round, no bones were made about the real purpose of the police: they were not there to merely protect the contestants' right to campaign and the voters' right to vote, but to defeat the entire political effort of the PWG *vis-a-vis* the elections, no matter that it is no part of their job to do so. The police held meetings in village after village in which inspectors would openly threaten people that if they did not vote, their ration cards would be withdrawn, the electricity connection to the village would be cut and their children would be denied social welfare scholarships. It was certainly an odd way of giving confidence to voters who may wish to defy the PWG's direction.

To aid the AP police, a large number of CRPF and BSF men were dumped in the PWG-influenced districts. A particularly vicious and drunken lot of paramilitary commandos were brought from the Punjab and stationed in Karimnagar district, apparently because more terror must be inflicted to ensure that votes are polled in the prime minister's native district. The way these Punjab commandos behaved is testimony to what can happen if the police are allowed to develop into a lawless force in the name of suppressing political or social lawlessness. Drink and women were the principal interests of these commandos. They drank everything they could lay their hands on, pawed women in village lanes, raped a vegetable-seller in Ramagundam, and succeeded in driving women off the streets in panic wherever they were stationed. When the harassed people complained to the local police, those worthies who are usually a terror to everyone, expressed helplessness and suggested that the women keep to their homes until 'those fellows leave the district'. Not to be outdone, men of a CRPF platoon stationed at Kataram raped another woman,

a dalit labourer by name Salamma, who was however helped by press reporters to go to the district collector and superintendent of police and lodge a complaint. The administration ordered an enquiry by a woman IPS officer who managed to coerce the victim to say that she had not been raped by anyone but had got drunk and fallen, and then started eliciting the 'background' of the pressmen who had taken interest in the matter.

The strategy adopted by the police to defeat the PWG's intentions was to gather from each village youth known to be sympathisers of the PWG and hold them hostages from about a month prior to the day of polling. The implicit threat was that they would be objects of retaliatory killing if the PWG indulged in excessive violence. And these youth were also meant to be lined up before polling stations and compulsorily made to vote on polling day, as a demonstrative exhibition of the success of the police in defeating the intentions of the People's War Group. Not many people in this country would perhaps believe that about 3,000 youth were thus held like slaughter animals in police custody for the whole month of November. The PWG, for its part, as if to challenge the police to kill the hostages, senselessly landmined two vehicles carrying policemen and killed 16 persons including a few civilians, in the last week of November.

The first incident was at Lenkalagadda, an interior village of Karimnagar district, in which some Punjab commandos travelling in a tractor were blown up and killed along with the tractor driver and the local sub-inspector of police, and the second incident happened right near Warangal town, and on a state highway to boot, killing paramilitary men of the AP Special Police. The second landmine was apparently intended for the Congress government's municipal administration minister Madadi Narasimha Reddy, an old enemy of the PWG, but he escaped and a police escort vehicle was hit.

This macabre challenge was expectedly taken up by the police and there ensued a killing spree in which 35 persons were shot dead, 34 in Warangal and Karimnagar districts and one in Nizamabad district. Most of them were picked up from home or place of work in the full view and against the protests of their kith and kin and colleagues and shot dead within a few hours in some neighbouring village. Oddly enough the police did not kill any of the 3,000 suspected sympathisers already in their custody. That would not create enough of terror, and it is terror that the police want. So they went one step worse, and picked up youth who had not even been considered to have enough links with the PWG to merit prior detention and killed them. All the killings except one were the handiwork of the local police, the one exception being worthy of detailed

mention. The victim was a 45-year old dalit woman, Manthena Rajamma of Lakkepur in Karimnagar district, mother of five daughters and a son. On the afternoon of November 29 some Punjab commandos from Gajulapalli camp went to Lakkepur on a raid, searching for hidden naxalites or hidden ammunition. They were fully drunk on toddy and heavily armed with automatic weapons. When they approached Rajamma's house she tried to leave by a side door for she was alone in the house and was scared at the prospect of the search. But they spotted her and by signs asked her to come back. They entered the house and found one of the two rooms locked. They asked her to open it. As the terrified woman fumbled with the key for a minute, one of the impatient commandos aimed his gun at her and shot her right through her back. The bullet killed her, went through the locked door and emerged out of the other wall to lodge in the wall of the neighbour's house. The drunk commandos then went out telling the horrified villagers: 'buddi mar gayi'.

This killing went on till December 3, and polling in north Telangana was on December 5. On the previous evening the youth in custody were sent home to vote and get votes polled in their villages the next day, and come back again to report at the police station the day after polling. The implied threat again was that if not enough votes were polled, the youth could be killed. Indeed, the threat was not left implicit. It was stated bluntly. In any case, there was quite heavy polling in the north Telangana districts and all Congress heavy weights including the prime minister's son and his in-law lost massively. The losers themselves attributed their defeat at least in part to the methods adopted by the police (with their sanction, of course, though they would dishonestly put all the blame on the police after their defeat).

In the course of this blood bath, the main issue between the two armed contenders was left undecided: how many people would have voted, and how many would have boycotted the polls, if they had had peaceful conditions for the exercise of their choice? And in the interests of what great principle had so many lives been lost?

IV

The final question that remains is: What do elections signify in the new politico-economic consensus of the ruling classes? Economic liberalism does not render political power irrelevant, for what it nullifies is not governmental authority but governmental social responsibility. The Indian state of the 1990s is not a powerless political entity, not the ideal of 19th century liberalism. What it is freed from is only responsibility for the welfare of the people. The rest of its authority and responsibility is intact. And so it continues to be as profitable to be in the

business of politics as in the days of the licence-permit raj; perhaps more so, for lots of money is flowing into the country now both in the private and public sectors; and with 'globalisation' the stakes of all politico-economic activity is pushed up and computed in worthier currencies than the good old rupee.

Politicians' hunger for political office has therefore increased and not decreased, and the private wealth they have at their disposal has also increased with the multiplication of economic opportunities available to the propertied classes. They have therefore fought tooth and nail to get 'tickets' from winning parties and have used the most shameless means to get elected. It is trite to say that political morality has never been as low as this, for it gets lower and lower day by day and is always lower than it has ever been. And the contingent human imagination which (for all its pretensions to unlimited vision) is bound by experience and possible extrapolation believes on each day that it has sighted the nadir, but what it has seen is only the murkiest depths it can imagine, the nadir of its imaginative capabilities.

The norms laid down by Seshan to discipline campaigning and to limit campaign expenditure to legally permissible limits has meant reduced publicity expenditure for the candidates, which has actually hurt the newcomers like the BSP and parties like the CPI(M) groups which participate in elections, for wide publicity for their views, slogans and symbols is crucial for them rather than the Congress and TDP. For the latter the expense saved on this account has meant more to spend on unaccounted activity, such as the eleventh-hour distribution of cash and liquor which is a common feature of Indian elections. Votes were paid for at an unprecedented rate this time but whether they were successfully purchased is difficult to tell. In any case, the Telugu Desam Party is not 'yesterday's baby' (to borrow Seshan's memorable caveat about himself) and can spend as much as the Congress, and so it probably made no difference in the end.

But what elections mean for the voters in the new era is that this is one of the times they can put pressure to force the political system to be answerable to their needs, no matter that such answerability is called 'populism' these days. As the social responsibility of the government has been officially discarded, it must be enforced by the collective assertions of the people. One such possible moment of assertion is election time, when the threat of voting politicians out of power can help bend official policies. Perhaps it is the recognition of this possibility that has by a peculiar cognitive jump turned itself into an interpretation (only partially true) of the disastrous defeat of the Congress in the Andhra Pradesh elections this time.

Raitha Sangha's Political Dilemma

Kripa A P

The most surprising outcome of the Karnataka assembly elections was the dismal performance of the Karnataka Rajya Raitha Sangha. The reason for this may be its very approach to electoral politics.

THE outcome of the recently held Karnataka assembly elections surprised one and all. More surprising was the dismal performance by the Karnataka Rajya Raitha Sangha (KRRS), the state level farmers' organisation. Out of the 90 odd seats contested, the KRRS has been victorious in only one constituency (Pandavapura). Even more shocking was the fact that the two top leaders of the KRRS – M D Nanjundaswamy and Baba Gowda Patil – who are sitting MLAs, have been unable to retain their seats. The general performance of the KRRS has been very poor, with the number of votes being polled very low. The KRRS stronghold – Mandya district – has badly let down the organisation, with many of the local leaders faring poorly.

These developments are really surprising given the fact that since 1989 (previous election) the KRRS has had to deal with a number of issues which have kept it in the limelight. KRRS's handling of the Cauvery waters dispute and its stance on the removal of fertiliser subsidy had attracted the attention of the rural population. The KRRS was able to win the grudging respect of the urban population and even the politicians with its in-depth knowledge of the Dunkel proposals for GATT. In fact, the KRRS deserves credit for generating public, political as well as academic debate all over the country on the GATT proposals.

The reason behind KRRS's dismal electoral performance probably can be traced to its very approach to electoral politics. Since its inception KRRS's stance towards electoral politics has cost it dearly. The KRRS, formed in 1980, was essentially a non-party organisation. Subsequently when the assembly elections were announced in 1983, the KRRS decided to adopt a neutral stand. Not only did the KRRS forbid its members from standing for election, it also forbade them from participating in electioneering. This was widely opposed by a large section of the KRRS members, who felt that forbidding participation in elections was not a wise move. Further, they were keen on supporting the opposition alliance in order to defeat the Congress(I). The KRRS leaders were firm on this issue. They felt that entry into politics would weaken the movement. This apart, they had also felt that quicker results were possible through agitational politics. Further, they would not

need to have majority support to get these results. This uncompromising stance of the KRRS led to dissension within the movement. Consequently, a sizeable section of the KRRS members, particularly from Bellary and Dharwad districts, withdrew their membership from the organisation. Prominent among them were Revanasiddaiah from Bellary, and Sankrikoppa, Sidagantimat and Sangappa Uppin from Dharwad. This break-away faction decided to form a separate farmers' organisation, the Karnataka Ryota Karmikara Jagriti Samiti (Karnataka Farmers and Farm Workers Association) with C M Revanasiddaiah as its president and M S Sankrikoppa as its secretary. Both of them are Janata Dal loyalists. It is important to note here that just a few days before the 1983 elections owing to pressure from within and without, the KRRS gave a call to the farmers to overthrow the Gundu Rao government.

The agitational politics of the KRRS did not produce the same results with the then Janata government as it did with the previous government [Congress(I)]. It was felt that a neutral stand or boycotting elections was not really effective, as under the existing election law a certain minimum of votes relative to the size of the total electorate was not essential for a candidate's victory. Thus the KRRS decided to enter politics and fight its battles on the floor of the legislature. It was decided to field people's candidates as had been talked of during JP's time. The candidates are trained as legislators but do not have any affiliation to any of the existing political parties [Nanjundaswamy 1984]. The KRRS decided to test the waters with the 1984 Lok Sabha elections. The strategy was to field candidates independently without affiliation to political parties. The candidates were expected to continue their support to the KRRS and were cautioned against forging alliances with other political parties. The KRRS fielded seven candidates in opposition both to the Congress(I) and the Janata Dal [Nadkarni 1987]. The KRRS fared badly in the elections with all its candidates losing their deposits. Further, even in the 1985 assembly elections, the lone candidate fielded by them lost from Shimoga [Deccan Herald, April 12, 1989]. Thus, the KRRS's initial attempt at electoral politics was not successful.

However, the KRRS's decision to enter the formal political arena met with severe opposition from a section of the KRRS members, particularly from Hassan district. The Hassan faction had been against the KRRS's earlier decision to stay away from politics. They felt that to bring about any kind of change necessitated political power. They did not break away from the movement as they believed that while political power was essential, it came later in the process, after the organisation had consolidated its base. When the KRRS decided to enter politics, the Hassan faction along with some others argued that the KRRS should not contest elections on its own. To be effective as a political force it would have to combine with other progressive forces like the Dalit Sangharsha Samiti and Pragati Ranga to fight the elections. This was possible since all these forces had considerable agreement on ultimate goals. During this time, intense discussions and debates were carried out by the KRRS members on the need to form a 'third force' in Karnataka. A section of the KRRS, particularly the Hassan group, insisted that the KRRS on its own would not be effective as a political party as it would be representing the interests of only one section of society. A political party would be required to balance the interests of all sections of society. It was for this reason that they were opposed to the name 'Kannada Desha', under which the KRRS was planning to contest elections, as it would be limiting in its scope. The KRRS contesting elections on its own would not only alienate the poorer sections of the urban sector, it would also create an imbalance by representing only a particular section of the society. The KRRS as an organisation was limited in its spread, and hence as a political party it would just end up dividing the votes. Thus, this faction strongly favoured an alliance of all radical groups to fight elections [Venkatesh Murthy 1992].

The KRRS leaders, on the other hand, were against such a move. The Hassan faction was suspected to have close ties with Deve Gowda. Their apprehension was that formation of a third force with other progressive organisations would entail compromises. It was also alleged that, attracted by quick results, these members had gotten onto the payroll of different political parties and individuals like Deve Gowda. Whatever the reasons, the difference of opinion regarding KRRS's entry into politics and the formation of a third force finally resulted in the KRRS expelling nearly 17 members from the organisation [Indian Express, July 23, 1989]. This dissension proved costly for the KRRS as it completely lost Hassan district which was once a stronghold. The KRRS, which went ahead with its political strategy of contesting the 1989 assembly elections, fared a little better

than in the earlier attempts. Baba Gowda Patil, contesting from Kittur and Dharwad (rural), was the only successful candidate, winning from both the constituencies. While he retained the Kittur seat, the KRRS successfully fielded their second candidate, Nanjundaswamy, during the by-elections from Dharwad (rural). However, once again the KRRS was unable to prove politically weighty in its strongholds, namely, Shimoga and Mandya. While the KRRS claimed to be satisfied with its performances, speculating on its political future, critics thought otherwise.

The KRRS's decision to contest in the 1991 parliamentary elections was not received favourably by the rural population. The feeling was that the KRRS should first consolidate its position at the state level, recover its lost ground and strengthen its base. In fact, this has been the general opinion of the majority of the rural population towards KRRS's entry into politics. KRRS is preferred as an organisation, a lobby, without political leanings. A common fear is that once KRRS gets into politics, it would become corrupt just like other political parties.

To a certain extent the voting pattern in the recent elections indicates that these apprehensions have come true. While the reasons behind the poor electoral performance of the KRRS are debatable, it is irrefutable that the neglect of local units and lack of commitment towards constructive work at the grass roots level have acted as contributory factors. Explaining the KRRS's poor performance Nanjundaswamy, president of KRRS, felt that the "BJP factor had cut into the 'gullible' Hindu votes and forced the minorities to change their loyalty from Congress to the other national party which might come to power" (interview Dec 24, 1994, Bangalore).

Interestingly both the sitting MLAs were defeated by Congress(I) candidates rather than BJP or JD candidates. According to Nanjundaswamy, a concerted effort was made both in Kittur and Dharwad (rural) constituencies by the Congress(I) to defeat the KRRS leaders. He feels that issues or policy matters are not taken into consideration by the electorate while voting, and this time caste played an important role.

Whatever reasons to which the KRRS might attribute its dismal performance, it can no longer ignore the fact that it might have a better appeal as an organisation and a lobby rather than as a political party. In fact, at the executive committee meeting at Bangalore (after the elections) the KRRS has taken a decision to directly approach its members and seek their opinion on whether the KRRS should contest in the forthcoming panchayat elections. Taluk units have been pulled up for their neglect of local units. According to Nanjundaswamy, KRRS's involvement with electoral politics would continue, as it wants to educate the rural electorate regarding the political process

and work towards 'cleansing' the electoral process which has become corrupt.

However, the political defeat has not deterred the organisation from its work. In fact, plans are being made to resume its fight against the new economic policies. The KRRS has been seriously considering joining hands with INTUC in fighting against economic liberalisation. KRRS with the help of third world network plans to set up an international research institute on sustainable agricultural development. Special efforts are being made to set up a seed supply system which will not only function as a seed bank but also include production of indigenous seeds - KRRS's reply to GATT!

Thus a look at the political journey of the KRRS shows more downs than ups. Apart from a modest success in the 1988 elections (when the KRRS won two seats), its other ventures into electoral politics have been unproductive. In fact KRRS has had better success as a lobby, particularly in dealing with price issues. If electoral performance is any indicator, the response of the rural population seems negative towards KRRS's entry into politics. Time and again the rural population has come out with the same verdict - that they clearly prefer KRRS as a lobby than as a political party.

It is obvious that the KRRS has found itself in a quandary in relation to entry into politics. Leaving aside their claim that they wish to 'cleanse' the leaders, possibly they embarked

upon formal politics lest they should be totally marginalised. They cannot but be aware that to succeed as a political force the base of support will have to expand. Such expansion will necessarily mean a dilution in terms of the movement's orientation. The precedent of Narayanaswamy Naidu's Tamil Nadu Agriculturists' Association (TNAA) attempting a political career is not heartening. Further, given the reservations of the farmers themselves, KRRS might well encounter severe problems.

The KRRS might do better by limiting its political ambitions to securing representation in local government and the state legislature adequate to enable it to articulate the interests of farmers while not aspiring to political power. Disavowal of political ambitions such as capturing state power may enable the KRRS to carry conviction with its principal supporters. The KRRS was able to mobilise massive support for their attack against the multinational company, Cargill. The paradox is that it has been unable to translate that support into votes. Obviously, the rural population prefers KRRS as a representative platform to air their grievances rather than as a formal political party.

References

- Nadkarni, M V (1987) *Farmers' Movement in India*, Allied Publishers, New Delhi.
Nanjundaswamy, M D (1984) Interview in *Sunday*, April 1-7

OUTSTANDING BOOKS

MODERN LIBRARY SCIENCE SERIES

DEVELOPMENT OF LIBRARY AND INFORMATION SCIENCE

Edited by Inder Mohan Goswami

This book is intended for any student who is expected to study the social background.
1995 ISBN 81-7169-327-X Rs 495.

RESEARCH METHODOLOGY IN LIBRARY SCIENCE

Edited by Inder Mohan Goswami

This volume is intended for use by the individual who is attempting to better understand how research provides the capacity for a field to move forward.
1995 ISBN 81-7169-329-6 Rs 500.

CLASSIFICATION OF LIBRARY SCIENCE

Edited by Inder Mohan Goswami

Deals with the Provisions of library Service of Classification and referencing in a Comprehensive way
1995 ISBN 81-7169-325-3 Rs 475

MANUAL OF LIBRARY CATALOGUING

Edited by Inder Mohan Goswami

Discusses the role of Cataloguing Services in relation to other library Services.
1995 ISBN 81-7169-328-8 Rs 475.

MANAGEMENT OF LIBRARY ADMINISTRATION

Edited by Inder Mohan Goswami

This book deals with the management techniques in library science and discusses the role of libraries and librarians in the field public education.
1995 ISBN 81-7169-326-1 Rs 495.

Save Indian Publishing—Buy Indian Books



COMMONWEALTH PUBLISHERS

4378/4B, Ansari Road, Murari Lal Street,
New Delhi-110002 Phone : 3272541

A Modest 'Giant'

Nirmal Sengupta

Despite his national and international stature, Malcom Adiseshiah, who passed away in Madras on November 21, 1994, retained a very local identity.

FOR about a half the days in the month Malcolm Adiseshiah would be out of Madras attending meetings and conferences. But when he was here his car would enter the Madras Institute of Development Studies (MIDS) exactly at the same time, around 10.30. He would be seated in his chair and would be working at a frantic speed till 2.30 in the afternoon reading, writing, talking to visitors. Rarely did we see him in person outside a scheduled meeting. But his presence was always felt. The *Bulletin* edited by him would reach our desks every month in time. He would be there attending most of the seminars and workshops invariably making some useful observations. And though the in-house chairman was extremely reluctant to get involved in day-to-day matters, being totally averse to any sort of interference, he would conduct his chairman's duties absolutely thoroughly. So when the car stopped coming and the room remained locked everyone at MIDS felt his absence. Precisely it was the same to many others in Madras, in the state, and outside the state although their points of contact with him were strictly business. Malcolm Adiseshiah is to be remembered by his work and the way he conducted it.

His father was a professor of philosophy and principal of a college at Vellore, near Madras. His mother was an active social worker and was the first woman councillor of the local municipality. Malcolm Sathianathan Adiseshiah was their second son born on April 18, 1910. He received his education at Vellore, Madras and London, began his career in Calcutta, was then in Madras Christian College, moved to Geneva and then joined the UNESCO in 1948. He served the UNESCO for 22 years and was deputy director general for the last eight years of his career. After retirement he returned to Madras in 1970 and established the MIDS. He had also agreed to serve as vice-chancellor of Madras university in 1975 and was in office for three years until he was nominated to Rajya Sabha.

Malcolm Adiseshiah received his PhD in economics from London School of Economics. Just for the record, later, he was conferred honorary doctorates by 15 universities, was decorated by 40 countries and was awarded Padma Bhushan in 1976. As an academic he was unconventional even at that early stage. At Madras Christian

College he had introduced Keynesian economics in the early 40s when most others were not even aware of its significance. Simultaneously, he had started a Rural Service League to acquaint the students with the economic reality. Till the end he worked in applied economics. Two of his regular contributions – a mid-year review of the national economy and a critique of the Tamil Nadu government's Economic Appraisals – were unique summary accounts and were widely read. He had an interest in many other subjects, particularly in environmental issues. His greatest contribution however was as an educationist. Adiseshiah was instrumental in setting up a curriculum for primary, secondary and collegiate education, examination reform, reform of university administration, development of social science studies, vocationalisation, introduction of science and technology at appropriate levels, promoting interdisciplinary research, non-formal education, continuing education and improvement of educational data. He was the chief architect of the adult literacy programme of UNESCO. The list of institutions he was associated with included International Council for Adult Education, International Institute for Educational Planning, International Literacy Jury, National Literacy Mission, National Council of Educational Research and Training, Tamil Nadu Board of Continuing Education, Tamil Nadu State Council for Science and Technology, Centre for Development Studies, Trivandrum, Tata Institute of Social Sciences, Bombay and Council for Social Development, Delhi. He was also one of the founders of the India International Centre.

The administrative and organisational capabilities of Malcolm Adiseshiah were phenomenal. For example, during his three-year term as vice-chancellor of Madras university he decentralised its functions, gave autonomy to selected colleges, implemented UGC scales of pay, inaugurated a housing scheme for employees, added several new departments, started semester system of examination, initiated orientation courses for teachers and introduced community service scheme into the curriculum. For each of the innumerable meetings he had to attend he always read minutely all the related papers. If he referred to page numbers and lines of a document – which he very often did – that

was never from a cursory glance. If presiding over a meeting or a seminar, he would sum up the proceedings so accurately that no one would suggest any alteration. Like most successful administrators he never missed a point and was quick to make decisions. But unlike many of them he was also respectful of the offices of his juniors. The air-conditioner in his room was removed to equip the room housing the newly-acquired computer at MIDS. Sometimes there would not be substitutes if personnel to assist him were on leave. Telephones failed, careless visitors would talk loudly outside his room – he would bear with almost every inconvenience. The ultimate step was to request the administrative head, the director, if something could be done. Everyone who came in touch with Adiseshiah was impressed by this rare example of modesty. Every visitor on work, whatever may be his or her position, got VIP treatment from him; but anyone without a legitimate reason to visit would be coolly shrugged off. The last aspect helped him to remain a voracious reader.

In spite of his national and international stature Malcolm Adiseshiah retained a very local identity. He was overtly a Tamilian in his lifestyle. He would come to MIDS dressed in the local way. He loved to speak and write in Tamil. He promoted the Tamil language in various ways like setting up the International Institute of Tamil Studies and by commissioning a translation of the Tamil classic *Thirukkural*. If occasion demanded it he would not hesitate to declare that he was a devoted Christian. He was closely associated with several Christian social work organisations and institutes. His acquaintances of that period say that he was very much an Indian while in UNESCO. In his official capacity he had channelised substantial UNESCO Technical Assistance Programme funds to India. But Adiseshiah never faced any charge of being parochial. No one of a different language, religion or country had ever received biased treatment from him. Never was he associated with any organisation promoting divisiveness. In these days of religious, ethnic and national conflicts, when local and sectoral identities tend to become liabilities, Malcolm Adiseshiah personified a successful way of combining the two.

After retirement someone as affluent as he could have rested on his laurels. Not Adiseshiah. He started MIDS in one of his properties. When in 1978 it was reconstituted as a national institute, Adiseshiah and his wife donated to it land, a building and a considerable sum of money as endowment. He was more of a missionary. His tastes were simple. He wanted to be sure that his mission would go on and left a major part of his savings for promoting research in the social sciences.

Security of the South in Emerging International System



Amit Gupta

How can the countries of the south enhance their external security, given that the west views the south as a threat? To answer this question, this article examines the western conception of security in the new world order and analyses the west's capability to enforce its vision. It goes on to analyse the military capability of the south and the south's options in the emerging international system.

HOW can the countries of the south enhance their external security in the emerging international system? The question is particularly important since the west now seems to view the south as a threat which needs to be militarily and politically countered. President Clinton stated at the UN in September 1993 that nonproliferation would be a priority of his administration's foreign policy. More specifically, the Pentagon is restructuring its forces and doctrine under its counterproliferation policy to combat a nuclear armed southern state. The Clinton administration's national security advisor, Anthony Lake, in a recent article has branded several southern states as 'backlash states' – states which want to stay outside the new family of democratic, free-market nations – and has called for their containment.¹ If the west's attitude is to view the south as a threat, and to develop military and political strategies to neutralise it, how should the south respond to this new policy? To answer this question, this article first examines what is the western conception of security in the emerging international system. Second, it analyses the west's capability to enforce such a vision. Third, it analyses the nature of the military capability of the south countries. Finally, it discusses what sort of options this provides in a new international system.

ATTITUDE OF THE WEST

The attitude of the west is based on a number of factors, the most important of which is its proven military superiority. The Gulf war showed that despite the major advances made by the south in weapons production, the west – particularly the US – had the capability to prevail in a set-piece conventional battle. This conventional superiority is unlikely to change in the coming decades since no single southern country, or even collection of countries, has the necessary scientific base or financial resources to build up a conventional military machine.

It was this proven military superiority which led to the hope after the Gulf war that a 'New World Order' could be created. In this world order the hitherto defunct concept of collective security – under the aegis of the UN – was to be revived to maintain peace

and international security. Military superiority and the new consensus among the western powers, it was believed, could rejuvenate a mission which the UN had virtually given up after the Korean war. But in translating this military superiority into political power, the west, especially the US, was being even more ambitious than the great powers which had sat down at Dumbarton Oaks to construct the UN Charter. Not only was collective security and peacekeeping going to be the agenda of the new US-led UN, it was also going to take on a new task – peacemaking. Under the rubric of peacemaking, the military preponderance of the US-led western coalition was to be used for such ambitious tasks as trying to rebuild a Somali nation and restoring democracy in Haiti. Military power, therefore, was going beyond the conquest of territory, or the deterrence of aggression, to the actual reshaping of societies – again something which had not been successfully achieved since the 1940s by the US in Germany and Japan and by the former Soviet Union in eastern Europe.

Western attitudes towards the south were also shaped by the belief that there was now a consensus in the 'New West'. The west in the post-cold war era is seen as being one civilisation, encompassing eastern Europe and the European states of the former Soviet Union.² These nations temporarily had a consensus on such issues as the sale of arms to the south, and on co-operation in the UN on international security issues. This consensus was supposed to make the UN into a viable instrument for enforcing western will and to facilitate drawing together military capabilities to enforce order in the south.

Third, while attitudes towards the former communist nations have changed they still remain the same where the south is concerned. In the cold war era, the south was seen as being poor, unstable, heavily militarised. Now the south is still considered poor, unstable and heavily militarised. Due to such an attitude no serious attempt has been made to bring southern countries into the emerging security framework. President Bush used to talk about 'partners in leadership', meaning the US, Germany and Japan. President Clinton has pushed through the North American Free

Trade Agreement and the Asia-Pacific Economic Commission. But all this really boils down to is a search for markets. No real attempt has been made to bring south countries in as partners in a common security framework. Brazil, India, Israel and South Korea, for instance, are not included as partners in this new security framework.

What follows from such attitudes is that the west is seeking to militarily defang the south and impose political solutions on it which are seen as being conducive to the 'New World Order'. Thus General Aidid was declared a thug and a criminal in Somalia, and the Clinton administration continues to try to bring back prime minister Aristide to power in Haiti.

Militarily, the primary concerns are to halt the spread of weapons of mass destruction and the means to deliver them (nuclear, biological and chemical weapons and ballistic missile delivery systems). This includes setting up force structures to actually fight in conflicts where such weapons are used, and further, to create a western military force which can be used for peacekeeping and peacemaking missions. The US has been seeking to develop ties with both Russia and now, it seems, China – which is the one southern state to be solicited for this purpose.

CONSTRAINTS

Yet while the general post-Gulf war attitude has been to establish an international order – by either the use or show of force – it has not worked because of a number of constraints. Money is a major constraint. At a time when most nations in the west, particularly the US and Russia, are faced with budgetary pressures, it is difficult to find financial resources to fund a major war effort like the Gulf war. The US had to pass the hat around in order to get the money to fund the Gulf war. While the western nations were willing to contribute to that effort because of the threat to world energy supplies, they may not be willing to contribute large amounts for future conflicts in the world. The reason for this reluctance is that the western consensus is breaking down.

The western consensus is breaking down both on the use of force and on who are the precise members of the western alliance itself. To answer the latter question first, the 'New West' was conceived as including both eastern Europe and the European parts of the former Soviet Union under one civilisational package. In fact there are three wests: the US, western Europe and eastern Europe/former European Soviets. Each of these, however, has different views on the utility of force in the new international system. The west Europeans are less than enthusiastic about playing the international policeman, and certainly not willing to make major financial or human commitments to do this. West European reluctance to get involved in the Yugoslavian civil war without an American

commitment is an example of this. The Russians and east Europeans are so strapped for finances that they will find it difficult to regularly send military contingents abroad for peacekeeping and peacemaking duties. Further, the Russians are seeing a nationalistic revival which is creating a break in the consensus. Nationalist groups in Russia like Zhirinovskiy's are arguing that Russia should play a more active role in international affairs in order to regain its lost standing as a major power. This has led to a Russian push to increase arms sales to the south. It has also led Boris Yeltsin to declare in the UN Security Council that Russia would vote against greater economic sanctions against Libya. It may also see the Russians fomenting civil unrest in the former republics of the Soviet Union. In fact, as Alexei Arbatov points out, there is already a move in the west to give Russia a free hand in dealing with the former republics, with the possible exception of the Baltics. If this happens the Russians will be so preoccupied with events in their own backyard that it will be difficult for them to commit troops elsewhere.

A related constraint is the will to fight. It is becoming increasingly difficult to motivate people to go overseas and fight in wars which do not involve the vital interests of the western nations. A number of west European nations have opposed committing troops beyond the confines of Europe. In the US there is still a will to fight but only under specific conditions: that there be a clear-cut mission; that it end quickly and that it involve a low loss of life. These conditions are particularly important given the changing composition of the US armed forces. Close to 30 per cent of the US armed forces are minorities and, increasingly, the well-to-do are not entering the military. Thus the US national security system is being shaped along class lines. Those making the decisions and sending young Americans out to fight are the well-to-do who themselves have not seen combat – Clinton and Quayle. Nor will their children. Those actually dying in different parts of the world are either minorities or less well-to-do whites. As John Lewis Gaddis points out, "Resentment over this pattern – when it develops – is likely to undermine whatever foreign policy consensus may yet remain".

If such constraints exist, under what situations could western force be mobilised and used? Three types of mission may drive western intervention in the south: the resource mission, the peacemaking mission, and the punitive mission. The resource mission is to counter threats to natural resources which are badly needed by the west and fluctuations in the supply of which could hurt western economies. At present oil seems to be the only major natural resource which falls in this category. This is also the one mission for which the western nations are most likely to agree that military action needs to be taken and will, therefore, provide both the monetary resources and personnel to carry it out.

The peacemaking mission combines humanitarian assistance – as in the case of Bosnia and Somalia – and the attempt to bring about a peaceful and just society in a country – as in Haiti and Somalia. In the initial euphoria of a changed international system, it was assumed that western nations, through the UN, would be able to create strong governments which supported democracy in the south and in the former communist world. The justification for such a mission came from the increasing number of nations which started moving towards a process which has been called either the 'third' or 'fourth wave of democracy' – in which significant numbers of nations start the transition to democracy.⁴

The problem with this approach was that it underestimated the costs of peacemaking. Putting troops into a civil war or internal anarchy situation is not a short-term process, even if the troops have an overwhelming military preponderance. Such a process involves establishing workable governments – Lebanon, Haiti – and in some cases, restoring civil society – Uganda, Somalia. These are long-term processes which require a continued military presence. This was the case with the American military occupation of West Germany and Japan after the second world war. In both cases, the US went through a lengthy process of military occupation: it demilitarised these societies, eradicated the institutions of fascism, and laid the foundations for democracy. Such a reshaping of societies was possible because these nations had lost the war, were occupied, and could not aggressively challenge the occupation by the allied powers. Further, the cold war demanded a long-term military and economic commitment to Germany and Japan.

Few of the conditions which facilitated the democratisation of Germany and Japan in the 1940s and 1950s apply in the 'New World Order'. The US and the rest of the west do not have the military will and economic capability to enforce democratic systems in the south. Unlike Germany and Japan, there has been aggressive resistance to the western efforts to impose civil societies and governmental structures in the south. Lebanon in the 1980s and Somalia in the last couple of years are examples of this. Peacemaking in such situations requires the willingness to take casualties in order to enforce a particular governmental system.

This willingness is severely circumscribed by western public opinion's distaste for casualties and is heightened by the media. In the last few years European public opinion has been against extra-regional military intervention. American public opinion has been more complex. While the average American supports the external use of military force, he/she would like such intervention to have a finite timetable and lead to very low casualty rates. The Pentagon has recognised these opinions and in the Gulf war imposed military censorship to ensure

that the wrong type of press coverage did not take place. There was also the drive to bring the Gulf war to a swift conclusion and bring the 'boys and girls' home. Censorship and swift conclusions, however, are not possible in peacemaking situations. Being a more long-term commitment it is difficult to prevent independent coverage of events within a society. It was difficult to censor media coverage in the Congo and Vietnam in the 60s, just as it has been impossible to halt media coverage in Lebanon in the 80s, and in Somalia and Haiti in the 90s. In fact when the US special forces landed on the beach in Somalia there were more reporters there than soldiers. Thus once casualty rates start going up and the media highlights it, there is a discernible drop in public support for such operations and a clamouring to bring the boys and girls back home.

Peacemaking, therefore, is the least likely area in which the west is willing to use force in the south. Yet situations requiring peacemaking are on the increase around the world. The breakup of multi-ethnic states and the increase in civil wars create the need for multinational peacekeeping and peacemaking forces. Such forces, however, are unlikely to come for the reasons mentioned above. Thus in the one area where intervention is needed it will be least available.

PUNITIVE MISSION

The punitive mission will be aimed against terrorist groups, guerrilla movements, and 'backlash' states. Of these three groups the 'backlash' states need to be discussed because attacks against them could lead to a full-scale war. One of the fallouts of the Gulf war was the belief that in future no militarised southern state would be allowed to become a threat to international peace and security. Such states would be branded as rogue states, isolated in the international community, and be militarily neutralised. Iraq was the first rogue state to be neutralised and North Korea could possibly be the next one. In such a case the west need not act in union, since the US's military capability would be sufficient to prevail. Consensus, therefore, would appear not to be a problem. Neither, it is believed, would there be a need for a prolonged military involvement, or for a long-term troop commitment. In the case of North Korea, for example, there could be a massive air strike against its known nuclear facilities. President Clinton has also obliquely threatened to respond with nuclear weaponry against the Kim Il Sung regime if it were to initiate the use of nuclear weaponry. Where does the south stand against such attempts at intervention? To answer this question it is necessary to look at the current state, of southern military capability.

SOUTH'S MILITARY CAPABILITY

During the 1980s there was a general upgrade in the quality of weapons produced

by southern countries – especially in countries that had extensive scientific-industrial bases such as Brazil, India, South Korea and Israel. Thus 26 countries had ongoing missile programmes and at least four were developing combat aircraft (Israel, India, Taiwan, and South Africa). Other systems put into production included ships, tanks and guided missiles (India, Israel, and Brazil). Brazil and India also initiated programmes for the construction of nuclear-powered submarines. Coupled with the development of such systems was the growing capability of southern countries to produce weapons of mass destruction: Libya and Iraq produced chemical weapons; North Korea and Pakistan embarked on nuclear programmes.

By the start of the 1990s, however, the attempt by southern countries to advance to a higher technological level met with mixed success. On the production side, most were able to expand the range of systems they produced and upgrade the quality of those systems. Certain southern states were also able to make advances in the production of electronic subsystems – Israel and Singapore being the most prominent examples. But when it came to developing state-of-the-art conventional weapons, the track record was far less successful. A number of programmes were either terminated or pushed to the point of becoming uneconomical because of high development costs, technology restrictions, and internal pressures. The most complete programme to develop a supersonic fighter was Israel's Lavi fighter, but this was scrapped in 1987 owing to the escalating costs and pressure from American aerospace firms, who saw the plane cutting into their market. India's Light Combat Aircraft, similarly, may end up as a technology demonstrator, while Taiwan's fighter aircraft programme may be shelved due to the recent import of high quality American and French aircraft.

Where the countries of the south succeeded was in the production of low to medium tech weaponry – subsonic aircraft, armoured personnel carriers, field guns and certain types of naval vessels – and, paradoxically, in the development of weapons of mass destruction.

Southern countries were able to produce nuclear and chemical weapons, as well as ballistic missiles which could be used to deliver them. The reason these countries were able to acquire such weaponry lay in the vintage of these technologies: nuclear weapons are 50-year old technology; chemical weapons date back to first world war; and ballistic missiles were first used in second world war. Yet despite their vintage these weapons are not obsolescent and kill just as effectively as they did half a century ago. Thus, the southern nations were able to develop these weapons even while failing to produce more advanced conventional technology.

How does the south's military capability position it to deal with the west in a new

international system? First, it should be acknowledged that the south's conventional military capability has not developed to the extent it was hoped that the modernisation efforts of the 1980s would allow. Thus, in a large-scale conventional conflict a southern country, if lucky, could bloody the nose of a western power, as Argentina did to Britain in the Falklands war. In the end, however, the western nation would most likely prevail – especially if it were either the US or Russia. This would seem to put constraints on the use of force by the rising middle powers of the south like India, Brazil and Israel.

But the lack of conventional capability is made up for by the existence of weapons of mass destruction in these countries' arsenals. The possession of nuclear, biological and chemical (NBC) weapons pose a deterrent to the use of western force because they severely raise the costs of intervention. Former secretary of defence Les Aspin acknowledged this fact in a public speech when he declared that, "Weapons of mass destruction may threaten our forces in the field, and in a more subtle way threaten the effective use of those forces." Zhignew Brzezinski put it more bluntly when he wrote that the existence of weapons of mass destruction in unstable nations of the world would dissuade western public opinion from intervening in conflicts in these regions. The crucial problem for the west here would be the willingness to bear casualties. If dragging a dead soldier through the streets of Mogadishu can trigger a timetable for withdrawal, the death of large numbers of US troops in a confrontation would dampen enthusiasm for such military actions in the future.

Not only will the western powers be dissuaded from intervening because of public opinion, but the actual use of such weapons in the field of conflict could have devastating effects for the very allies that the west seeks to protect by intervening. In a North Korea-South Korea conflict, the use of a nuclear weapon by the north over the south would not only kill American troops but also devastate parts of South Korea. Similarly, if a southern nation were to use biological weapons in its opponent's territory, it would make the land uninhabitable for an entire generation. Britain tested biological weapons on Guinard Island during the second world war, and the island remained uninhabitable till the mid-1980s. Destroying an ally you seek to save is not the ideal political outcome.

What the west sees as its primary threat, therefore, is not the acquisition of an offensive capability by the south. The acquisition of weapons of mass destruction is not going to alter the global military balance. The US and Russia will remain the principal nuclear powers. China, France, Britain and possibly Ukraine will be second tier nuclear powers, and the nations of the south will be a distant third. It is a threat in a negative sense because it restricts western interventionary capability.

Consequently, it will constrain the west's ability to create its notion of a 'New World Order'. It is in order to counter this potential threat that nations like the US are reconfiguring their armed forces to deal with the challenge posed by the south. What then can the nations of the south do to strengthen their security?

One approach would be to accept the west's demands for arms control and eventual disarmament on western terms. This would involve the four remaining nuclear capable nations in the south – India, Pakistan, Israel and North Korea – giving up their nuclear options and signing the NPT. It would also involve placing limits on conventional weapons programmes and the sale of weaponry to other nations. The problem with this approach is two-fold. At the more obvious level, it would leave regional conflicts unresolved and at the same time remove the security which weapons of mass destruction provide to the nations locked in these enduring regional rivalries. At a more fundamental level, it condemns the nations of the south to a second-class status in the emerging international system.

As bipolarity ended, the debate in the north shifted to one of just how dangerous a multipolar system was. Bipolarity was seen as having introduced systemic stability while multipolarity was seen as causing instability because the increased number of major powers meant a greater chance of conflict. The real issue, however, was not the relative merits of bipolarity and multipolarity in creating systemic stability, but what were the underlying assumptions behind the new multipolarity. Here, sadly, the discussion rested on the assumption that multipolarity meant a return to the classic multipolar systems of western Europe. Thus Mearsheimer, for instance, used examples from past European systems to show how unstable multipolarity was.

What should have been discussed, instead, was whether multipolarity created a new world order. Classical multipolarity was marked by colonialism spheres of influence, lack of self-determination, economic rapaciousness and a scant regard for human rights. Further, the have-nots of the system were pawns whose territories could be carved up to suit the demands of systemic stability. The 1884 Congress of Berlin, in which Africa was carved up over a conference table, is a case in point. The post-cold war literature does not question these characteristics of multipolarity. Mearsheimer is worried about stability, Krauthammer about whether multipolarity has actually come about or whether the US is still the only superpower. Nye, while rejecting these conceptions of world order, makes the same mistake of concentrating on the great powers. He argues, for example, that the new order is marked by transnational interdependence which leads to a diffusion of power. Nye supports his argument by giving, among others, the

example of how private actors in the global capital markets constrain the way interest rates can be used to manage the US economy.¹⁰ Such interdependence, however, only exists among the major powers – Brazilians, Fijians and Rwandans do not constrain US interest rates – so Nye too ends up discussing a great power-centric international system. Since this attitude of the west is not going to change it does not make sense for the nations of the south to give up their last bargaining chip. The fact is that the new international system looks very much the same from the south – by the big powers, for the big powers, of the big powers. In this system the west views the south's military capability as a threat to international order.

If capitulation has its dangers so does belligerence. The American response to the limited success of nonproliferation efforts has been to develop a counterproliferation policy, whereby, force structures will be developed to counter the proliferation threat. Such a policy is not in the interests of either the west or the south, it would turn the south into a battleground which is devastated by weapons of mass destruction; it could also lead to large-scale casualties in western forces.

Second, much of the proliferation literature emerging from the south in the heyday of the cold war on weapons of mass destruction focused on providing a rationale for the south's possession of such weapons.¹¹ These arguments usually included the existence of genuine security threats, the lack of guarantees from the major powers, and the lack of progress by the major powers in the area of disarmament. Basically this debate was adversarial in nature since it saw the south staving off the west's nonproliferation efforts. With the cold war dead the south needs to discuss its capability in a new context.

THE SOUTH'S OPTIONS

The middle powers of the south need to recognise that the end of bipolarity has provided the means to restructure the international system so that the south has a great say in international outcomes. Part of the early Indian debate, for instance, concerned what kind of role a nuclear India would play in a international system. At that point of time some Indian scholars argued that Indian possession of nuclear weapons would most likely lead that country to become a status quoist power within the international system.¹² The middle powers of the south need to make the same argument now. Most southern nations which still have nuclear programmes have stakes in the continuation of the present international order because of the growing economic linkages around the world. Israel, India, Pakistan, and even North Korea, all need western economic assistance and more importantly, investments, to continue to transform their economies.

Further, the death of the cold war resolves some of the early concerns of the non-aligned

movement: the prospects of a global Armageddon are now negligible; the US and the former Soviet Union states are reducing their nuclear arsenals; and most of the nations of the world – developed and underdeveloped – are concerned about the fate of their economies. Indeed, Jawaharlal Nehru saw future global security lying in such a shift of emphasis. What the south needs to do, therefore, is to prevent western attention from being diverted to future militarisation, yet at the same time retain its capability for self-defence. It is in this context that declaring oneself a status quoist power makes sense.

Becoming a status quoist nation does not mean disarmament. Instead, it requires taking initiatives which convince the major powers that the middle powers of the south are willing to preserve certain common security norms. One such proposal could entail a southern guarantee to prevent the transfer of weapons of mass destruction and the technologies associated with it. Such a step does not endanger the security of southern states and instead fits into the ongoing policies of some of the southern states. While Brazil, China and North Korea in the 1980s were willing to transfer missile technology to Middle Eastern nations, India in the 1980s, according to V Arunachalam, then director of defence research and development, turned down \$ 200 million worth of sales to Iraq. Pakistan, similarly, despite its rhetoric about the 'Islamic Bomb', refused to transfer nuclear technology to Libya. Such a guarantee would not really harm southern interests yet at the same time would assuage western fears about the proliferation of weaponry.

Second, southern states have to come up with their own proposals for peacekeeping forces. The need for such missions is becoming all the more widespread, even as the western powers are weakening in their will to carry out such missions. Southern states could earmark military units within their armed forces for deployment around the world. These nations could also specify in what situations and what geographic regions they are willing to allow their forces to serve. Another aspect of such a policy is that it would shift the debate on the use of such force from the great power-dominated Security Council to the more democratic General Assembly. Repeated use of the UN General Assembly for proposing such operations would increase the effectiveness and the democratic nature of that international organisation.

A third step would be to collaborate with the arms industries of the northern countries to build new weapons systems. The major cutbacks in northern defence spending have left these nations' arms industries struggling to find new markets. At the same time, southern arms industries have run into bottlenecks while trying to produce new systems. If the southern states were to actively seek collaboration it would create an interdependence in the arms market which

would have favourable implications for both the north and the south. The north would benefit in terms of higher employment levels and the survival of key industries. The south would acquire new systems. More importantly, such collaboration would create linkages which would stress the value of the south to the north. Israel, for instance, is already pursuing such a strategy.

In conclusion the security of the south lies in trying to create a meaningful role for itself in international affairs – a role which breaks the outdated conception of multipolarity and shifts it towards a more democratic international system. Tough bargaining and the willingness to work with the major powers is the first step in this process.

Notes

[This article was written in June 1994.]

- 1 Anthony Lake, 'Confronting "Backlash" States', *Foreign Affairs*, March-April, 1994, p 45. Lake lists Cuba, North Korea, Iran, Iraq and Libya in this category. Such states, he argues, suppress human rights, promote radical ideologies and procure weapons of mass destruction. Interestingly, he leaves out Serbia as a 'backlash' state.
- 2 For a discussion of the role of civilisational consciousness in international relations see, Samuel Huntington, 'The Clash of Civilisations', *Foreign Affairs*.
- 3 John Lewis Gaddis, 'Towards the Post-Cold War World', *Foreign Affairs*, Spring 1991, reprinted in Steven L. Spiegel and David J. Pervin (eds), *At Issue: Politics in the World Arena*, St Martin's, New York, 1994, p 35.
- 4 For a discussion of the third wave see Samuel Huntington, *The Third Wave: Democratization in the Late 20th Century*, University of Oklahoma Press, Oklahoma 1991.
- 5 For a discussion of this issue see Amit Gupta, 'Third World Militaries: New Suppliers, Deadlier Weapons', *Orbis*, Winter 1993, pp 57-60.
- 6 Ibid, p 67.
- 7 Remarks by Les Aspin, secretary of defence, National Academy of Sciences Committee on International Security and Arms Control, December 7, 1993.
- 8 Zbigniew Brzezinski, *Out of Control: Global Turmoil on the Eve of the 21st Century*, Maxwell Macmillan, New York, 1993, pp 165-66.
- 9 See, for example, John Mearsheimer, 'Why We Will Miss the Cold War', *Atlantic Monthly*, August 1990, pp 35-47.
- 10 Joseph S Nye, Jr, 'What New World Order?', *Foreign Affairs*, Spring 1992, p 88.
- 11 See for example, K. Subrahmanyam (ed), *Nuclear Myths and Realities – India's Dilemma*, ABC, New Delhi, 1981.
- 12 An excellent overview of the early Indian debate is provided in Sisir Gupta, 'The Indian Dilemma' in Alastair Buchan (ed), *A World of Nuclear Powers?*, Prentice Hall, Englewood Cliffs, NJ, 1966, pp 55-67.

Turning Health Into an Investment

Assaults on Third World Health Care

David Werner

Too often high-level health and development planners get so absorbed in the macro issues of health economics that they lose sight of the micro issues. Little research has been done to examine the extent to which the money poor families spend on health care affects their nutritional status, and thereby their health and survival, particularly of women and children. Yet these questions are crucial especially in the context of the current assault on health care unleashed by the west.

IN spite of the acclaimed goal of health for all, in recent years formal health services have become increasingly inaccessible to the growing numbers of destitute people. The reason largely economic. At the same time that poverty is deepening in many nations, rich and poor, the costs for basic health care are being systematically shifted from the public sector to the individual consumer.

Since the early 1980s the income gap between rich and poor has been widening between countries and within them. Today over one billion persons – one in five of the world's people – try to survive on less than one dollar per day.¹ In many countries, minimum wages have fallen so low that they do not cover the family's basic food needs. On a recent visit to Bolivia, I was told it now takes seven official minimum wages to adequately feed a family of five. No wonder a lot of Bolivians grow coca – or chew it to stave off hunger. And no wonder over half of Bolivia's children show signs of stunting.² Too often high-level health and development planners get so absorbed in macro issues of health economics that they lose sight of the micro (or human) issues. They focus on how health ministries faced with increasing demands and shrinking budgets can function 'cost effectively' rather than on how impoverished families can cope with falling wages and rising costs of both food and health services. Little research has been done to examine the extent to which the money poor families spend on health care affects the nutritional status, and thereby on health and survival, especially of women and children. Yet such questions are of crucial importance when considering the current trends towards privatisation and cost recovery.

Ever since the western medical model was introduced into southern countries in colonial

times, it has been a two edged sword. Its urban-based, doctor controlled, expensively equipped 'disease palaces' have always catered to the privileged. The few health services directed at the 'natives' were mainly designed to keep them productively working in plantations and/or factories owned by the rich. Thus in the colonial era, health for the poor was not seen as a right, but as a requirement for well-managed performance of labour.

In the post-second world war era, there was an evolving social consciousness that all people are entitled to the same basic rights and that society has a responsibility to make sure the basic needs of all people are met, regardless of gender, race, class, and relative ability or disability. As a part of this new basic needs approach, development planners sought ways to make western medical and health services more widely accessible to underserved third world communities. Thus rural dispensaries were set up and staffed by modestly-trained health auxiliaries. While this 'rural penetration' of western medicine brought some benefits, it also created new problems. One was added costs to consumers. Even where services were subsidised, travel to the dispensaries, which were few and far between, involved time and expense. Medicines, when available, were often costly; or sick persons were referred to a distant hospital at still greater costs to the poor family. Under the influence of new wonder drugs, people's faith in low-cost home remedies began to decline. 'A pill for every ill' became standard treatment and injections acquired a magical ethos. Budding multinational pharmaceutical companies capitalised on this growing drug dependency. The medicalisation and commercialisation of health care, together with an erosion of traditional forms of self-care, became a growing obstacle to health.

HEALTH CARE: AN OBSTACLE TO HEALTH

Several years ago a group of village health workers from Mexico and Central America went to the Philippines to exchange ideas. Near Tacloban we visited the Makapawa community-based health programme. Among other innovations, local health workers had organised neighbourhood groups to make their own herbal medicines for common ailments. These combined traditional lore with modern science. Cough and cold syrups contained bitter orange, high in Vitamin C. An 'ABC drink' for diarrhoea was an oral rehydration mix with tasty herbs added. In festive gatherings, men, women and children took part in preparing these handy home remedies.

The Makapawa health workers proudly told us that after only two years child malnutrition and mortality had decreased. We asked why. They said it might be the nutrition training for mothers during 'under fives' clinics. But the mothers present said, "Not so! For years visiting nurses have lectured us on how to feed our children. If we don't feed them right, its for lack of money, not know-how." Yet the mothers confirmed that current wages were lower than before. So why, we asked, had their children's health improved? At first, no one had an answer. We asked how much the mothers were spending on health care: herbal medicines, modern medicines, travel to doctors, etc. The average turned out to be 10 to 12 per cent of family earnings. We said this was low compared to other lands we had visited, where some poor families spent 30 per cent or more of their earnings on health-related expenses. Then one mother said, "We don't spend nearly as much now as we used to." Others agreed. Before the programme began some families had spent over 40 per cent of their earnings on health-related costs. Their hungry children were constantly getting sick. A family would first spend on a witch doctor, then on modern tonics and cough syrups, and finally on costly trips to city doctors and hospitals. In emergencies they had to borrow from 'loan sharks', and pay back for years. If their children recovered, little money was left to feed them and soon they fell ill again.

"But now when our children have coughs or colds or diarrhoea we give them our home-made medicines", explained one mother. "That leaves more money for food (and for medical help when really needed). So our children are fatter and get sick less often. We save even more on health expenses. So we can feed our children still better! And now they die less often!"

"You know what we're saying!" exclaimed one mother. "We're saying it was what we

were spending on health care that was killing our babies!" Thus the mothers recognised that by avoiding some of the high costs of commercial medicine, and by rediscovering the value of certain traditional forms of healing, they could better protect their children's health. Another factor, they realised, was that their health workers had helped them organise and share in times of need, to avoid falling prey to the loan sharks.⁴

By the late 1970s, wide recognition that the western medical model was still failing to adequately improve third world health levels led to growing demand for reform. In 1978 the World Health Organisation (WHO) and UNICEF convened the famed global conference endorsing the Alma Ata Declaration. To advance toward Health for All by the Year 2000, the declaration called for a potentially revolutionary approach. Primary health care (PHC) was conceived as a comprehensive strategy that would not only include an equitable, consumer-centred approach to health services, but would address the underlying social and political determinants of health. It called for accountability of health workers and health ministries to the common people and for social guarantees to make sure that the basic needs – including food needs of all people are met. In recognition that socially progressive change only comes from organised demand, it called for strong popular participation. Unhappily, these high expectations of Alma Ata have not been met. Today, 17 years later, it is painfully evident that the goal of Health for All is growing more distant, not just for the poor, but for humanity. Some critics say that primary health care has failed. Others protest that it has never really been tried.

Strategically, there have been three major events that have sabotaged the revolutionary essence of primary health care: (1) the introduction of selective primary health care at the end of the 1970s, (2) structural adjustment programmes and the push for user-financed health services, introduced in 1980s, and (3) the take over of third world health care policy-making by the World Bank in the 1990s. All three of these monumental assaults on primary health care are a reflection of the prevailing regressive socio-political and economic trends.

SELECTIVE PRIMARY HEALTH CARE

No sooner had the dust settled from the Alma Ata Conference in 1978, than top-ranking health experts in the north began to trim the wings of primary health care. They asserted that, in view of the global recession and shrinking health budgets, such a comprehensive approach would be too costly.

If any health statistics were to be improved, they argued, high risk groups must be 'targeted' with a few cost-effective interventions. This new politically-sanitised version of PHC was dubbed selective primary health care.

UNICEF had been a strong advocate of Comprehensive Primary Health Care as declared at Alma Ata. But frustrated by the unwillingness of major donor agencies and health ministries to seriously promote such a radical model, and pressured by the socially retrograde political climate of the 80s, UNICEF soon compromised. It began to advocate selective PHC as being more 'realistic'. Through its so-called Child Survival Revolution – which some critics called a counter-revolution – UNICEF prioritised four interventions known as GOBI (growth monitoring, oral rehydration therapy (ORT), breast-feeding, and immunisation). UNICEF later attempted to broaden its limited package of health technologies to GOBI-FFF (adding food supplements, female education, and family planning). But in practice, in most countries PHC became even more selectively reduced to the twin engines of Child Survival: ORT and immunisation.

The global child survival campaign quickly won high-level support. For those in positions of privilege and power, it was safe and politically useful. It promised to improve a widely accepted health indicator, namely, child mortality, while it prudently skirted (except in rhetoric) the social and economic inequities underlying poor health. Not surprisingly, many health professionals, governments, and USAID quickly jumped on the child survival bandwagon. Even the World Bank – which had previously not put much investment in health – began to lend its support. But technological solutions can only go so far in combating health problems whose roots are social and political. Predictably, the child survival initiative has had less impact than was hoped. Over 13 million children still die each year (roughly the same number as 15 years ago, although the percentage is somewhat reduced). Most of these deaths still are related to poverty and undernutrition.

It has become increasingly clear that reducing child mortality through selected technological interventions does not necessarily improve children's health or quality of life, especially if they do little to combat poverty or improve living standards. During the 1980s a disturbing pattern began to emerge in the health indicators of some poor countries, while child mortality rates dropped, undernutrition and morbidity rates increased. Such a pattern bodes an ominous forecast. And sure enough, in the late 80s and early 90s in many countries the decline in child mortality rates has now

slowed or halted, and in several countries (especially in sub-Saharan Africa) child mortality is increasing.⁵

Equally disturbing, the two most heavily promoted technologies for reducing child mortality are proving difficult to sustain. Since the start of the 90s, there has been a backslide both in Oral Rehydration Therapy usage and Immunisation coverage.⁶ The recent decline in immunisation and corresponding increase in polio cases are shown on the two graphs from UNICEF's *State of the World's Children Report, 1994*. As for oral rehydration, even Egypt's national programme – long upheld as the great success story – has in the 90s experienced a precipitous decline in ORS usage rates, from more than 50 per cent, down to 23 per cent.⁷

The disappointing and in some countries diminishing impact of Oral Rehydration Therapy can in part be explained by structural adjustment policies, which have methodically shifted the costs of health services and products onto the poor. But it is partly due to the dependency-creating, disempowering way the technology was introduced. As we all know, there are two basic approaches to ORT: (1) manufactured packets or oral rehydration salts (ORS), and (2) 'home fluids'. Strong encouragement of appropriate home fluids promotes greater self-reliance and control over diarrhoeal disease at the family and community level. Home fluids are less costly, more rapidly and reliably available, when prepared with cereals or starches can be safer and more effective than the sugar-based ORS formula.

But from the start, WHO, UNICEF and USAID put their biggest investment into factory-made packets, thus pharmaceuticalising a 'simple solution' and creating dependency on a product whose price and availability lie outside family and community control. At first ORS packets were distributed free. But when health budgets were slashed by adjustment policies, health ministries were pressured to privatise both production and distribution. This commercialisation of a potentially "life saving technology", means that today many poor families spend up to one-fourth of their day's wage for one packet of ORS. Since undernutrition is the predisposing cause of death from diarrhoea, it is easy to see how social marketing that induces poor families to spend their limited food money on ORS packets may be counterproductive in terms of lowering child mortality. However, virtually no studies have been done to determine how family expenditure on ORS may negatively effect child nutrition and survival.

Apart from promoting needless spending by poor families, privatisation of ORS has made teaching about oral rehydration more problematic. As you know, here in India there is an array of ORS products on the

market, designed for mixing with quantities of water ranging from one litre to 1/3, 1/4 and 1/5 of a litre. This wide variation makes it impossible to teach families how to mix a safe and effective ORS drink. All the health worker can tell mothers is, "Follow the instructions on each packet". But in a land where most women cannot read, following such instructions is not easy. The probability of preparing dangerously concentrated ORS drinks has increased.

Wisely, in the last few years, UNICEF and WHO have begun to place more emphasis on increased home fluids and continued feeding (including breast-feeding) rather than such disproportionate emphasis on ORS packets. But after a decade of marketing the packets as a wonder drug, it is proving difficult to re-educate people (and especially health practitioners) that they can save both money and lives by using appropriate home drinks. Some health activists draw a parallel between the misdirected promotion of ORS packets and that of bottle-feeding. Both involve commercial products which are more costly, more nutritionally counterproductive, more dependency-creating, and more exploitative of the poor, than are the corresponding home drinks. Zimbabwe is one country that has taken a courageous stand in favour of home solutions and has refused to use ORS packets. The Zimbabwe health ministry firmly refuses to let ORS packets be used even in health centres, on the grounds that this would make people think home drinks are a second best substitute. Instead, nurses teach mothers how to prepare and give the same rehydration drinks they are encouraged to use at home.

STRUCTURAL ADJUSTMENT PROGRAMMES AND COST-RECOVERY PLANS

The next big set-back to primary health care has been the introduction, during the 1980s, of structural adjustment programmes (SAPs). Engineered by the World Bank and IMF, (SAPs are, in essence, a way of making poor people pay for the irresponsible lending by the rich in the north to the rich in the south. By the beginning of the 80s, the 'development' strategies imposed by the north on the south had begun to backfire. The Big Beautiful development paradigm – pushed in the 60s and 70s by huge loans from northern banks – made poor countries more dependent on the global market with its ruthless ups and downs. With the introduction of large-scale, machinery-intensive agribusiness and industry, land and wealth concentrated into fewer hands. Landlessness, unemployment, poverty, and hunger increased. Growing

unrest brought more repressive measures of social control. Even in countries that experienced 'economic miracles', like Brazil, real earnings of workers drastically declined. More trickled up than trickled down. In sum, for vast numbers of people development really meant underdevelopment. It brought deteriorating living conditions and denial of basic rights.

But troubles were just beginning. By the start of the 80s poor countries were faced with staggering foreign debt. Huge interest payments offset any benefits from economic growth. As third world economies began to falter, northern banks withheld new loans, and scores of countries went into a fiscal tailspin. Some – beginning with Mexico in 1982 – announced they simply could not pay. The banks with billions of dollars in loans to poor countries, feared economic collapse if debtor countries defaulted on their loans.

Then the World Bank and IMF came to the rescue (primarily of the northern banks). They gave countries in crisis bail-out loans to keep servicing their huge debts and hopefully to restore economic growth. But strings were attached to these loans, mainly in the form of structural adjustment programmes. SAPs were designed to streamline poor country economies so as to free up money for servicing foreign debt, and to bind poor countries into international trade accords that favour big business and 'free market' interests in the north. SAPs have usually included the following components: cutbacks in public spending, privatisation of government enterprises, freezing of wages and freeing of prices, increase of production for export rather than for local consumption, reducing tariffs and regulations and creating incentives to attract foreign capital and trade, and reducing government deficits by charging user fees for social services, including health.

In sum, such policies add up to "transferring resources to investors and lowering payments to labourers". "Inevitably, they hit the poor hardest. Budgets for so-called 'non-productive' government initiatives such as health, education, and food subsidies are ruthlessly slashed, while bloated military expenditures were mostly left untouched. Public hospitals and health centres were sold to the private sector, pricing their services out of reach of the poor. Falling real wages, food scarcity, and growing unemployment due to government layoffs all joined to push low-income families into worsening."

The overall impact of adjustment has been hotly debated. At first the World Bank denied that structural adjustment has hurt the poor. (This is like the tobacco industry saying there is no proof that smoking causes lung

cancer.) More recently, the Bank has conceded that adjustment may have caused temporary hardships for low income families, but that such austerity (starvation of children?) is necessary to restore economic growth. Ignoring the historical record, the Bank still seems to think that by helping the rich get richer, the benefits will somehow trickle down to the poor. But the evidence is overwhelming that structural adjustment, linked with other conservative trends in recent years has caused a major set-back to third world health.¹⁰ The World Bank defends its strategies with reports and graphs showing that over the past 30 years third world health has steadily improved. However, these reports shrewdly downplay the fact that in many countries improvements in health have slowed down or stopped since the mid-80s, and more so in the 90s.¹¹ In some countries rates of undernutrition, tuberculosis, cholera, STDs, plague, malaria, and other indicators of deteriorating conditions, have been drastically increasing.

In spite of a modicum of development aid from the north, in the 1990s more than \$ 60 billion net flows each year from the poor countries to the rich. GATT and recent 'free trade' agreement, as currently drafted, are more likely to increase than decrease this inequity. Today, the income of the richest 20 per cent of the world's inhabitants is 140 times as great as that of the poorest 20 per cent. And worldwide the gap between rich and poor has grown 30 per cent in the last 10 years. Although enough food is produced in the world to feed all people adequately, according to the UNDP nearly one quarter of the world's people do not get enough to eat.

User-financing or cost recovery schemes, together with privatisation of public health services are among the adjustment policies mandated by the World Bank and IMF. UNICEF has also promoted user-financing of village health posts through the so-called Bamako Initiative, now functioning in many African countries and elsewhere. While UNICEF has some reservations about the initiative, it argues that in today's hard times it sees no better alternative. Cutbacks in health budgets during the 80s resulted in closure of many rural health posts, largely for lack of medicines. UNICEF knows that people want medicines and are willing to pay for them. So through Bamako, consumers are charged enough for drugs to keep the health posts stocked and functioning. UNICEF has tried to make the Bamako Initiative user-friendly and community controlled (c.f. UNICEF's Adjustment with a Human Face).¹² Indeed, the programme does have a number of positive features. For one, only essential drugs are used (although, perhaps counterproductively, ORS packets

are sold as an 'essential drug' for home use). Also, in some of the Bamako community-run health posts I have visited, local participation has been active and enthusiastic. But many cost-recovery schemes have serious – and perhaps life-threatening – drawbacks. Just because poor families are willing to pay for medicines does not mean they can afford to pay for them. As we saw in the Philippines, poor families often spend for medicine the last pennies; they need to feed their sick children. And when health posts are financed through sale of drugs, the temptation to over-prescribe is great. Also, because the poorest families get sick most often and tend to require more medication, they may carry more than their share of costs for the health post. While Bamako has provisions to charge less to the poorest of the poor, such safety nets work better on paper than in practice. Studies in some countries have shown that when cost-recovery has been introduced, utilisation of health centres by high risk groups has dropped. For example, in Kenya the introduction of user fees at a centre for sexually transmitted diseases caused a sharp decline in attendance and an increase in untreated STDs.¹³

Whatever, their short-term impact, the introduction of these so-called cost-sharing schemes has disturbing long-term social and ethical implications. It represents a retreat from progressive taxation, where society takes from the prosperous to benefit the least fortunate, in a sense of fairness and sharing. Placed in historical perspective, when decision-makers begin to inflict destitute and undernourished people with an increased portion of health-related costs, this is a great step backwards. It means that for those in greatest need, health care is no longer a human right.

WORLD BANK TAKEOVER OF HEALTH POLICY PLANNING

The World Bank's 1993 World Development Report, *Investing in Health*, has put the last nail in the coffin of the Alma Ata Declaration.¹⁴ Turning Health into Investment would be a better title, for the Bank takes a dehumanisingly mechanistic marketplace view of both health and health care. When stripped of its humanitarian rhetoric, its chilling thesis is that the purpose of keeping people healthy is to promote economic growth. Were this growth to serve the well-being of all, the Bank's intrusion into health care might be more palatable. But the 'economic growth' which the Bank invariably promotes as the goal and measure of 'development' has invariably benefited large multinational corporations, often at great human and environmental cost. The World Bank tells

us it has turned over a new leaf: it now recognises that sustainable development must take direct measures to eliminate poverty. Yet the Bank has so consistently financed projects and policies which worsen the situation of disadvantaged people that we must question its ability to change its course. A growing number of critics suggest that perhaps the most effective step the World Bank could take to eliminate poverty would be to eliminate itself.

On first reading, the Bank's strategy for improving health status worldwide sounds comprehensive, even modestly progressive. It acknowledges the economic roots of ill health, and states that improvements in health are likely to result primarily from advances in non-health sectors. It calls for increased family income, better education (especially for girls), greater access to health care, and a focus on basic health services rather than tertiary and specialist care. It quite rightly criticises the persistent inequity and inefficiency of current third world health systems. Ironically, in view of its track record of slashing health budgets, it even calls for increased health spending ... So far so good. But on reading further, we discover that under the guise of promoting an equitable, cost-effective, decentralised, and country-appropriating health system, the World Bank's key recommendations spring from the same sort of structural adjustment paradigm that has worsened poverty and lowered levels of health.

According to the Bank's prescription, in order to save 'millions of lives and billions of dollars' governments must adopt "a three pronged policy approach of health reform: (1) Foster an enabling environment for households to improve health; (2) Improve government spending in health; (3) Promote diversity and competition in the promotion of health services."

These recommendations are said to reflect new thinking. But stripped of their Good Samaritan face lift, and reading the Report's fine print, we can restate these three prongs more revealingly: (1) "Foster an enabling environment for households to improve health" means requiring disadvantaged families to cover the costs of their own health care... in other words, fee for service and cost recovery through user financing; putting the burden of health costs back on the shoulders of the poor. (2) "Improve government spending in health" means trimming government spending by reducing services from comprehensive coverage to a computerised selection of cost-effective measures ... in other words, a new brand of selective primary health care. (3) "Promote diversity and competition" means turning over to private, profit-making

doctors and businesses most of those government services that used to provide free or subsidised care to the poor... in other words, privatisation of most medical and health services: thus, pricing many interventions beyond the reach of those in greatest need.

So we find the Bank's new health policy is old wine in new bottles: a rehash of the conservative strategies that have systematically derailed comprehensive primary health care – but with the added shackles of structural adjustment. In essence, it is a market-friendly version of selective primary health care, which includes privatisation of medical services and user-financed cost recovery.¹⁵ As with other selective PHC schemes, it focuses on technological interventions and glosses over the social and legislative determinants of health; issues such as legalisation of abortion and abandoned children. One reviewer (David Legge) observes that the World Bank Report is "primarily oriented around the technical fix rather than any focus on structural causes of poor health; it is about healthier poverty".¹⁶

The Bank prioritise health interventions by calculating their relative cost effectiveness. This is measured by the number of disability adjusted life years (DALYs) saved through each intervention. The cost of each intervention is weighed against the person's potential 'productivity' (i.e. contribution to economic growth). Each disease and ailment is classified according to how many years of productive (disability free) life the individual loses as a result. The Bank has studied and prioritised 47 different public health and clinical interventions, expressing their benefits in DALYs achieved. For example, leukaemia treatment is not cost-effective, only 10 DALYs being saved for \$ 10,000, while Vitamin A supplementation achieves nearly 1 DALY for \$ 1.

In calculating DALYs, years of productive life lost are weighted according to age and work potential. Hence children and the elderly have lower value than young adults, and presumably disabled persons who are unable to work are awarded zero value and therefore have little or no entitlement to health services at public expense. The very term Disability Adjusted Life Years is an affront to disabled persons. (The DALY prioritisation method which authoritatively deprecates disability has the stench of eugenics. Disabled activists need to join with health rights activists to protest this potentially neo-fascist policy.)

The *Investing in Health* Report advocates that governments should favour, an environment that enables households to improve health. But to do this it does not

call loudly for fairer wages or stronger labour unions. Instead, as always, it recommends economic growth policies backed by structural adjustment programmes which, it claims, will eventually raise income per capita. In making this recommendation, the Bank ignores the fact that in many countries with SAPs average per capita income has plummeted. Even in countries whose economies have partially recovered, most gains have been pocketed by the wealthy; poor people's real income has tended to decline.

With its call for "greater diversity and competition in the provision of health services, promoting competitive procurement practices, fostering greater involvement by non-government and other private organisations, and regulating insurance markets", the Bank's new policy for the third world sounds suspiciously like the health care model of the US. It argues that private health care for individuals gives more choice and satisfaction and is more efficient. But there is little evidence to support this claim. The US health system, dominated by a strong profit-hungry private sector, is by far the most expensive in the world, yet US health statistics are the worst among the northern industrialised nations. Indeed some US health indicators are worse than those of certain third world countries. Most striking is the extreme iniquity of the US health system; Washington, DC, with its large low-income population, has poorer child and maternal mortality rates than Jamaica.¹⁷ Several US inner cities have immunisation rates as low as 10 per cent and for the last several years deaths from measles in the US have been increasing.¹⁸

The commercial medical establishment and some large NGOs have celebrated the World Bank's Investment in Health strategy as a 'breakthrough' toward universal, more cost-efficient health care. But most health rights activists see the report as a masterpiece of disinformation, with dangerous implications. They fear the Bank will impose its recommendations on those poor countries that can least afford them. With its enormous moneylending capacity, the Bank can force poor countries to accept its blueprint by tying it to loans, as it has done with structural adjustment. In addition the Bank states that it will encourage the donor community "to assist by financing the transition costs, especially in low-income countries".

CALL FOR ORGANISED PROTEST

It is an ominous sign when a giant financial institution with such strong ties to big government and big business bullies its way into the field of health care. Yet

according to the British medical journal, *The Lancet*, the World Bank is now moving into first place as the global agency most influencing health policy, leaving the World Health Organisation in a weaker second place.¹⁹ Despite all its rhetoric about alleviation of poverty, strengthening of households, and more equitable and efficient health care, the central function of the World Bank remains the same: to draw the rulers and governments of weaker states into a global economy dominated by large multinational corporations. Its loan programmes, development priorities, and adjustment policies have deepened inequalities and contributed to the perpetuation of poverty, ill health, and deteriorating living conditions for at least one billion human beings.

In various parts of the world, concerned groups are attempting to engender a broad-based protest of the pernicious policies of the World Bank and IMF. Health Action International has put together a packet of writings from a wide variety of sources, criticising the 1993 World Development Report and alerting health activists to oppose it. Covering a broader critical analysis, "50 Years Is Enough" is an international coalition organised around the 50th anniversary of the World Bank and IMF. Involving scores of environment, development, religious, labour, student, and health groups, it represents an unprecedented worldwide movement to reform these International Financial Institutions. At the same time, many groups and networks around the globe are working on health and development issues from a grass roots perspective, trying to listen and respond to what people want. They are attempting to create broad public awareness of our current global crises, and to organise a groundswell of pressure from below on the world's policy-making bodies. Two such grass roots coalitions based in the south are the Third World Network based in Malaysia, and the *International People's Health Council*, based in Nicaragua.

It is urgent that all of us concerned with the health and rights of disadvantaged people become familiar with the World Bank's *Investing in Health* Report. We must speak out clearly about the harm its policies are likely to do, and clarify whose interests those policies serve. New communications methods are needed to alert ordinary people to far-reaching concerns, and to counter massive disinformation, which has become the most effective strategy of social control. Never has the need been greater for a co-ordinated global effort to demand that world leaders and policy-makers be accountable to humanity.

Notes

[This paper was the keynote address at the Seminar on Health Communication organised by the Xavier Institute of Communications as part of its 25th anniversary programme.]

- 1 Brown L R, (editor), *State of the World*, 1994, W W Norton, New York, London, 'Foreword'
- 2 Grant J P, *State of the World's Children*, 1994, UNICEF, p 66.
- 3 The term 'disease palaces' was first used by primary healthcare pioneer David Morley in his classic book *Paediatric Priorities in Developing Countries*
- 4 Werner D, Bower B, *Helping Health Workers Learn*, Hesperian Foundation, 1982
- 5 Grant J P, *State of the World's Children*, 1994, UNICEF, p 80, Brown L R (editor), *State of the World*, 1990, Durning A B, 'Ending Poverty', p 138
- 6 Grant J P, *State of the World's Children*, 1994, UNICEF, pp 3,6,7.
- 7 Grant J P, *State of the World's Children*, 1994, UNICEF, p 6.
- 8 Petras, James, 'Cultural Imperialism in the Late 20th Century', *Third World Resurgence*, No 37, 1/94, p 30.
- 9 Costello A, Watson F, Woodward D, *Human Face or Facade? Adjustment and the Health of Mothers and Children*, 1944, Institute of Child Health, London
- 10 Danaher K (editor), *50 Years Is Enough: The Case against the World Bank and International Monetary Fund*, South End Press, Boston MA, 1994
- 11 Bruin J, Cicada G (eds), *Justice Denied! Human Rights and the International Financial Institutions*, 1994, Women's League for Peace and Freedom, Geneva; and International Institute for Human Rights, Katmandu, Nepal, p 3
- 12 Carnia G, Jolly R, Stewart F (eds), 1987, *Adjustment with a Human Face*, Oxford, Clarendon Press for UNICEF
- 13 Moses S, Manji F, Bradley J E, Nagelkerke N J, Malisa M A, Plummer P A, 'Impact of User Fees on Attendance at a Referral Centre for Sexually Transmitted Diseases in Kenya', *The Lancet*, 1992; 340:463-66.
- 14 The World Bank, *World Development Report 1993 - Investing in Health*, Oxford University Press for the World Bank
- 15 Ruck N, Stefanini A, *World Development Report 1993-Investing in Health - Old Wine in New Bottles?*
- 16 Legge D, 'Investing in the Shaping of World Health Policy', prepared for the AIDAB, NCEPH and PHA workshop (Canberra, Australia, August 31, 1993) to discuss the World Bank's 16th World Development Report, *Investing in Health*.
- 17 Werner D, 'Health for No One by the Year 2000', *Third World Resurgence*, No 21, 1992
- 18 Grant J P, *State of the World's Children*, 1994, UNICEF, p 46.
- 19 Editorial, *The Lancet*, Vol 342, July 10, 1993, pp 63, 64 and 105 and 106

Panchayat Raj and India's Two Societies

T V Sathyamurthy

New Horizons for West Bengal's Panchayats: A Report for the Government of West Bengal by Nirmal Mukarji and D Bandyopadhyay; Government of West Bengal Publication, Calcutta, pp 69.

THE Indian Constitution was fashioned in an atmosphere in which the political elite was committed to a unitary view of the post-colonial state. The reason for this lay in a number of inter-weaving factors of which the partition was but one. Of equal importance to partition in this regard was the significance attached by the framers of the Constitution in general, and the Congress Party in particular, to the emergence of a single cohesive over-arching and all-encompassing nation state. The Indian national bourgeoisie and their supporters were of the view that the development of capitalist relations of production in India was bound up with the emergence of an ever-expanding market, and, towards this end, at least in the medium run, with the establishment of a system of centrally-planned production of the essential ingredients of a modern industrial economy. A power structure, in which the centre would be disproportionately powerful, was crucial to the achievement of this goal.

The central government, for its part, and the Congress Party that took control of it in 1946, strongly subscribed to the view that its role was to reflect and represent the interests of the Indian national bourgeoisie (equated with the industrial bourgeoisie during the first phase of India's post-colonial history), whilst acting as a controlling force in keeping the mass of the people (and, in particular, the working classes) in check. The homogeneity of the power wielding elite at the centre and in the states (as well as its interchangeability between the two foci of political power), during the first two decades of independence, gave rise to the illusion that the Indian state could be controlled in a harmonious fashion by those in power at the centre and in the state capitals at the head of the various state governments.

However, even the mildest tendency towards dissidence, let alone autonomy, was met with a disproportionate show of force by an intolerant centre, always ready to interpret independence of thought as an unpatriotic and anti-national act. Thus, over five years before the Kerala state democratically returned a CPI-led government to power (1957), the PEPSU government, which had changed hands as a consequence of a minor democratic *bouleversement* in the assembly, resulting in the Congress Party losing its majority, was

immediately brought to heel by the centre. President's rule was hastily invoked for the first time. The errant ministry was dismissed as a prelude to political manoeuvres aimed at restoring the Congress Party to power - an unusual augury of the political difficulties that were to be compounded in that sensitive area of the relationship between the different tiers of government.

BELOW THE STATE

Discussions of the tortured relationship between the centre and the state in India often ignore the reluctance shown by state governments to devolve political power to the district and sub-district levels. The behaviour of most state governments, at least until the mid-80s, in this respect, has been of a piece. Although at one level, it is no more than a replication of the ideology of the Congress Party towards the lower tiers of government, yet at another level even a regional party such as the DMK/AIADMK has been known to be an adamant concentrator of power at its own headquarters (which, in this case, is the capital of the state concerned).

To some extent, this constitutes a reflection of the relatively low level of differentiation of the agrarian economy, whereby intra- and inter-class conflicts do not come into sharp and conflictual focus on the political arena. At the same time, the character of industrial development of the state - which depends upon the centre's benevolence and on the rise of small and medium industry (for which the state government can act as a catalyst, and on occasion, even as a benefactor) - has been such as to pose no urban challenge to the ruling party at the state capital. For the rest, the life-line of the regime stretches over its ability to deploy a brand of populism with the aim of mobilising the lumpen elements in order to unleash anarchic violence against those who are critical of the government and demand a more democratic distribution of power.

In those regions (e.g., especially where the Green Revolution was introduced during the 60s) in which differentiation has been pronounced (and new class layers or strata of rich and middle peasantry as well as poor peasantry and agricultural labour have appeared), the state governments (and the

Congress Party) have been less able to resist persistent demands for greater devolution, democratisation and local autonomy. The approaches adopted by different states have been shaped by appropriate local (i.e., regional) factors. Thus, even during the early years of independence, the state of Bombay (subsequently, the states of Maharashtra and Gujarat) adopted a policy of devolving administrative responsibility through a system of modified panchayati raj (with the district administrative structure, under the collector, as the fountain of power). This is not the appropriate place to consider the precise circumstances under which such changes take place, but it is worth pointing out that even in a state such as Maharashtra, with the accretion of the districts of Vidarbha (which had a different background from, say, the relatively prosperous coastal districts of the former Bombay presidency), the blueprint for the devolution of administrative responsibilities, as originally conceived, could not be followed uniformly throughout the state.

The decade of the 60s ended with the splits (of qualitatively different kinds) within the ruling party at two levels. At the centre, the party split into the Congress (R), a major segment under Indira Gandhi's leadership, and the Congress (O), a minor segment under the control of the 'Syndicate'. At this level of the party, there was no difference in orientation between the two segments over the question of centralised unitary control of the power of the state.¹ At the state or regional level, however, the split was more complicated for two major reasons. First, the state Congress Party suffered serious internal splits in those states in which new classes with specific interests came into being as a direct consequence of the Green Revolution (e.g., Punjab, Haryana, western Uttar Pradesh, and certain parts of Bihar). In the Punjab, this phenomenon was uniquely combined with the movement for regional autonomy of the Sikhs whose loyalties were divided between the Congress Party and the Shiromani Akali Dal (SAD). In Uttar Pradesh, Haryana and Bihar, where there were no sizeable parties in opposition to the Congress, the Congress Party itself underwent splits, the 'splittists' in these cases being, invariably, the political representatives of the newly emerging agrarian classes (especially the

rich and middle peasantry), of which Chowdhury Charan Singh was the first pre-eminent inter-state leader.

At the level of the central party organisation, the split between Indira Gandhi and the 'Syndicate' was hardly ideological on the dimension of the centre versus the regions/states, and the former's donning the mantle of radical populism had nothing whatsoever to do with power-sharing between the centre and the states, let alone increasing the democratic content of Indian politics. A specific thrust to local power, albeit power confined to representatives of the rich and middle peasant classes, was given by the political forces which developed along Lok Dal lines (and its subsequent transmogrifications and internal realignments). The competition for power in these states, from the late 60s onwards, was between those who were seen by the rich and middle peasantry as more truly representative of their economic or class interests.

The premiss of the primacy of central power has never acquired the status of a hegemonic idea in India – not even in the halcyon days of the early phase of Nehru's prime ministership. The reason for this lies in the by no means negligible influence exercised by the ethos of decentralised, devolved or local power in the strands of political thinking associated with leaders such as Gandhi (and, since his death, in the Sarvodaya movement), Jaya Prakash Narayan, Ram Manohar Lohia, and Socialists of various hues, all of whom resisted the temptation of office. At a theoretical level, any discussion of the relations between central authority and local democracy that concentrates on the structures of power to the exclusion of movements of democratic resistance originating in a variety of forces of opposition – at the grass roots, in the regions, and in among the 'weaker' sections of society (e.g. dalits, adivasis, scheduled castes and backward class, poor peasantry, agricultural labour, marginalised workers and women) – can only throw partial light on the question of devolution of power, involving a double distortion. On the one hand, such accounts exaggerate the omnipotence and ubiquitousness of central power (and, by extension, power wielded in state capitals ruled by regional parties with equally centralising tendencies); on the other, they underestimate the potential of the locality or periphery, as the case may be, to liberate itself from at least certain aspects of dominance by the centre and to increase, to a corresponding degree, its democratic capability.

Regional parties in opposition to the Congress (e.g. DMK, AIADMK, Telugu Desam and, to a limited degree, the SAD and the Asom Gana Parishad and, latterly, the Yadav-dominated Samajwadi Party of

Uttar Pradesh and Janata Dal of Bihar) have, in differing degrees, mounted struggles to supplant dominant higher castes and replace them with middle and lower middle castes (reminiscent of the struggles between tenants and zamindars in the latter part of the 19th century) in executive political control of state governments. Exceptionally, in Bihar, this kind of struggle has, to a limited extent, taken on a slightly different colour – mainly due to the initiative of Karpoori Thakur who, as chief minister during the Janata interlude of the late 70s, did attempt to broaden the interpretation of the caste equation of power by reaching further down the caste hierarchy than any other regional party leader.² In the present decade, Laloo Prasad Yadav has added a somewhat variegated and successful caricature of the political experience bequeathed by the shortlived Karpoori Thakur regime.

I shall return to the question of democratic devolution of political power to the weakest sections of the population (at the grass roots level) towards the end of this essay. For the moment, I shall limit the discussion to the institutional aspects of the extension of democratically elected government by increasing the number of political tiers to five throughout the country (under the provisions of the 73rd and 74th Amendments to the Constitution) – the centre, the state, the zilla, the samiti and the panchayat (or cluster of villages). The interest of the report by Mukarji and Bandyopadhyay lies in the crucial role which the communist parties have played, since the 50s, in the consolidation of local power through elected local government in those states in which they have wielded considerable political influence and enjoyed popularity among the mass of the people. Nowhere has this role been so successfully played and on such a basis of continuity (over 17 years to date) as in the state of West Bengal which has returned four successive CPI(M)-led Left Front coalition governments to power since 1977.

EXPERIMENTS IN DEVOLUTION

The characteristic features of the experiments in the devolution of power in India can be best understood against this historical background. It is well known that the first systematic blow in favour of power-sharing between the centre and the states was struck by the multiple coalitions (and the DMK in Madras³) which defeated the Congress in eight states in the general election of 1967. These coalitions embraced the whole of the political spectrum from the ultra-conservative Swatantra Party to the most radical left wing electoral party (namely, the CPI-M).⁴

But it was not until 1977 that relatively stable opposition governments at the state

level became a reality in several states. During the 80s and 90s, a majority of state governments have emerged which are ruled by parties or coalitions opposed to the Congress(I). During the last two decades, too, the hold of the Congress(I) on the Indian state has been challenged by a variety of political forces – in the form of coalitions which have included both parties with a highly centralising orientation (and therefore in that respect no different from the Congress) towards political and state power, e.g. the BJP, the Congress(O) and other splinters of the Congress Party, and parties with a relatively decentralising general orientation towards state power and a more or less strong commitment to autonomy at levels below the centre and the state, often down to the village (e.g. the Socialist Party, the Lok Dal, Janata Dal and parties that have split off from these).

In practice, however, even the party with the greatest de-centralising tendency among those opposed to the Congress (such as the lower caste political formations in Uttar Pradesh and Bihar) has never shown a democratising propensity beyond empowering the more wealthy and influential rural segments of the lower middle castes at the expense of those castes which until recently have been entrenched in local power. Moreover, its assumption of executive control of the state government is invariably accompanied by repressive violence being directed against the politically articulate segments of the lowest castes, mainly consisting of adivasis, dalits, scheduled castes, poor peasantry, agricultural labour, and especially their women.

The efforts to devolve political power and to suffuse the three lowest tiers of government with it must be viewed against the backdrop of an extremely complex process of socio-economic differentiation and contradiction. This has been taking place under conditions of acute and endemic scarcity, and within structures consisting of layer upon layer of encrusted and entrenched influence and power stoked up by corruption and venality which have reached monumental proportions during the last quarter of a century.⁵

Of all the attempts made by state governments to institutionalise democratically elected local government at the district level and below, those during the late 70s and early 80s by the CPI(M)-led Left Front coalition government in West Bengal and by the Janata administration in Karnataka (under Ramakrishna Hegde as chief minister) represent the most far-reaching, serious and successful ones. In fact, so successful had the Janata experiment in local electoral democracy become that the Congress(I) ministry that was elected in the late 80s simply discontinued it, thus putting locally elected government in cold storage until

forced by circumstance (i.e., the passing of the 73rd Amendment) to restore it.

It is important to note the sociological background of the party or coalition in power in each of these cases. At the heart of the political system of Karnataka over which the Janata Party presided during the early and mid-80s, the norms of the Congress culture continued to prevail. This was amply reflected in the corruption which quickly became as pervasive a feature of political life under the Janata administration as it had been under Devaraj Urs (a former Congress chief minister) or any of the other of Hegde's predecessors, and would be under his successors. However, even though the state leadership of the Janata Party quickly succumbed to the atmosphere of corruption prevailing in the state capital, it did take seriously the party's commitment to establish electoral democracy at the three lowest levels of government.

The Janata regime's initiative in respect of panchayati raj was broadly consistent with its general orientation to devolution of power and the spread of autonomy to the local level. The CPI(M)'s enthusiasm for democratically elected structures of local power is derived from a more complex worldview. Unlike the Janata Party, the CPI(M) carries out its political work through cadres. It has to its credit a long history of (partial) consciousness-raising political activity in the countryside. In Kerala, Tripura and West Bengal, the ruling Communist Party (even from before the 1964 split) has pursued reformist goals to a greater extent than any other political organisation. The establishing of a strong democratically elected local government structure was seen as a strategic necessity for the realisation of the social benefits and the general ethos of Operation Barga, in the long run, in the countryside. Thus, the Janata Party in Karnataka (and also the Telugu Desam, during the 80s, in Andhra Pradesh) and the CPI(M) in West Bengal were motivated by different political considerations in their decision to introduce the three tiers of local administration on an elective basis. But, both were engaged in similar exercises of 'taking power to the people' (or, rather, 'taking power to the local elites').

The West Bengal and Karnataka experiments in establishing democratically elected and accountable local government structures during the late 70s and early 80s have provided the wherewithal for a blueprint applicable, with suitable modifications to take account of local/regional specificities, to the whole of India. Motivated in part by Congress(I)'s proverbial opportunism, and driven in part by necessity, the centre itself sought, during the latter part of Rajiv Gandhi's prime ministership, to put forward an alternative approach to democratically elected local government bodies. This would

have involved direct links between the Centre and the rural hinterland in different parts of the country (mediated through the district collector), conveniently overlooking the intermediate 'federal' layer of the state government structure (which, in a large number of cases, has been ruled from time to time by regional and national parties of the opposition) in the process.

In actual fact, however, with the surfacing of new political pressures (extending far beyond conventional party politics and spilling over, liberally, into areas of mass protests against the negative and anti-people policies of both the centre and various state governments) on the one hand, and, on the other, the emergence of new coalitions or the recycling of existing coalitions involving different political parties, this particular intervention of the centre never got off the ground. The only political alternative left to the central government with the dawning of the present decade was to push through amendments to the Constitution requiring all states to carry out the task of establishing democratically elected local governments at the three lowest levels (zilla, samiti and panchayat) as well as in all municipal centres. The initiative of the Left Front and Janata governments of well over a decade ago (followed by serious evaluations of their progress from time to time), can be said to have heralded the development of panchayati raj on an all-India basis. Before this millennium ends democratically elected panchayati raj will have been set in motion in all states.

FIRST SYSTEMATIC EVALUATION

It is particularly appropriate that the first systematic evaluation of panchayati raj, with pointers to the future (August 1992-February 1993) was entrusted by the government of West Bengal to two seasoned administrators. It is worth mentioning that both of them, in their different ways, are distinguished for an uncommon degree of political nous. The significance of the resulting report – along with earlier interim evaluations of panchayati raj in Karnataka (eg. by A K Ghosh) – lies not only in the light that it sheds on West Bengal but also on the general process of evaluation of elected local government which is relevant to all other parts of the country.

Nirmal Mukarji has an intimate knowledge of the problems entailed in devolution of power with special reference to the Punjab, where, as a young ICS officer, he was closely involved in the implementation of that government's policy of land consolidation. It is well known that he returned to that state as governor, from his retirement, during the brief interregnum that was presided over by V P Singh as prime minister. Debabrata Bandyopadhyay earned well deserved encomia for the crucial role that he played

in persuading thousands of bargadars to shed their feudal fears and claim their land rights under the laws passed by the Left Front government in pursuance of the policy enshrined in Operation Barga. Bandyopadhyay had had experience, as a young officer working under Harekrishna Konar (the land revenue minister of the United Front administrations of the 1967-1970 period) who, for the first time in West Bengal (or, for that matter, anywhere else in India with the exception of Kerala), took up cudgels on behalf of the poor peasantry and the agricultural workers. Until his (somewhat indecently hasty) translation to the central government in the early 80s (whereby hangs a tale which did little credit to the CPI(M) leadership), Bandyopadhyay was the heart and soul of the implementation side of Operation Barga.

The authors of this Report were concerned to gain an understanding of the issues of governance as viewed from below. To this effect, they "interacted with many small and marginal farmers, bargadars, patta-holders of vested lands, fisher-folk, landless labourers and others" (para 1.7, emphasis supplied). From the top drawer, of course, they were "privileged to meet Shri Jyoti Basu, .. Shri Benoy Chowdhury, .. Dr Ashim Dasgupta, .. and Dr Surya Kanta Mishra" (para 1.5, emphasis supplied). They also met, among others, a number of researchers, intellectuals and retired civil servants belonging to the middle drawers (para 1.6). It is necessary to make this 'hierarchical' point on the matter of who they met, and the different accents given to the various meetings, if only to draw attention to the fact that it is extremely difficult to reverse the order of importance given to informants chosen from different strata of society, even – and perhaps particularly – when the subject considered is the democratic devolution of power and the empowerment of the 'weaker sections of society'.

The language of euphemism in which we clothe our thoughts makes it wellnigh impossible even for the fair minded and forthright members of the elite such as the authors of this otherwise excellent and far-reaching Report to show a sufficiently keen appreciation of certain self-evident truths: among these is the fact that the 'vertically challenged', and economically, socially and culturally disadvantaged segments/classes/castes of society – which are also the putative beneficiaries of any 'trickle down' going in the process of development – cannot hope to obtain a fair deal for themselves, given the obstacles that they will have to overcome. This is a statement worth making in so many words not only because of its psychological and sociological salience, but also for the reason that it goes to the heart of the socioeconomic contradictions of India's caste-ridden and class-divided society.

Many parts of India are enmeshed in the dynamic interaction between the (dependent, fragmented, uneven and distorted) development of capitalist relations of production (especially, but not only, in agriculture) and the persistence (and, in some areas, even a deepening) of pre-capitalist (i.e. 'feudal') modes of production. It is difficult to exaggerate the built-in limitations in the way of "working the system" to the advantage of the disadvantaged". Mainstream political discourse is yet to become sufficiently liberated to disregard the taboos against dealing with conflict and contradiction (as opposed to consensus) as the essential prerequisites of change.

The panchayati raj initiative of the West Bengal government in 1978 evoked considerable participatory interest and generated fresh political energy. Yet, within a period of 10 years, "[a]nd with the coming of the new panchayats in 1988, [t]he innovative spirit of the early years is hardly to be seen" (para 2.6). The main task of the authors of the report was to address the question of why "the panchayats are tending to run out of steam" (para 2.7). This they do along two broad lines of enquiry – one conceptual and the other programmatic. The report correctly identifies the inherent structural weakness of the panchayats as the root cause of the mood of listlessness into which they appear to have sunk.

Fifteen 'conceptual' dimensions are identified in Chapter 3 of the report. Of these, self-governance and autonomy are theoretically and ideologically central to the long-term prospects of panchayati raj. The identification of functions, recruitment of staff, raising finances and defining the parameters of financial devolution and responsibilities, the task of managing the spread of urbanisation to certain parts of the countryside, ensuring the spread of the benefits of development to social groups which have been and are still kept out of its purview (e.g. plantations, forest villages), redrawing the politico-administrative map of the state to optimise, as far as possible, the size and sociological cohesion of districts, blocks and panchayats, widening the social base from which recruitment to local level politics is made, and, in particular, rendering panchayats accessible to new person drawn from the lower echelons (i.e. the lowest castes and the poorest sections) of local society, developing a collaborative style of well-coordinated inter-level functioning at the district, block and panchayat levels with the necessary links made in an imaginative and efficient manner, ensuring that open accounting procedures are being followed and local government accounts are being properly and regularly audited, manifesting the same thoroughness and diligence in the conduct of local elections and by-elections, at the three local levels of government as

at the state level, and evolving a suitably unauthoritarian day-to-day relationship with the state government bureaucracy and ministry – these are the subjects on which the Report has reflected in depth and against a background of a wide sampling of feeling, opinion and experience gathered in the course of their peregrinations and audiences with the powers seated on high. Quite why these should be treated as belonging to the conceptual rather than the operational level of discourse is beyond this reviewer's comprehension.

WAITING FOR SELF-GOVERNMENT

Be that as it may, let me briefly return to the general critique of local politics embodied in the chapter (paras 3.1 to 3.10). Two points are made in these paragraphs. First, the 'political kingdom' shall be extended to the lowest levels: in other words, the bureaucratic domination of the periphery by the state government should be broken. In positive terms, this would involve the conferring of such powers and authority on the panchayats by the state legislature as would enable them to function as "credible institutions of self-government". The authors draw attention to the fact that, despite its sensitivity to the question of taking politics to the people as far down the ladder as possible, the Left Front government has not yet amended the West Bengal Panchayat Act passed by the Congress administration in 1973 which completely and pointedly ignored 'self-governance' as a guiding principle of local government.

As a government which played an active role in promoting the aims of the 73rd Amendment to the Constitution, the government of West Bengal should clearly enunciate policy to the effect that the fundamental objective of panchayati raj is self-government at each level, ensure its effective communication (presumably, in the long run, through educational means) throughout society, and overhaul the panchayat law "not simply to bring it in line with the 73rd Amendment, but more importantly to give centrality to the principle of self-government" (para 3.6).

As the first state to introduce political panchayats, West Bengal was well placed to embark on the task of establishing self-governing panchayats. Under the rubric of self-government, some fine distinctions are made in the report between (devolved) powers, responsibilities, functions, duties and authority. The authors quite rightly remembering the authoritarian nightmare of the Internal Emergency of 1975-77, recommend steering clear of the terms 'authority' and 'duties'. They recommend developing the meaning of the term 'functions', which necessarily involve considerations appertaining to 'powers' and

'responsibilities'. Functions could be usefully defined as a blend between 'autonomy by right' and 'entrustment by discretion' (para 3.10).

Chapter 4, dealing with 'programmes', touches on a number of sensitive and substantive areas. Programmes constitute the life blood of the panchayats. The bulk of Chapter 4 thus properly and naturally deals with different aspects of the land question. In this sense, Operation Barga, which represents the first serious attempt at comprehensive land reform within the limits prescribed by the Indian Constitution, gave the panchayats a substantial programme of far-reaching socio-economic change in the countryside. Yet, after a high tempo of activity which lasted a period of hardly three years, the implementation of land distribution to bargadars, under the new legislation literally lapsed into a small trickle of an annual average of less than 10,000 acres of vested agricultural land. Even more alarming than the very slow rate of recording, the half a million bargadars whom the new law had not yet reached is the onset of an insidious process of reversal of certain crucial aspects of the reform. Thus, the authors came across numerous instances

in which crop sharing is not according to law and is adverse to the bargadars' interest. In Jalpaiguri it is almost universally on 50:50 basis against the 75:25 ratio prescribed by law. It is the duty of the panchayats to see that the law is enforced and that bargadars retain the crop share they are statutorily entitled to (para 4.5, p. 25).

Those who are familiar with the conditions prevailing in rural Bengal until the late 70s can only shudder at the thought of such a retrogression to the past after so brief a flicker of serious reform.

One of the remedies suggested in the report for dealing with feudal practices thus creeping in by the back door would be, following the example of Punjab (1952), to undertake a state-wide programme of consolidation of landholdings. Punjab's experiment in decentralised planning is also held up as an example in a special Appendix consisting of a paper specially prepared by the Financial Commissioner (Development), Punjab (pp 53-57). A policy of land consolidation will secure advantages for peasants with an optimum level of landholding but will also have the effect of intensifying downward differentiation among poorer peasants and agricultural labourers. This point has not even been alluded to, let alone given the importance that it deserves.

Closely related to the recent land reform is the need to reorientate, if not restructure, the system of land administration in the light of the agrarian programmes of the panchayats and, in particular, the maintenance of a detailed mauzawise record of the crops grown on each field during every crop season.

Moreover, an integrated programme of agricultural development, placing emphasis on raising environment-consciousness of rural folk and promoting educational training for them in science, is strongly urged in the Report. The authors have also made detailed recommendations on programmes involving agricultural marketing, co-operative marketing, rural credit facilities and access to these, on the establishment of "all G[ram] P[anchayat] headquarters as *focal points* for the setting up of facilities within walking distance from people's homes" (para 4.37, emphasis supplied), and of "all P[anchayat] [S]amiti headquarters as *growth centres*" (para 4.38) (constituting an intermediate level, in a developmental context, between the gram panchayat and the district), and the introduction of systematic training of panchayat level officials and elected representatives at the State Institute of Panchayats (Kalyani), as well as research in academies where our knowledge and understanding of local problems can be extended and deepened.

A long list of desiderata in the functional sphere of panchayat government and administration has been brought together in this report. It is based on West Bengal's already rich and varied experience in the sphere of local government (though not, as yet, local self-government). As such, the elective local government structures in a number of states in the country that are now being ushered in to existence (by mid-1995, all states in India will have elected self-governing local structures of power in place at the zilla, samiti and panchayat levels) already have a reasonably well-tried blueprint to go on in West Bengal. The authors of the Report have rendered a signal service by using the occasion provided by the West Bengal government's initiative to draw up a check list of functions and methods in this sphere.

IN A STRAITJACKET

Despite the enormous amount of work that has gone into the researching and putting together of this report, two major problems have been swept under the carpet, through no deliberate intention, it must be added, on the part of the authors. First, by virtue of its provenance, the remit of the Report has been limited to the sphere of institutional politics (as defined in political practice and constitutional verbiage) which are literally beyond the reach of a vast majority of the Indian masses – the disinherited, the dispossessed, the marginalised and the submerged sections of society existing below the poverty line. Even in a state (such as West Bengal), continuously ruled by a left-of-centre government (for 17 years now), noted for its sensitivity to the fluctuations of the rural social scene, and reputed for its relative lack of antipathy towards the mass

of the people, the authors have noted that the rural upper crust has begun to flex its muscle again as evidenced in the partial reversion to certain past practices in certain districts at least.

We return to the difficult question of how political power can be democratically devolved to the weakest sections of the population. The magnitude of this problem can be comprehended by visualising India as consisting of two halves – a smaller segment made up of those who, by virtue of their economic and social position, are able to benefit from the structure of power by exerting pressure of various kinds, and a major segment, consisting of the relatively undifferentiated poor, which is beyond the pale. Whilst it is true that the exercises now under way in the sphere of decentralisation of power and responsibilities (with, it may be added, no change in the pattern of central control over the purse strings) will produce a 'trickle down' effect from which the rural and local elites (e.g. small business, small retailers, etc., including members newly recruited from the lower castes, as a consequence of power at the state level changing hands from the erstwhile dominant upper castes to middle and lower middle caste elites) will benefit, they will leave the poorest 40-50 per cent of the society untouched and, perhaps, even worse off (if that can be imagined!).

Therefore, there are two societies in India, one of which is poised to receive marginal benefits from the broadening of the institutional base of power that is being promoted under two recent amendments to the Indian Constitution on the subject of decentralisation and elected self-governing local authorities. The other is left to fend for itself under regional, national and international conditions more hostile than ever before experienced, at least in India's post-colonial history.

There is and can be nothing in such a report as this for the latter of the two societies identified above. The future of the different segments of which it is composed can be charted only through political action, activism carrying a variety of impulses, and movements of resistance to institutional power in all its forms including the new avatar of decentralised power. Perhaps the authors of the Report, now that they have been released from the shackles of institutions, will offer us their meditations on the subject and tell us what the outside looks like from the inside now that they themselves are outside (I should like to think, not only physically and metaphorically but also psychologically and emotionally).

Entailed in the question raised above is the intellectual issue which can be formulated quite simply as follows: can one focus on 'decentralisation' in a straitjacketed framework of institutional power by adopting

a method of approach which addresses 'conceptual' and 'programme-based' issues separately before linking them together? After reading Report, I was left with the impression that in view of the limitations built into the approach, no serious contribution can be made on the 'conceptual' side unless the basis of state power in India is challenged and a radical interpretation of it offered which could act as a springboard on which alternative programmes may be hammered out with a view to generalising, if not universalising, the benefits of development. Questions of theory, conceptualisation, methodology and issues relating to the operational, functional and programmatic realms could thus be vigorously and democratically debated and fresh solutions aimed for. Here again, we need transfusion and suffusion of new intellectual blood imbued with an imaginative commitment to the goals of development.

Notes

- 1 Morarji Desai as prime minister was inflexible towards the Assam student movement and Sikh dissent in the Punjab which began as an agitation for greater autonomy for the state within the meaning of the Anandpur Sahib Resolution. Even Chowdhury Charan Singh (or, for that matter, Vishwanath Pratap Singh) was relatively speaking more 'centrist' or 'centralist' than 'federalist' in his political orientation. In this sense, all the prime ministers of India and their cabinets to date have been uncompromisingly 'centralist'.
- 2 Rami Manohar Lohia was the first socialist leader in India who advocated the primacy of the 'caste struggle' as differentiated from the 'class struggle'. During the last decade of his life he propagated the view that unless caste discrimination was removed there could be no future for India. Karpooi Thakur was the first politician in India's post-colonial history who attempted to put Lohia's idea into practice during his brief stint as chief minister of Bihar.
- 3 Neither the DMK nor the AIADMK was serious about devolving power to sub-state structures even though the former pioneered the agitation for more powers for the state down from the centre by appointing a committee which produced the celebrated Rajamannar Report. Thereby a start was made in the history of centre-state relations which ended with the publication of the Sarkaria Report in 1987.
- 4 Since the late 70s even some of the CPI(M-L) factions have entered the parliamentary process, mainly at the level of state legislatures. The Indian Peoples Front (IPF), a front organisation of the CPI(M-L) movement, takes part in elections at all levels.
- 5 At the lower levels, this edifice of corruption and nepotism has been maintained intact mainly through collusion between the local elites on the one hand and the all but omnipotent local bureaucracy on the other.

Liberalisation, Unemployment and Capital Reform

Ranjit Sau

The finance minister has outlined a model of economic development that envisages liberalisation and globalisation of the economy. Asset distribution in India is very skewed. Using the efficiency wage theory this paper proves with simple geometry that a competitive equilibrium in an economy with highly unequal asset holding will entail involuntary unemployment of the assetless poor. Although both are competitive, the equilibrium here sharply differs from that of an Arrow-Debreu economy which presumes sufficient assets for all agents.

East Asia had satisfied the Arrow-Debreu presumption through radical land reforms before the economic 'miracle' was initiated. South Asia and Latin America fare miserably in this respect.

If land reform is not feasible, capital reform can serve the same purpose. A scheme of capital reform has been suggested here for India. It transpires that the consumption dynamics in India may aggravate the problem of unemployment of the poor.

ON various occasions the finance minister has revealed his views on the Indian economy. His address at the Europe-east Asia economic summit, Singapore, in October 1994 rounds up the model he has in mind. Since June 1991, Manmohan Singh has been pressing for deregulation, liberalisation and globalisation. Freedom of private enterprise and competition in the marketplace, combined with provision of essential public services by the government, would unleash initiatives of the individual, ensure efficiency of resource utilisation and promote human development.

In his Singapore speech Manmohan Singh has drawn a subtle picture of the world economy where India occupies a central place. East Asia is the site of an economic miracle [World Bank 1993]. To continue the prosperity it requires external markets. Meanwhile a long recession has settled over Europe with no sign of going away too soon. In any case, the western countries are saturated with consumer durables, and their demand has become price-inelastic. Under the circumstances, India can come to east Asia's rescue.

East Asia would find in India a large market for trade and investment. With east Asia's capital investment in key sectors of India, specially infrastructure, production will rise, people will have greater purchasing power, and their appetite for import will be heightened. East Asia will then reap more than what it sows today.

India will have an open economy of private enterprise, with a social conscience. Enough wealth will be produced in the private sector, and plenty of tax revenue will flow into the public exchequer. Government will look after those who do not benefit from the market mechanism. Thus, in short, is the Manmohan model to replace the Mahalanobis model that has informed India's policy-making so far.

We consider full employment an elemental objective of the economy and society. This aspect does not figure in the Manmohan model. The present paper will show that, given the presence of a large number of assetless poor people in the country as an initial condition, a competitive equilibrium will have a sizeable volume of involuntary unemployment consisting mostly of these very poor people. Put another way, liberalisation, which essentially means introduction of market competition, cannot resolve the unemployment problem so long as sharp inequality in asset distribution persists.

The theoretical content of our essay draws upon the literature on efficiency-wage theory [Bliss and Stern 1978, Leibenstein 1957, Stiglitz 1976], in particular a most illuminating article of Dasgupta and Ray [1986]. However, the proof at a crucial step of the argument – pertaining to the shape of curve ABCD in Figure 4 – is ours, given in the Appendix.

The logic is simple. Inequality of asset distribution implies initially poverty for the deprived. Assume a direct relationship between income, which is entirely consumed, on the one hand, and the productivity of labour on the other. Poverty thus entails low productivity. Potential employers would find the services of a poor person too expensive to employ while those of a relatively well-to-do person are also available. So, poverty leads to unemployment, and vice versa. A vicious circle is thus complete. So long we have heard that unemployment causes poverty; now the table is turned: poverty spells unemployment, and thereby reinforces itself. The initial condition matters.

Adam Smith's doctrine of invisible hand as well as the Arrow-Debreu competitive equilibrium presumes an economy of asset-rich agents. India does not answer this

description. Here land is very scarce, and so is capital; and both distributions are heavily skewed.

There are two ways, it will transpire, of combating involuntary unemployment. One is to accumulate assets over time; the other is to have a more even distribution of existing assets. East Asia started out with the latter through most radical land reforms. South Asia has a miserable record on this front. Latin America fares even worse.

I

Unemployment in Competitive Equilibrium

Production takes place with two inputs, namely, labour and land. We distinguish between labour-power and labour-time. "By labour-power" is to be understood the aggregate of those mental and physical *capabilities* existing in a human being, which he *exercises* whenever he *produces* a use-value of any description" [Marx 1867: 167, italics ours]. By contrast, labour-time is fixed uniformly at, say, eight hours a day. The labour-power that a worker actually renders during a given labour-time depends, by assumption, upon the income he receives and consumes. Higher wages, beyond a threshold, means greater efficiency of labour. It is the labour-power that is an input in the production function.

A labourer may own land which enables him to receive rent. In that event his income consists of wage and rent.

This essay turns on the distinction between the wage rate per unit of labour-time and that of labour-power. A worker has one unit of labour-time to supply. There is a minimum acceptable wage rate below which he will not supply his labour-time; it is called his reservation wage. Note that reservation wage relates to labour-time.

FIGURE 1: LANDLESS LABOURER

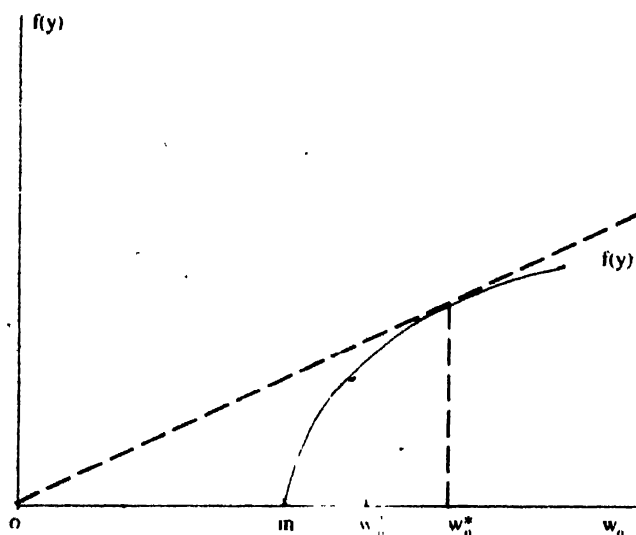


FIGURE 2: SMALL LANDOWNER LABOURER

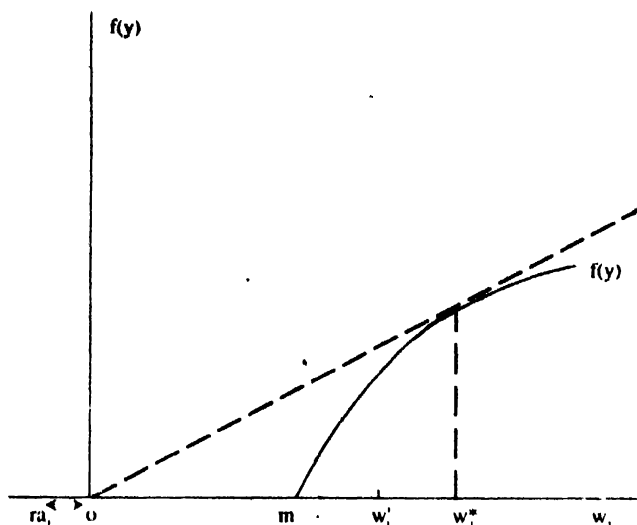


FIGURE 3: BIG LANDOWNER LABOURER

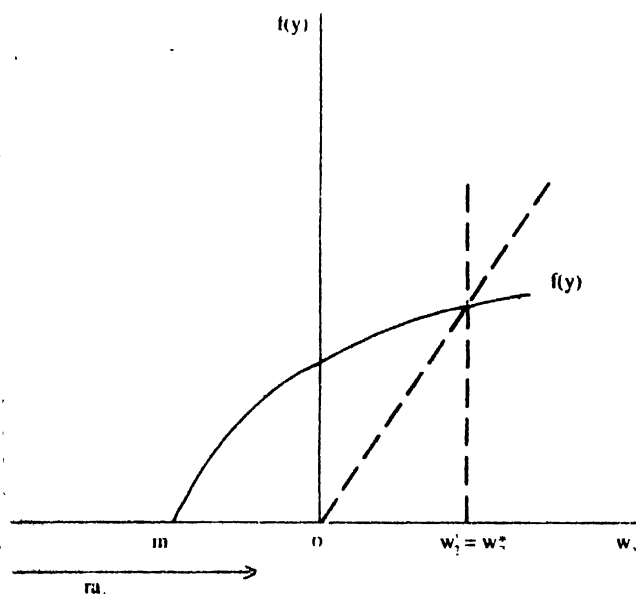
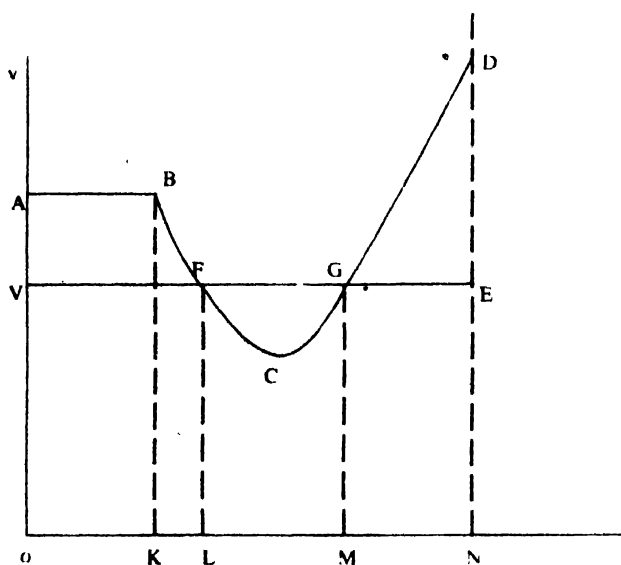


FIGURE 4: UNEMPLOYMENT IN COMPETITIVE EQUILIBRIUM



An employer knows that a worker's efficiency responds to the latter's income including wage. So he offers that wage which minimises the wage-cost per unit of labour-power rendered by the worker for him. The following symbols will be used.

y = income of a worker = wage + rent
 c = consumption. w = wage per unit of labour-time. r = rent per unit of land. a = land owned by a worker. f = labour-power rendered by a worker. $f = f(y)$. w' = "reservation wage". It rises with landholding. w^* = market-offered wage per unit of labour-time: it is optimal (cost-minimising) for the employer = "efficiency wage". v = market approved supply-price of labour-power = "effective supply-price" of labour-power.

Figures 1, 2, 3 and 5 show the $f(y)$ -function. Its shape is given by the following: $f(y) = 0$ for $y < m$; and $f(y) > 0$, $f'(y) > 0$, and $f''(y) < 0$ for $y > m$, where m is a parameter.

To begin with, suppose there are three persons in the economy, indexed respectively by 0, 1, 2. Person 0 has no land; person 1 owns a plot of land with rent-income less than m ; and person 2 is a big landowner defined as one having rent-income greater than m . In what follows subscripts will refer to the persons concerned. A variable common to all persons will have no subscript.

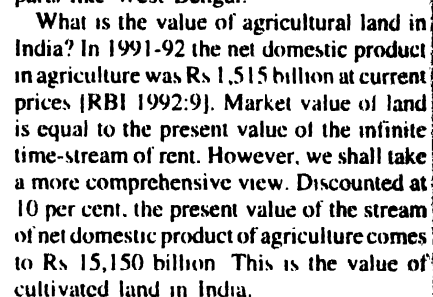
- (1) $a_0 = 0$, and $a_2 > a_1 > a_0$
- (2) $y_0 = w_0$
- (3) $y_1 = w_1 + ra_1$
- (4) $y_2 = w_2 + ra_2$

Figure 1 shows the computation of w_0^* . An employer will offer a landless worker this wage, if at all, so as to minimise the wage-cost per unit of labour-power $w/f(y)$. This efficiency wage occurs where a ray through the origin is tangential to the labour-power curve $f(y)$. By assumption, the reservation-wage of the landless worker is less than his efficiency-wage. So he accepts the job if offered at w_0^* .

Figure 2 similarly depicts the efficiency-wage of person 1 who has rent-income ra_1 . The method of derivation is much the same as in Figure 1. And the geometry clearly shows that w_1^* is less than w_0^* . This is an interesting feature.

Now there is an asymmetry. For person 2 the efficiency-wage coincides with the

the areas actually distributed was only 1.29 million acres" (Planning Commission 1978:12). The total net area sown in the country was 355.5 million acres. So land reform had not touched even 1 per cent of the cultivated area. Since then the picture remains very much the same except in some parts like West Bengal.



Evidently the landless poor are also capitalless. If the government could not do land reform it can possibly think of an alternative which is politically less demanding. Capital invested in the centre's public-enterprises stood at Rs 1,020 billion as of 1990-91 [GOI 1992:20]. Here is a possible scheme. Let the ownership of 10 per cent of this capital be granted to the poorest of the poor in the country, or to those who are just below the poverty line. A trust may be formed with this capital fund, and the annual proceeds distributed to the beneficiaries. By the theory of the preceding section, then segment AB of Figure 4 will be lowered, and full employment of the previously assetless people may become possible should a sufficient amount of capital be available for this purpose. In the absence of such a project, economic liberalisation, that by definition brings about market competition, would end up with a huge volume of involuntary unemployment of the assetless people causing widespread poverty, malnutrition, and low productivity of labour. No amount of foreign capital, accompanied by latest technology, would be able to address this denouement. The Manmohan model is likely to founder on this rock.

To put the proposed capital reform in perspective, we reckon that one-tenth of Rs. 1,020 billion is equivalent of three billion dollars at current exchange rate. As we have argued elsewhere [Sau 1994] India has suffered an avoidable deadweight loss of two billion dollars on the foreign exchange reserves of the country since 1991. The Reserve Bank of India has pegged the value of rupee to dollar. To defend that rate the RBI has been purchasing excess dollar from the market and putting it into US Treasury bills. The associated sterilisation also costs a great deal. The rate of interest on US Treasury bills is about 4 per cent; but the bonds issued by the RBI in open market operation at home for sterilisation carries interest rate of 11 per cent. Clearly the RBI loses 7 per cent on this account.

We shall argue that

$$(7) \quad v_{-} \leq v_{+}$$

From (6) and (7) the shape of ABCD-curve of Figure 4 will be deduced, for a large population with unequal distribution of land. A very simple geometric proof of (6) and (7) is given in the Appendix.

employers. So only LM people – all landowners – will be employed OL people will not get jobs even if they are prepared to work at a lower wage rate. This is involuntary unemployment. Of them OK are landless, and KL are small landowners. MN people are unemployed too; but they are big landowners; for them it is voluntary unemployment.

As for dynamics, improvement in the quality of land or accumulation of more land can raise the productivity of labour across the board; then VE-curve in Figure 4 shifts up. If such shift continues, eventually full employment of all landless and small landowning workers may be possible. Alternatively, an appropriate redistribution of the existing land can flatten ABCD-curve into VFCGE, thereby ensuring full employment for all. On the other hand, a certain pattern of consumption dynamics may force the ABCD-curve to move up, aggravating unemployment. Such a phenomenon in the case of India is not unlikely, as we shall see in a moment.

Land distribution in India is heavily skewed. The Gini coefficient is around 0.7. Paucity of land reform is amply illustrated by the following figures. "As on July 31, 1977, the estimated surplus area was only 5.32 million acres, the area 'declared surplus' was 4.04 million acres, the area 'taken over' by government was 2.10 million acres, and

Meanwhile the dollar has been depreciating relative to mark and yen, while India's foreign exchange reserves are being kept mostly in dollar assets. Therefore, the value of the RBI portfolio has shrunk in terms of mark and yen.

These losses could have possibly been avoided if the rupee was pegged to a basket of currencies like dollar, mark, and yen, rather than to the dollar alone. The RBI portfolio of foreign exchange reserves also could have been diversified across currencies. Here are some relevant data. The US accounts for 19 per cent of India's export and 13 per cent of import, the European Union 28 per cent of export and 40 per cent of import, and Japan 8 per cent of both export and import. The secular decline of dollar had begun in March 1985. During 1991-93 it was obvious that tying the rupee with dollar would mean its depreciation *vis-a-vis* the mark and the yen.

A country that can evidently afford to waste two billion dollars over three years on account of its monetary and exchange rate policy should not hesitate to distribute three billion dollars worth of public capital to its own poor. We are confident the proceeds of that capital will be put to best possible use from micro as well as macro point of view. Above all, labour productivity will rise. If anything, the Manmohan model of capitalist development will be facilitated.

III

Consumption Dynamics

A very critical assumption of the theory is that labour productivity rises with a worker's income. How strong is this presumed linkage? The findings of a consumer survey, 1992-93, conducted by the National Council of Applied Economic Research (NCAER), New Delhi, tend to raise some doubt about it. Poor households, barely above the poverty line, are absorbing a good deal of luxury products and consumer durables, probably at the expense of essential food items and nutrients. Low-income people (with less than Rs 18,000 a year) account for 18 per cent sales of lipsticks, 33 per cent of nailpolish, and 20 per cent of face cream. It was once thought that these people had barely enough to eat. But, reportedly, they are buying most of the country's detergent soaps (58 per cent), toilet soaps (80 per cent), as well as 48 per cent of tea, 38 per cent of electric bulbs, and 31 per cent of toothpaste [*The Economist* 1994 31].

Some of these numbers may be open to further scrutiny. But the behaviour pattern is not implausible. Felix (1983) had observed a very similar consumer dynamics in Latin America. Such a consumption dynamics that sacrifices essential nutrients for fancy entertainment will have the effect of shifting the ABCD-curve up in Figure 4, thereby

aggravating the problem of unemployment of the poor. The Manmohan model will require a proper reorientation in such a milieu.

Let us recall that it was Indira Gandhi who took a major initiative in the early 1980s for liberalisation of the Indian economy. Soon she had to retrace her steps, and recoil back into that time-tested slogan of 'garibi hatao' (remove poverty) which had retrieved her from the brink of the precipice on several occasions in the past. There is a school to assert that it was the Khalistan revolt which forced her back once again into populism, away from the bumpy road of economic liberalisation.

One ignores the political economy of a country at one's own peril. The Manmohan model is likely to heighten certain tensions of the polity. In a not very far-fetched scenario it will strain the social fabric of India to the limit that is too structural to be subsidised away by the government. Attainment of full employment as soon as possible is the best insurance for the Manmohan model. And herein rests the model's weakest point at the moment.

Appendix

First (6) will be proved. Figures 1 and 2 are superimposed on one another to get Figure 5 with a bit of relabelling. The new diagram is self-explanatory once we recognise that OO_1 of Figure 5 = ra_1 of Figure 2. We have to show that OA/AB is greater than O_1A_1/A_1B_1 . Proof. Evidently, in Figure 5, angle $B_1O_1A_1$ is greater than angle BOA . Therefore, A_1B_1/O_1A_1 is greater than AB/OA . Hence, OA/AB is greater than O_1A_1/A_1B_1 . QED.

The reservation wage of a big landowner can be very high even infinity. So his v

is larger than v_0 . This proves (7). Curve ABCD in Figure 4 is drawn for a population of N where people are represented in a continuum along ON. The underlying logic for its shape is given above.

[This paper belongs to a research project sponsored by the Centre for Management and Development Studies, Indian Institute of Management, Calcutta without assuming any responsibility for the views expressed here.]

References

- Bliss, C J and N H Stern (1978) 'Productivity, Wages and Nutrition', *Journal of Development Economics* 5 331-97.
- Dasgupta, P and D Ray (1986) 'An Economic Theory of Malnutrition' in S Guhan and M Shroff (eds), *Essays on Economic Progress and Welfare*. Oxford University Press, New Delhi.
- Felix, D (1983) 'Income Distribution and the Quality of Life in Latin America: Patterns, Trends and Policy Implications', *Latin American Research Review* 18(2) 3-33.
- Government of India (1992) *Economic Survey, 1991-92*, Part II, New Delhi.
- The Economist* (1994) 'India: The Poor Get Richer', November 5 31.
- Leibenstein, H (1957) *Economic Backwardness and Economic Growth*. Wiley, New York.
- Marx, K (1867) *Capital*, Vol 1, Progress Publishers, Moscow, 1965.
- Planning Commission (1978) *Draft Five Year Plan 1978-83*. New Delhi.
- Reserve Bank of India (1992) *Report on Currency and Finance 1991-92*, Vol 2, Bombay.
- Sau, R (1994) 'Rupee: Delink from the Greenback', *The Economic Times*, Calcutta, July 28.
- Stiglitz, J E (1976) 'The Efficiency Wage Hypothesis, Surplus Labour, and the Distribution of Income in the LDCs', *Oxford Economic Papers* 28 185-207.
- World Bank (1993) *The East Asian Miracle*, Oxford University Press, New York.

New
Book
from

MD

Publishers of the
Humanities, Natural
& Social Sciences

BIBLIOGRAPHY OF COLON CLASSIFICATION, 1930-1993

By

M P Satija & Amrik Singh

This bibliography exhaustively lists in a chronological order about 1,350 references culled from different media such as books, chapters in books, journal articles, dissertations and conference papers. It is the largest bibliography ever compiled on any single classification system. At the end author and subject indexes have also been provided.

1994, 129p, indices; 22x14 cm ISBN 81-85880-29-8

Rs 150.00

Send your orders and write for complete catalogue to :

M D PUBLICATIONS PVT LTD
11 Darya Ganj, New Delhi-110 002
Tel. : 3273347, 3271378, 3285830, 3288845
Fax : 91-11-3276542 Cable : INDOLOGY

PUBLISHERS
DISTRIBUTORS
EXPORTERS

Transportation, Energy and Environment

A Case Study of Bangalore

B Sudhakara Reddy

Urban transportation in India is dominated by road transport where automobiles and trucks consume about 90 per cent of the total transportation energy out of which 80 per cent accounts for passenger transport. In Bangalore, an urban centre of South India, personal transport, particularly by two-wheelers, accounts for 60 per cent of total vehicle kilometres and their share in energy use accounts for 30 per cent of the total

This article, based on econometric analysis of annual data (1980-90), disaggregates passenger transport by vehicle type (two-wheelers, cars, buses, etc) and studies its impact on passenger kilometres and energy intensity. The study investigates the relation between transportation and energy consumption and its environmental impacts.

I Introduction

THE existing system of transport in any country greatly influences the economic and social status of its people. Development will always be slow where transportation is bad and inadequate. Indeed, poverty and immobility are closely related. Quick and efficient means of transportation has made our world smaller than that of our grandparents. In one way or the other, transportation has revolutionised our lives in the 20th century. A measure of development is the level and extensivity of transportation available. In poor countries, a vast amount of energy and time are spent in an effort to get things moved.

Transport is almost synonymous with energy. Even though commuting through efficient mode of transport reduced travel time, the demand for energy increased due to the spatial expansion of society. The conquest of distance by the destruction of time is fueled by the large increase in energy consumption. There is no doubt that transportation is the main root of our energy crisis. The current debates about global warming and ozone layer depletion are directly related to the consumption patterns of present generation. Automobile is the single largest cause of air-pollution which has serious effect upon the health of human and all other animals, plants and structures [1,2]. Even with all this negative impact, transportation has become indispensable in the life of man. Therefore, understanding these facts is essential from two standpoints. First of all, it should provide an insight into the impact of the increasing vehicle population on the energy consumption and environmental considerations. Also, it is important to study the technological alternatives to increase the efficiency of vehicles and substitute other forms of fuels. From this perspective, transportation, energy and environment and the emerging situations need a fresh look.

The present paper analyses some of the changes that had taken place in the past decade (1980-90) in the transportation sector of Bangalore, a fast growing metropolis of south India. Transportation accounts for nearly 50 per cent of total petroleum products consumed of which 90 per cent is for road transport [3]. The rapid growth in passenger vehicles, particularly two-wheelers (15.41 per cent p.a.) is partly due to the inadequacy of public transport, and partly due to substantial increase in the city's population. This not only increased the total fuel consumption, but also the number of passenger kilometres. The result is the increasing density of vehicles and the environmental pollution. The present study focuses on road transport where two-wheelers, three-wheelers, cars, and buses play a dominant role. The impact of energy use on passenger transport volume, modes

of transport, energy intensiveness of each mode and their environmental effects are discussed in this paper.

II Background Data and Information

Bangalore is the capital of Karnataka state in the southern part of India with a population of about four million (1991 census). The corporation of the city of Bangalore covers an area of 500 sq km and has a population density of 8,000 persons/sq km. Between 1981 and 1990, the population grew by about 8 per cent p.a. The major land use in Bangalore is residential (35 per cent), followed by transportation (20 per cent). The remaining land is used for commercial, industrial, and other purposes. The present and future patterns of the land usage indicate that between

TABLE 1. LAND USE PATTERN IN BANGALORE (1991-2001)
(Per Cent)

Type of use	1991	2001
Residential	34.36	37.54
Transportation	20.83	20.53
Parks, playgrounds, etc	10.09	9.90
Industrial	10.14	9.92
Agriculture	4.17	3.09
Commercial	3.49	4.18
Others (schools, public buildings, etc)	16.92	14.84
Total	100.00	100.00

TABLE 2. PERFORMANCE INDICATORS OF BTS

Indicator	1980	1990	Per Cent Increase
Fleet strength	820	1675	104.27
Operating efficiency	90.2	95	5.32
Average speed (km)	28	32	14.29
Trips/vehicle/day	17.2	18.5	7.56
No of routes	362	546	50.83
Route kilometres	4850	8125	67.53
Average route length (km)	13.40	14.88	11.07
No of schedules	585	1320	125.64

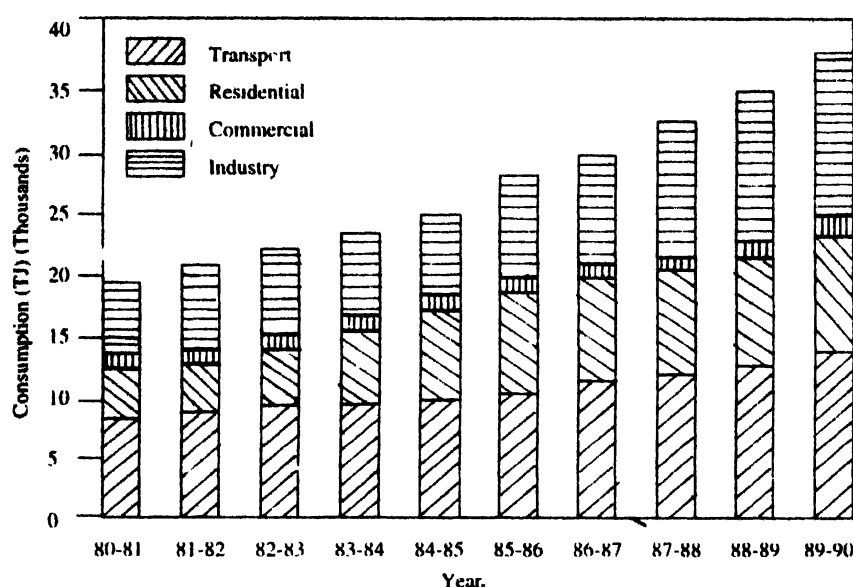
Source: Statistics Department, Karnataka State Road Transport Corporation, Bangalore.

TABLE 3. END USE ANALYSIS OF PETROLEUM PRODUCTS (TJ) (1989-90)

End-use	MS	HSD	LIX	FO	Total
Transport	3589 (27.76)	9238 (71.47)			12926
	(100.00)	84.09			69.80
Power generation		1748			1748
		15.91			9.44
Process heat			703 (18.28)	3123 (81.25)	3844
			(100.00)	(100.00)	20.76
Total	3589 (19.38)	10986 (59.32)	703 (3.79)	3123 (16.87)	18519
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note: Figures in parentheses represent percentages.

FIGURE 1: COMMERCIAL ENERGY CONSUMPTION (1980-90)



1991 and 2000 AD, the share of residential, and commercial sectors will increase and those of transport and industrial sectors and parks will decrease (Table 1) [4]. These figures indicate that the land area provided for transport is inadequate and may not keep pace with the growth of traffic. Also, the increasing vehicle population and the encroachment of footpaths by street vendors have resulted in congestion of roads with the consequence of fall in traffic service. These traffic hurdles result in low travel speeds, frequent stops with the acceleration and deceleration of vehicles resulting in increased fuel consumption and exhaust pollution.

The transportation picture of Bangalore is characteristic of many metropolitan cities in India. In Bangalore, passenger road transportation is provided primarily by public transport and autorickshaws (three-wheelers) and private vehicles, viz., cars and two-wheelers. There is a predominant automobile traffic much of it involving daily work trips consisting mainly of buses

and two-wheelers. A fairly well developed Bangalore Transport Service (BTS) exists with its major fleet operating from Bangalore Bus Station, the centre of the city. There is no electric suburban system for mass transport, although there are periodic discussions on this subject. Many of the roads in the city are narrow. There

are a series of one-way streets in the city. There are many significant junctions in the city without any flyovers.

Generally, BTS operates its services mainly between 0600 and 2100 h. Many of the buses operate on fixed routes from points around the city centres and to suburban areas. Also, BTS operates Peak Hour Services (PHS) to some important industrial suburbs. There are pronounced peaks of person movements into and out of the city, i.e., 0800-1100 h and 1700-2000 h. Majority of the commuters are employees and working class categories belonging to the middle and low income groups. Higher salaried people use personal transport such as motor cycles and cars.

III Transportation 1981-90

The growth of Bangalore city has been phenomenal. It achieved 80 per cent population growth between 1971 and 1980 and 50 per cent between 1981 and 1990. The growth pattern indicates that, within the next few years, all of the satellite town centres will be a part of Bangalore. And, the Public Transport Service, BTS, is not keeping pace with the expansion. Between 1980 and 1990, its fleet strength was doubled from 820 to 1,675. Thus the number of vehicles/million of population increased only marginally, i.e., from 266 to 280 and the route km travelled

TABLE 5. CONSUMPTION OF ENERGY (SECTORWISE) (1989-90)

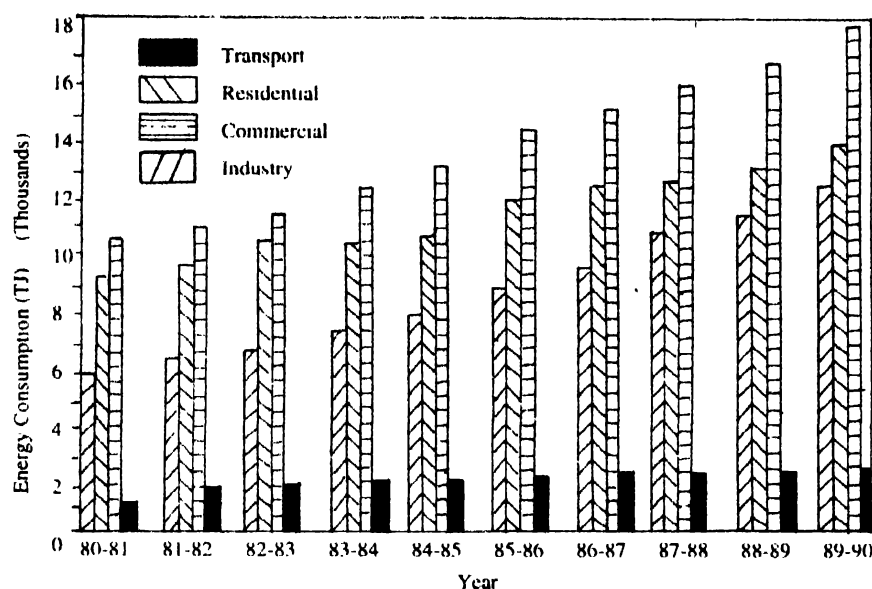
Year	Total Consumption (TJ)	Road Transport			Railway Transport				
		Motor Spirit	Diesel	Total	As Per Cent of Total	Diesel	Coal	Total	As Per Cent of Total
1980-81	9068	1989	3877	5866	64.70	258	2943	3201	35.30
1981-82	8746	2060	3872	5931	67.82	314	2501	2814	32.18
1982-83	8921	2159	4280	6139	72.18	383	2099	2482	27.82
1983-84	9058	2345	4573	6918	76.38	469	1671	2140	23.62
1984-85	9167	2484	4974	7458	81.35	566	1144	1710	18.65
1985-86	9870	2622	5712	8334	84.44	634	902	1536	15.56
1986-87	10345	2827	6205	9033	87.31	716	597	1313	12.69
1987-88	10994	3024	6825	9849	89.58	794	351	1145	10.42
1988-89	11835	3292	7440	10732	90.68	913	190	1103	9.32
1989-90	12907	3589	8192	11781	91.28	1046	80	1126	8.72

TABLE 4. CONSUMPTION OF PETROLEUM PRODUCTS BY END-USE SECTOR (1989-90)

Year	Total	Transportation			Industry						Residential and Commercial		
		Consumption (TJ)	Motor Spirit	Diesel	Total	As Per Cent of Total	Diesel	Fuel Oil	Light Diesel Oil	Kerosene	Total	As Per Cent of Total	Kerosene
1980-81	13291	1989	4136	6125	46.08	976	2230	393	163	3761	28.30	3406	25.62
1981-82	13757	2060	4185	6245	45.39	1045	2133	384	178	3741	27.19	3772	27.42
1982-83	14908	2159	4663	6822	45.76	1241	2294	397	218	4151	27.85	3935	26.39
1983-84	15912	2345	5042	7387	46.42	1324	2374	410	251	4359	27.40	4166	26.18
1984-85	17186	2484	5539	8023	46.69	1356	2519	480	292	4647	27.04	4515	26.27
1985-86	18827	2622	6346	8968	47.64	1410	2660	520	340	4931	26.19	4928	26.17
1986-87	20551	2827	6921	9748	47.43	1490	2811	564	380	5245	25.52	5558	27.04
1987-88	22301	3024	7619	10643	47.72	1560	2970	588	399	5518	24.75	6139	27.53
1988-89	24227	3292	8353	11645	48.07	1642	3168	618	440	5870	24.23	6712	27.71
1989-90	26161	3589	9238	12827	49.03	1748	3401	625	460	6234	23.83	7100	27.14

Sources: Primary data from Indian Oil Corporation, Bharat Petroleum Corporation, Hindustan Petroleum Corporation, and Indo-Burmian Petroleum Corporation.

FIGURE 2: PETROLEUM PRODUCTS CONSUMPTION (1980-90)



increased by 67.53 per cent (Table 2) [5]. Therefore, at present, the only solution for a Bangalorean who wants to reach his destination in time is to have access to a private vehicle, be it a two-wheeler or a car. That is why, private vehicle population increased by 300 per cent during the same period. Thus, personal transportation occupies a significant part of road transportation, thereby, increasing the per capita energy consumption. Thus, the use of automobiles and their fuel demands is central to a discussion of energy in transportation.

Data pertaining to the number of vehicles of different categories for a period of 10 years (1980-81 to 1989-90) was obtained from the office of the transport commissioner, Bangalore. It gives information on the number of vehicles of each category, viz., two-wheelers, autos, cars, jeeps, buses, trucks, etc. The information on the quantity of the consumption of petroleum products, i.e., petrol, diesel, fuel oil, light diesel oil, and kerosene was obtained from the offices of the oil corporations, viz., Indian Oil Corporation, Hindustan Petroleum Corporation,

Bharat Petroleum Corporation and Indo-Burman Petroleum Corporation.

IV Data Analysis

The consumption of commercial energy between 1980 and 1990 (Figure 1) indicates

that the shares of transport sector are high when compared to other energy carriers. In the case of petroleum products also, the transportation sector is the largest consumer and its share is increasing over the years (Figure 2). During 1989-90, Bangalore consumed 18519 TJ of energy, out of which 69.80 per cent went to the transport services and the remaining to the power generation and process heating. In the transport services, diesel, which is used by railways, buses and trucks, etc., is the main fuel accounting for 59.32 per cent of the total while the rest is met by petrol (Table 3). Between 1980 and 1990, the share of energy for transport sector increased from 46.3 to 49.5 per cent while that of industrial sector's decreased. No changes are noticed in the shares of residential and commercial sectors (Table 4).

Modern transport sector in most developing countries exhibits another predominant trend, viz., the major share is held by the road transport. The share of road transport which was 64.7 per cent during 1980-81 increased to 91.28 per cent in 1989-90, whereas railways show a corresponding decrease. The main reason for this may be the shift from coal to oil. The breakdown of fuel type by mode of transport provides an interesting glimpse of the variability in transport energy use pattern (Table 5). A study of the variation of the number of

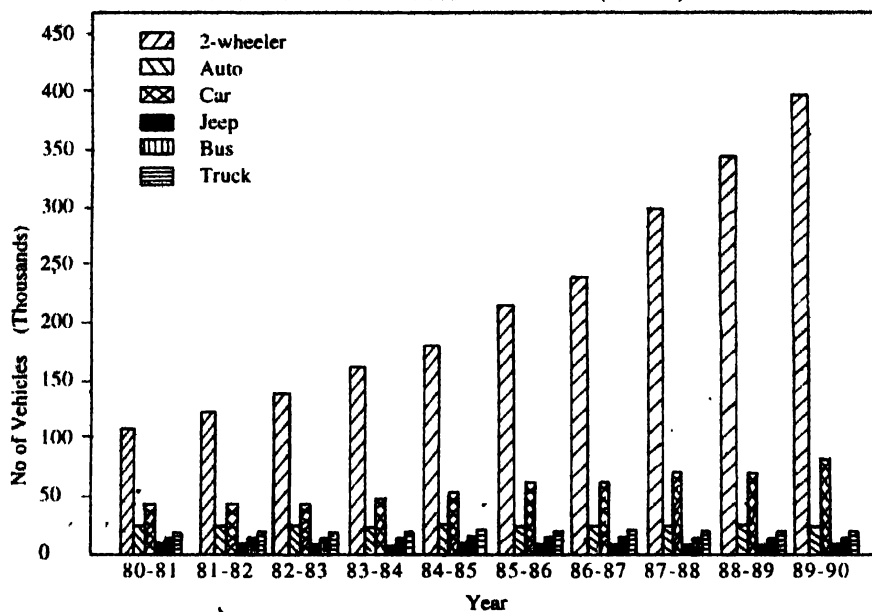
TABLE 7: GROWTH RATES OF MOTOR VEHICLES AND PETROL CONSUMPTION (1980-90)

Year	Vehicle Type and Its Growth Rate (Per Cent)							Petrol Growth Rate	Consumption (kl)	Rate (Per Cent)
	Two-Wheelers	Growth Rate	Three-Wheelers	Growth Rate	Cars	Growth Rate	Jeeps	Growth Rate		
1980-81	111750		10046		31738		3554		1120	61016
1981-82	125600	12.39	10355	3.08	32429	2.18	3570	0.45	1171	63180
1982-83	135536	7.91	11063	6.84	33506	3.32	3726	4.37	1276	66230
1983-84	162206	19.68	11880	7.38	36064	7.63	4043	8.51	1607	71938
1984-85	189619	16.90	11348	-4.48	47787	32.51	4995	23.55	2027	76193
1985-86	216234	14.04	10446	-7.95	53150	11.22	4914	-1.62	1756	80426
1986-87	236726	9.48	10524	0.75	54885	3.26	5122	4.23	1717	86732
1987-88	301677	27.44	12439	18.20	64703	17.89	5741	12.09	2027	92756
1988-89	343733	13.94	15513	24.71	65916	1.87	5966	3.92	2089	100980
1989-90	401811	16.90	15591	0.50	71078	7.83	5823	-2.40	2218	110083
Average growth rate (per cent)										
		15.41			5.45			9.75	5.90	8.59
									6.79	

TABLE 6: STATISTICS OF MOTOR VEHICLES AND THEIR SHARES (1980-81 TO 1989-90)

Year	Number of Vehicles of Each Type and Their Share in Total														Total
	Two-Wheelers	Per Cent of Total	Three-Wheelers	Per Cent of Total	Cars	Per Cent of Total	Jeeps	Per Cent of Total	Buses	Per Cent of Total	Trucks	Per Cent of Total	Others	Per Cent of Total	
1980-81	111750	64.63	10046	5.81	31738	18.354	3554	2.06	2256	1.30	8236	4.76	3413	1.97	172912
1981-82	125600	66.88	10355	5.51	32429	17.267	3570	1.90	2239	1.19	8545	4.55	3293	1.75	187802
1982-83	135536	67.22	11063	5.49	33506	16.618	3726	1.85	2482	1.23	10020	4.97	3478	1.72	201623
1983-84	162206	69.67	11880	5.10	36064	15.490	4043	1.74	2704	1.16	10686	4.59	3735	1.60	232818
1984-85	189619	69.10	11348	4.14	47787	17.413	4995	1.82	2926	1.07	11106	4.05	5157	1.88	274420
1985-86	216234	71.09	10446	3.43	53150	17.473	4914	1.62	2746	0.90	11532	3.79	4400	1.45	304166
1986-87	236726	72.49	10524	3.22	54885	16.805	5122	1.57	3030	0.93	11366	3.48	4442	1.36	326581
1987-88	301677	74.09	12439	3.06	64703	15.891	5741	1.41	3151	0.77	13013	3.20	5753	1.41	407159
1988-89	343733	74.74	15513	3.37	65916	14.332	5966	1.30	3270	0.71	15229	3.31	9388	2.04	459897
1989-90	401811	76.75	15591	2.98	71078	13.576	5823	1.11	34.93	0.67	16467	3.15	8433	1.61	523539

FIGURE 3: GROWTH OF VEHICULAR POPULATION (1980-90)



different vehicles over time (i.e., from 1980-81 to 1989-90) shows that two-wheelers and cars have increased steadily with time while the increase in other types of vehicles is marginal (Figure 3). The variation of different categories of vehicles between 1980 and 1990 indicates that, during 1980-81, two-wheelers constituted 64.63 per cent of the total whereas they increased to 76.75 per cent during 1989-90. All other categories showed a declining share in the total. During the same period the average growth rate of vehicular population was 13.22 per cent (Table 6).

The growth of two-wheelers is remarkable after 1980. They achieved an average growth rate of 15.41 per cent per year during this period, certainly, the highest among developing countries [6]. During the same period, the growth rate of petrol consumption was 6.79 per cent (Table 7). In the case of diesel-driven vehicles (Table 8), trucks achieved an average of 8.18 per cent growth per annum while that of buses was only 5.11 per cent whereas the diesel consumption reported an average growth rate of 8.15 per cent per annum. The characteristics of different categories of vehicles (Table 9) shows that the fuel consumption (l/km) varies widely with the type of vehicle. It is 0.03 for a two-wheeler and 0.09 for a car. In the case of specific fuel consumption, it is 290 g/km for a two-wheeler and for a car the value is 182 g/km [7].

V

Vehicle Type and Energy Use

VEHICLE CENSUS APPROACH

The total petrol/diesel consumption discussed in this study does not reveal the contribution of various categories of vehicles to the total consumption.

Therefore, the effect of different categories of vehicles on the total consumption is an important parameter to find out. Instead of finding out these values by sample surveys, the vehicle-wise consumption can be estimated using statistical methods. This method can be referred to as vehicle census approach. Using this approach, the fuel consumed by different vehicles was estimated by regressing the average monthly fuel consumption on the number of vehicles in different categories. The form of equation to estimate the monthly fuel consumption of *i*th category of vehicles is:

$$Y_i = \beta_0 + \sum X_i \beta_i$$

where

X_i = number of vehicles of *i*th category

Y_i = consumption of fuel (kl/year)

β_i = average rate of fuel consumption per *i*th category of vehicle (kl/y)

The regression coefficients indicate the marginal increase in fuel consumption per

unit increase in the number of vehicles of the *i*th category. If the increase is linear, then the regression coefficient is also the average energy consumed per month through that category of vehicles.

The resulting equations are:

For petrol-driven vehicles

$$= 19030 + 0.1286 \text{ 2W} + 1.2256 \text{ 3W} + 0.4533 \text{ Car} \\ (0.06123) \quad (1.0927) \quad (0.3166) \\ + 0.6258 \text{ Jeep} + 2.8801 \text{ Taxi} \\ (0.3215) \quad (1.7235)$$

$$R^2 = 0.98$$

For diesel-driven vehicles

$$= 21306 + 15.4311 \text{ Bus} + 7.5411 \text{ Truck} \\ (7.024) \quad (2.15)$$

$$R^2 = 0.96$$

(Figures in parentheses are standard errors.)

The results (Table 10) show that on an average two-wheeler consumes 10.72 litres of petrol per month whereas a car consumes 37.7 litres. The high values of *t* indicate that the regression coefficients are not zero and there exists a relationship between the number of vehicles of different categories and the consumption of petroleum products. Using the fuel consumption per vehicle the total energy consumed per each category of vehicle is estimated. Two-wheelers consume 42.19 per cent of the total petrol whereas 26.29 per cent is used by cars. Trucks are the major consumers of diesel with 63.31 per cent followed by buses with 27.29 per cent. In the passenger transport, buses consume 33.42 per cent of the total followed by two-wheelers with 28.22 per cent (Table 11). As shown in Figure 4, trucks are the major consumers of petroleum products with 40.84 per cent of total consumption followed by buses with 17.7 per cent.

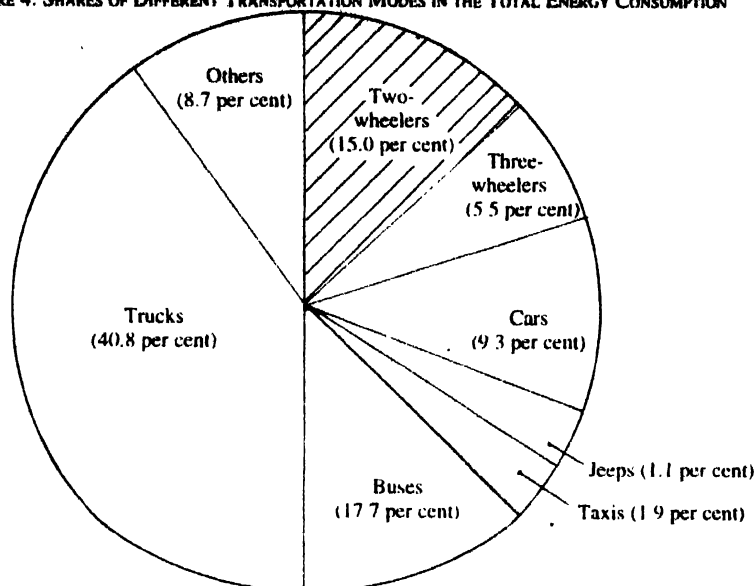
VEHICLE CATEGORY AND ENERGY USE

In this section, energy use is disaggregated into vehicle category use. In each category, energy use is expressed as the product of a level of activity and an energy intensity.

TABLE 8. GROWTH RATES OF MOTOR VEHICLES AND DIESEL CONSUMPTION (1980-90)

Year	Vehicle Type and Its Growth Rate (Per Cent)							Diesel Consumption (kl/y)	Growth Rate (Per Cent)
	Buses	Growth Rate	Trucks	Growth Rate	Tractors	Growth Rate	Trailers		
1980-81	2256		8236		1929		1734	549	103299
1981-82	2239	-0.75	8545	3.75	1781	-7.67	1637	-5.59	102778
1982-83	2482	10.85	10020	17.26	1823	2.36	1678	2.50	113345
1983-84	2704	8.94	10686	6.65	1510	-17.17	1361	-18.89	120763
1984-85	2926	8.21	11106	3.93	1493	-1.13	1444	6.10	132573
1985-86	2746	-6.15	11532	3.84	755	-49.43	671	-53.53	1963
1986-87	3030	10.34	11366	-1.44	496	-34.30	446	-33.53	2269
1987-88	3151	3.99	13013	14.49	693	39.72	589	32.06	3127
1988-89	3270	3.78	15229	17.03	893	28.86	789	33.96	6500
1989-90	3493	6.82	16467	8.13	853	-4.48	762	-3.42	5443
Average growth rate (per cent)		5.11		8.18		-4.81		-4.48	
									8.15

FIGURE 4: SHARES OF DIFFERENT TRANSPORTATION MODES IN THE TOTAL ENERGY CONSUMPTION



For example, for automobiles, the activity selected is vehicle-km travelled and the energy intensity is then expressed as Joule/km. Total energy use is the sum of such products

$$E = VKM_i * (EI_i) \quad (2)$$

where

- i = Category of vehicle
- E = Total energy use (Joules)
- VKM = Vehicle kms
- EI = Energy Intensity (J/km)

Using this equation, the change in energy use over time is then decomposed into a change due to changed activity levels and a change due to changed energy intensities.

Energy consumption of any mode of transport depends mainly on its energy intensity, i.e. the inverse of efficiency (expressed as joules per passenger km). This index is not only related to fuel efficiency but also the use rate of modes (e.g. the loading rate of city buses) [8]. The energy intensity of any transportation mode

is calculated as:

$$EI_{ij} = \frac{F}{EF_{ij} * LF_{ij}} \quad (3)$$

where

- i = Category of transport
- j = Type of fuel
- EI = Energy intensity (J/passenger km)
- EF = Fuel efficiency (vehicle km/litre of fuel)
- LF = Loading factor (persons/vehicle)
- F = Energy content of the fuel (J/litre)

To calculate energy intensity, one should estimate the distance travelled per vehicle category and the estimation of per vehicular consumption of fuel. Table 12 shows vehicle kms and energy activity in detail for all modes of transportation during 1989-90. Two-wheelers accounted for the highest number of vehicle kms (53.3 per cent). In the case of passenger kms, between 1980 and 1990, two-wheelers achieved an annual growth rate of 25.96 per cent and their share in energy consumption increased from 16.71 to 29.66 per cent. During the same period,

the share of BTS buses decreased from 81.89 to 76.62 per cent for PKMs, and 45.92 to 35.12 per cent for energy use (Table 13). Figure 5 shows the shares of different vehicles in the total energy use.

The energy intensiveness for different transportation modes indicates the efficiency of any system. An average car has an energy intensity of 0.99 MJ/passenger km and a two-wheeler 0.72 MJ/passenger km. The BTS bus has an energy intensity of 0.16 MJ/passenger km (Table 14). This wide variation between different categories of vehicles is due to various factors such as energy consumption per km, average vehicle load, speed of the vehicle, etc. Even in the same category, there will be considerable variation depending upon the age, quality of the vehicle, traffic congestion, etc., which works against efficiency.

TRANSPORTATION AND ENERGY DEMAND

The structure of energy demand for road transportation can be studied as:

$$PTE_t = PKM_{it} * [(V_{it}) * (KM/V_{it}) / PKM_{it}] * [(E/VKM)_{it}] \quad (4)$$

(travel demand) (capital intensity of use) (energy intensity)

where

- t = Index for the year
- i = Index for the vehicle category
- j = Index for the fuel type
- PTE = Passenger Transport Energy Demand (GJ/year)
- P = Passengers travelled (no)
- KM/P = Intensity of transport demand (km/passenger)
- PKM = Passenger kilometres demanded = P * (KM/P) (km/year)
- V = Number of vehicles in operation
- KM/V = Intensity of vehicle use (km/vehicle)
- VKM = Annual vehicle kilometres
- E = Energy consumed (GJ)
- E/PKM = Energy intensity factor (GJ/PKM)

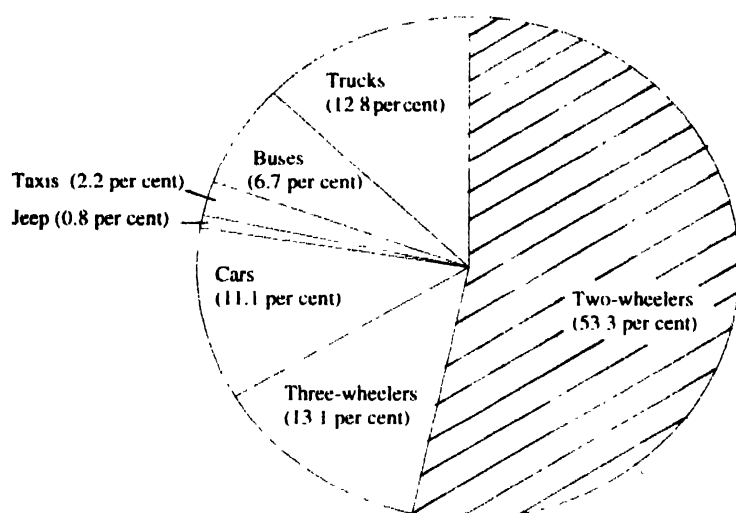
Using equation (4), the energy demand, PTE, can be disaggregated into different factors

TABLE 9: CHARACTERISTICS OF MAJOR TRANSPORTATION MODES

Type of Vehicle	BHP (Shaft)	KW (Shaft)	Fuel Consumption (l/km)		Speed (km/hr)	Capacity (Tonnes)	Fuel Consumption (l/hr)		Mass of Fuel Tank Body Capacity (Tonnes)		Specific Fuel Consumption (g/km-ton)		Life (Years)
			No Load	Full Load			No Load	Full Load	(Tonnes)	(Tonnes)	Full Load	No Load	
Scooter	1.50	1.13	0.02	0.03	40.00	0.13	0.80	0.90	0.10	8.00	290.0	200.00	15.00
Motorbike	1.75	1.30	0.02	0.03	45.00	0.13	0.80	0.90	0.11	8.00	290.0	200.00	15.00
Car	14.50	10.90	0.08	0.09	70.00	0.50	4.50	5.50	0.40	50.00	182.0	67.00	15.00
Jeep	18.00	13.50	0.10	0.13	45.00	0.70	5.50	6.20	0.50	40.00	156.3	100.00	15.00
Van	24.00	17.90	0.13	0.15	40.00	0.80	5.00	6.00	0.60	50.00	130.0	65.00	15.00
Tractor	35.00	26.11	0.20	0.25	20.00	1.50	6.00	5.00	2.00	60.00	167.0	103.00	25.00
Truck	110.00	82.60	0.16	0.20	50.00	7.20	12.00	10.00	8.50	180.00	27.8	20.00	20.00
Bus	110.00	82.60	0.16	0.20	60.00	7.20	12.00	10.00	8.50	180.00	27.8	20.00	20.00

Sources: Statistics Department, Karnataka State, Transport Corporation, Bangalore.

FIGURE 5: SHARES OF DIFFERENT TRANSPORTATION MODES IN THE TOTAL VEHICLE KILOMETRES



The first factor, V , is the number of vehicles. With increasing incomes and availability of vehicles on loan/lease, the rate of growth of vehicle population increased rapidly over the years. Average number of two-wheelers per family was 0.185 during 1981 which increased to 0.45 in 1990 [9]. This indicates that one out of every two households in Bangalore possesses a two-wheeler. The respective figures for cars are 0.05 and 0.08. This is because, with increasing urbanisation, the need and the demand for passenger transport increases simultaneously. Also, with increasing population, the number of people travelling increases, thereby increasing the number of vehicles. Thus, with increasing urbanisation, and population, not only the P_{ij} increases with respect to t , but the proportion of P_{ij} allocated among different categories of j changes with respect to the growth rate of population, availability of vehicles, income of the population, rate of urbanisation, and the relative transport fuel prices.

The second factor, km/V , is the average run per vehicle per year. These values are 4,530 km/year for car and 3,860 km/year for two-wheeler. With almost explosive growth of urban centres, the distance between the home and work place increases, thereby increasing the distance travelled.

The last factor to be considered, E , is the fuel consumption. This depends on the efficiency of the mode of transport which can be measured by the energy input required to transport passengers to a given unit of distance. Thus, the efficiency of a vehicle can be defined in terms of $(E/VKM)_{ij}$, or the product value of load factor $(VKM/PKM)_{ij}$ and the energy intensity of a vehicle can be defined through $(E/PKM)_{ij}$. For a stated vehicle energy intensity, energy efficiency

can be maximised if the vehicle is operated at 100 per cent passenger capacity. Thus when a private car is driven by one person or when the public transport buses run without the full capacity, the energy intensity per passenger km increases. At present norms, the energy intensity of a car

is 0.99 MJ/PKM whereas for a two-wheeler, it is 0.72 MJ/PKM and for a bus 0.16 MJ/PKM. With the introduction of fuel efficient two-wheelers and cars, the consumption per vehicle seems to have come down. However, this fact is yet to be tested.

As the above results show, in the near future, two factors play an important role in the reduction of energy demand and one factor contributes to its acceleration. The former are improvements in the efficiency of the vehicle engine and less average run per vehicle and the latter is an increase in the total number of vehicles

VEHICLE ELASTICITY

Vehicle elasticity is an important factor in determining the impact of vehicle penetration in the future. The elasticity of a particular category of vehicle can be defined as the rate of change in total consumption of energy with respect to its percentage penetration. This can be given by the equation:

$$\eta = \frac{\Delta X_{ij} \cdot \beta_i}{\Delta Y_i} \quad (5)$$

Y_i = fuel consumption of i th category of vehicle (kl/year)

X_{ij} = number of vehicles in the i th category using j th fuel

β_i = average fuel consumption of i th category of vehicle (kl/year)

η = vehicle elasticity.

TABLE 10: PER VEHICLE CONSUMPTION OF PETROLEUM PRODUCTS

Fuel Type	Vehicle Type	Regression Coefficient	t-value	Per Vehicle Consumption (l/m)
Petrol	Two-wheeler	0.1286	1.5631	10.72
	Three-wheeler	1.2256	1.1217	102.13
	Car	0.4533	1.4317	37.78
	Jeep	0.6258	1.7238	52.15
	Taxi	2.8801	2.0581	240.01
Diesel	Bus	15.4341	2.0524	1286.18
	Truck	7.5411	3.2981	628.43

TABLE 11. TRANSPORTATION ENERGY USE BY MODE OF TRANSPORT (1989-90)

Vehicle Type	Energy Consumption (TJ)				Total (TJ)	Per Cent of the Total
	Motor Spirit	Diesel	Passenger Transport	Freight Transport		
Two-wheelers	1685 (42.19)		1685 (28.22)		1685	14.98
Three-wheelers	623 (15.60)		623 (10.44)		623	5.54
Cars	1050 (26.29)		1050 (17.59)		1050	9.33
Jeeps	119 (2.98)				119	1.06
Taxis	208 (5.21)		208 (3.48)		208	1.85
Buses		1995 (27.49)	1995 (33.42)		1995	17.73
Trucks		4595 (63.31)		4595 (87.31)	4595	40.84
Others	309 (7.74)	668 (9.20)	309 (16.85)	668 (12.49)	977	8.69
Total	4086 (100.00)	7349 (100.00)	5963 (100.00)	5350 (100.00)	11252	100.00

Note: Figures in parenthesis represent percentages

FIGURE 6: CO EMISSIONS THROUGH DIFFERENT TRANSPORTATION MODES



This η is considered as the index representing the consumption-penetration relationship. It is dimensionless and lies between zero and one. Elasticity of zero implies that the total fuel consumption is not affected by the i th vehicle whereas elasticity of one implies that the total fuel consumption is affected only by the i th vehicle category.

The value of η in the equation (5) indicates that a one-point increase in the penetration of a vehicle category results in certain percentage increase in petrol usage. For example, in the case of two-wheelers, the consumption of petrol per annum is 128.64 litres and the vehicle penetration is 0.5023. Hence, the two-wheeler elasticity of petrol consumption is 0.47 which means that with a one percentage increase in the penetration of two-wheelers results in a 0.47 per cent change in the consumption of petrol. Table 15 contains the elasticities of different vehicle categories. On this basis, a 1 per cent increase in the penetration of two-wheelers can be estimated to lead to an increase in Bangalore's petrol consumption to 387.90 kl per year. Similar calculations have been carried out to estimate the effects on petrol and diesel consumption of increase in the penetration of other vehicles (Table 16).

INTERDEPENDENCE

The interdependence of one vehicle on the other is an important factor that must be given due consideration. A ratio of one type of vehicle to the other can be formulated as given in Table 17. For example, the ratio of the number of cars to the number of two-wheelers decreased even though there is an individual increase. In the case of cars to

auto, and two-wheelers to auto, the ratio increases. This indicates that two-wheelers are increasing fast when compared to other categories of vehicles. In the case of public

transport service (BTS), the ratio is decreasing with all other categories of vehicles indicating that it is not keeping pace with others.

VI Discussion

IMPACT ON ENVIRONMENT

Vehicles emit carbon monoxide, unburnt hydrocarbons, nitrogen oxide and sulphur dioxide which pollute the environment thereby causing serious damage to the health of human and other living things. In this study, an attempt was made to estimate the emissions through various vehicle categories based on the emission measurements carried out by Pundir and Sudhakar [10].

The contribution of various categories of vehicles to the air pollution is given in Table 18. An important observation from these figures is that the contribution of two-wheelers to the total emissions is very high for carbon monoxide and hydrocarbons. For 1989-90, the total CO emissions were 33,043 tonnes in which the contribution of two-wheelers and cars were

TABLE 12. VEHICLE TYPE AND ENERGY USE (1989-90)

Vehicle Type	Vehicles (No)	Fuel Consumn/ Vehicle (Kl/year)	Km/Vehicle (Thousands)	Vehicle-Kms (Millions)	Per Cent of the Total	Total Fuel Consumn (kl)	Energy (TJ)
Two-wheeler	401811	0.13	3.86	1551	53.32	51689	1685
Three-wheeler	15591	1.23	24.51	382	13.14	19110	623
Cars	71078	0.45	4.53	322	11.08	32215	1050
Jeeps	5823	0.63	3.75	22	0.75	3644	119
Taxis	2218	2.88	28.80	64	2.20	6388	208
Buses	4215	15.43	46.30	195	6.71	65054	2407
Trucks	16467	7.54	22.62	373	12.81	124180	4595
Total	517203			2908.46	100.00	302281	10687

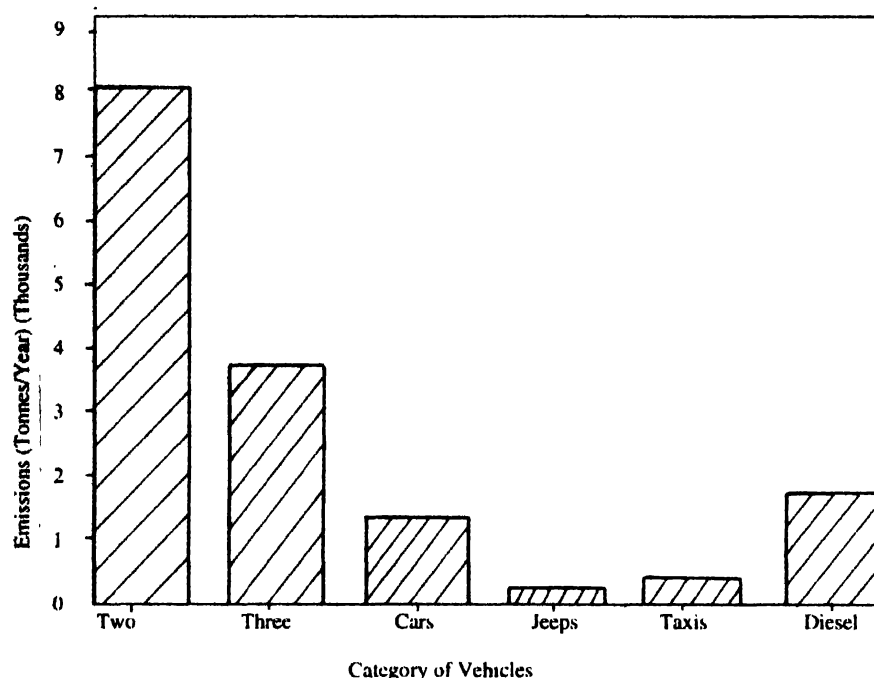
TABLE 13. MODES OF TRANSPORT AND CHANGES IN PASSENGER KMS AND ENERGY USE (1980-90)

Vehicle Type	Passenger Kms (Million)		Annual Growth (Per Cent)	Share of PKMs (Per Cent)		Energy Use (TJ)		Share of Energy (Per Cent)	
	1980	1990		1980	1990	1980	1990	1980	1990
Two-wheeler	647	2326	25.96	6.76	12.18	469	1685	16.71	29.66
Three-wheeler	443	764	7.25	4.63	4.00	401	623	14.31	10.97
Cars	475	1063	12.38	4.97	5.56	469	1050	16.72	18.49
Jeeps	62	102	6.45	0.65	0.53	73	119	2.59	2.09
Taxis	106	211	9.91	1.11	1.10	105	208	3.75	3.67
Buses	7834	14637	8.68	81.89	76.62	1288	1995	45.92	35.12
Total	9567	19103		100	100	2805	5680	100	100

TABLE 14. VEHICLE TYPE AND ENERGY USE (1989-90)

Vehicle Type	Fuel Consumption (Kl)	Energy (TJ)	Activity Unit	Vehicle-Kms (Million)	Passenger Kms (Million)	Energy Intensity (MJ/PKM)
Two-wheeler	51689	1685	PKM	1551	2327	0.72
Three-wheeler	19108	623	PKM	344	764	0.82
Cars	32224	1051	PKM	354	1062	0.99
Jeeps	3644	119	PKM	29	102	1.17
Taxis	6388	208	PKM	70	210	0.99
Buses	65055	2407	PKM	325	14625	0.16
Total		6093		2673	19089	

FIGURE 7: HC EMISSIONS THROUGH DIFFERENT TRANSPORTATION MODES



38 and 21.5 per cent respectively. In the case of HC, the estimated emissions were 14,296 tonnes in which the share of two-wheelers is around 54 per cent. Diesel-driven vehicles are the major contributors of NO (90 per cent of total). Figures 6 and 7 show the contribution of emissions for different categories of vehicles and Figure 8 gives detailed information on the relative impact of different modes of transport on energy consumption and environment.

As the results suggest the quantity of emissions particularly by two-wheelers is alarming. And in the coming years, the figures will increase further due to increase in the vehicle population. Unless steps are taken to reduce emissions, there will be a serious damage to the environment. Some fundamental approaches to the fuel economy improvement enable percentage emission reductions, e.g. in an efficient engine, the combustion temperature lowers reducing NOx formation. Also, the increase in unburnt hydrocarbons, with air to fuel ratio, can be prevented, by improving ignition and can be mitigated by improved exhaust after-treatment [11].

Also, in the long run, vehicle-emission standards should be formulated on the basis of pollutants emitted by different categories of vehicles under actual driving conditions. Necessary test procedures should be developed and the requisite facilities should be established. Assessment of present engine technology, monitoring air quality and establishment of laboratories for vehicle certification for emissions should be made obligatory.

Actually, automobiles pollute in several ways and control of engine emissions deals with but one of these. For example an auto tyre reduces its weight by about 1/3 kg less every year, the loss being in the form of rubber dust abraded away against the road. Thus, each road vehicle contributes some 1/3 kg of rubber dust to the ambient each year. While there has been no definite study of the flow and ultimate end of this pollutant, it can be assumed that a portion of it goes into the air we breathe while some is washed down to earth - perhaps to pollute the drinking water [12].

Asbestos dust is one of the known, identified carcinogens. Every time an automobile's pedal is pressed, asbestos dust is put into the atmosphere. Autobraking linings are made up of asbestos, and in the course of converting the machine's kinetic energy into heat, these linings are converted into asbestos dust.

IMPACT ON LAND RESOURCES

In the case of transport, another serious waste related to auto and taxi use is that of land resources which necessitates large amounts of valuable land for the movement and parking of vehicles. In Bangalore, the availability of the land for transport is limited (20 per cent of total, including parking space) and it is not possible to expand it because the living areas are densified, thus permitting the services to be available with minimum travel requirements. Also, the cost of building and maintaining the streets, roads and highways, cleaning them, providing them with light and traffic signals, etc. is no way related to the direct users' willingness and ability to pay. Thus the question is whether to invest in the increase of transportation facilities like construction of more roads, increasing the number of operations per vehicle, etc., or utilise the existing infrastructure more efficiently.

IMPACT ON ENERGY

The consumption of energy in transporting people is only a part of the total energy consumption. Vehicles account for significant energy consumption in their manufacture and transport, extraction and processing of raw materials required for their manufacture. Similarly, the construction and maintenance of roads consume energy.

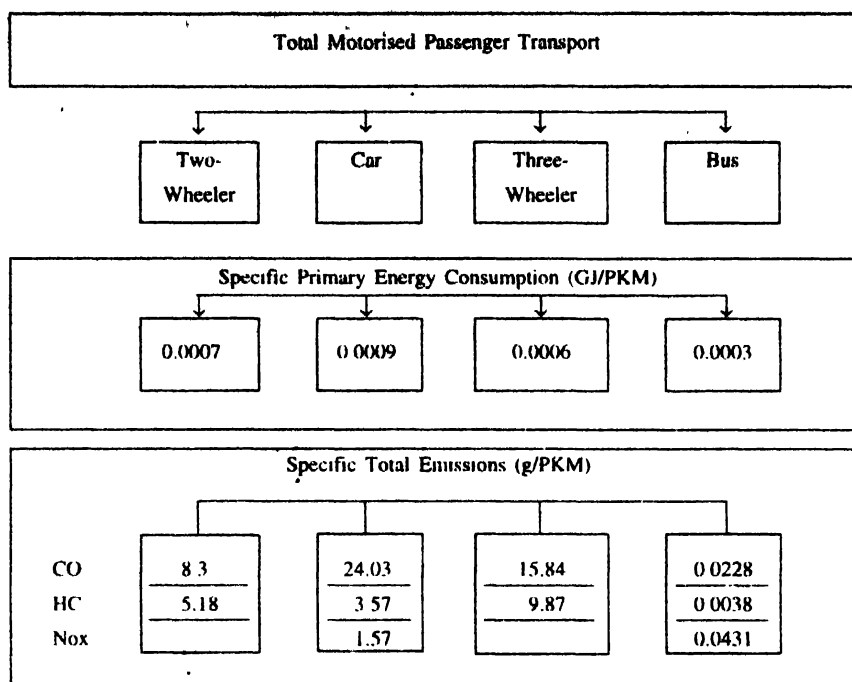
TABLE 15. VEHICLE ELASTICITIES

Vehicle Category	Fuel Used	Per Vehicle Consumption (l/y)	No of Vehicles	Vehicle Penetration	Elasticity
Two-wheeler	Petrol	128.64	401811	0.5023	0.470
Three-wheeler	Petrol	1225.68	15591	0.0195	0.174
Car	Petrol	453.24	71078	0.0888	0.293
Jeep	Petrol	625.80	5823	0.0073	0.033
Taxis	Petrol	2880.12	2218	0.0028	0.058
Bus	Diesel	15433.44	3493	0.0044	0.259
Truck	Diesel	7541.14	16467	0.0206	0.598

TABLE 16: EFFECT OF INCREASE OF VEHICLE PENETRATION ON FUEL CONSUMPTION FOR BANGALORE

Vehicle Category	Vehicle Penetration	Elasticity	Increase in Consumption (kl/year)
Two-wheeler	0.5023	0.470	387.90
Three-wheeler	0.0195	0.174	190.26
Car	0.0888	0.293	320.75
Jeep	0.0073	0.033	36.28
Taxis	0.0028	0.058	63.60
Bus	0.0044	0.259	537.45
Truck	0.0206	0.598	1238.02

FIGURE 8: IMPACT OF DIFFERENT TRANSPORTATION MODES ON ENERGY CONSUMPTION AND ENVIRONMENT



DEMAND SIDE MANAGEMENT

The solution for solving transportation problems should be seen in terms of technological, and policy perspectives. They are:

Technological

(a) Fuel economy. Since 80 per cent of transport energy is through two-wheelers and cars, a shift to small cars and to lighter two-wheelers, which are fuel economic, could save significant quantities of fuel. In this direction, the major fuel economy improvements in the past decade are:

(i) Propulsion system efficiency: Engineering improvements give 36 per cent increase in power/unit of engine size.

(ii) Vehicle design: Improved design and use of new materials, the ratio of weight to interior volume of vehicles has been reduced, thereby reducing the fuel consumption.

(ii) Trade-offs. Trade-offs among the performance, emissions, cost, safety and fuel economy have been used by the manufacturers in meeting this.

(b) Alternative fuels: In Bangalore, 90 per cent of the total transport energy is through road vehicles. Thus, there is a clear need to reduce the energy for road transport which

depends on oil-based fuels and this requires changes to engine/motor technology. The most promising alternative technologies appear to be Compressed Natural Gas (CNG) and electric motors.

(i) CNG: CNG is obtained by compressing gas to 2300-2600 psi. This is most suited for the vehicles with high mileages and restricted range of operations such as buses and taxis, and thus urban areas are most suited for CNG operations [13,14].

(ii) Electric vehicles: Electric vehicles require a wire feed or heavy batteries to provide power. Because wayside connections are not feasible for most vehicles, electric vehicles can be battery powered. Improved battery vehicles will result in traffic compatible vehicles capable of limited application such as in urban areas [15].

TABLE 19: REDUCTION IN ENERGY USE (MJ) FROM SHIFTING ONE MODE OF TRANSPORT TO ANOTHER THROUGH ONE PKM

Change in Mode of Transport	Energy Intensity (MJ/PKM)		Saving (MJ)
	One Mode	Another Mode	
Two-wheeler to bus	0.72	0.16	0.56
Three-wheeler to bus	0.82	0.16	0.66
Car to bus	0.99	0.16	0.83
Jeep to bus	1.17	0.16	1.01
Taxi to bus	0.91	0.16	0.75
Car to three-wheeler	1.09	0.82	0.27

TABLE 18: VEHICLE EMISSION INVENTORY FOR BANGALORE (1989-90)

Type of Vehicle	Average Mass Emissions (g/km)			Vehicle-Kms (Millions)	Total Emissions (Tonnes/Year)		
	CO	HC	NO		CO	HC	NO
Two-wheelers	8.3	5.18	-	1551	12873	8034	-
Three-wheelers	15.84	9.87	-	382	6051	3770	-
Cars	24.03	3.57	1.57	322	7738	1150	506
Jeeps	24.03	3.57	1.57	22	529	79	35
Taxis	24.03	3.57	1.57	64	1538	228	100
Diesel Vehicles*	0.0228	0.0088	0.0431	189234**	4315	1665	8156
Total					33043	14926	8797

* g/g of fuel consumed

** diesel consumed.

TABLE 17: CHANGE IN PASSENGER TRANSPORT VEHICLES IN BANGALORE (1980-90)

Year	No of Vehicles					Ratio of Vehicles						
	Two-Wheelers	Three-Wheelers	Cars	Taxis	Buses	3W/2W	Car/2W	Taxi/2W	Bus/2W	3W/Car	Bus/3W	Bus/Car
1980-81	111750	10046	31738	1120	4671	0.090	0.284	0.010	0.042	0.317	0.465	0.147
1981-82	125600	10355	32429	1171	5090	0.082	0.258	0.009	0.041	0.319	0.492	0.157
1982-83	135536	11063	33506	1276	5507	0.082	0.247	0.009	0.041	0.330	0.498	0.164
1983-84	162206	11880	36064	1607	5931	0.073	0.222	0.010	0.037	0.329	0.499	0.164
1984-85	189619	11348	47787	2027	6155	0.060	0.252	0.011	0.032	0.237	0.542	0.129
1985-86	216234	10446	53150	1756	5168	0.048	0.246	0.008	0.024	0.197	0.495	0.097
1986-87	236726	10524	54885	1717	5704	0.044	0.232	0.007	0.024	0.192	0.542	0.104
1987-88	301677	12439	64703	2027	6575	0.041	0.214	0.007	0.022	0.192	0.529	0.102
1988-89	343733	15513	65916	2089	4247	0.045	0.192	0.006	0.012	0.235	0.274	0.064
1989-90	401811	15591	71078	2218	4215	0.039	0.177	0.006	0.010	0.219	0.270	0.059

(c) Communications: The improvement in electronic communications will reduce travel need of the people. Many financial transactions which require sheets of paper to be transported can be done more quickly using the improved telecommunication systems. Remote work stations, armchair shopping, train/air reservations, tele-conferences, etc., allow the user to avoid physical travel.

To develop and exploit technological opportunities to further reduce fuel consumption, it would be valuable to strengthen technological policies (such as R and D programmes) as well as to enact still more effective air pollution standards. In designing more effective standards, greater attention should be paid to (a) fuel economy-emission interaction and (b) non-standard situations. Also taxes and rebates based on emission performance might be effective.

Policy Formulations

(a) Planning: Transport planning policies offer greater scope for reducing energy consumption. Since the two-wheelers and cars consume 50 per cent of total energy for passenger transport, shifting of modes of transport from two-wheelers/cars to buses could save energy. If one passenger km is shifted from a high energy intensity mode to low one, the savings will vary from 0.49 to 1.32 MJ (Table 19). Also, the long-awaited rail transit system is urgently needed since the present bus system cannot sustain the increasing load. Land planning is also an important factor to be considered.

(b) Pricing: Generally, fuel price increase would motivate fuel economy, but, as the recent trends suggest, the effect is not thought to be strong. It has been estimated that price elasticity is -0.5 for the new fuel efficient vehicles [16]. That is, for every 10 per cent increase in fuel price, the average buyer would opt for a vehicle with 5 per cent higher fuel economy.

Therefore, alternative pricing strategies should be given importance. This should go further than just road pricing. There should be ecological taxation reform which shifts the present taxation burden progressively over a 30-year period away from income tax. This should penalise those activities which consume space, energy and create pollution leading to ecological and environmental degradation. If applied, these policies can steer the economy towards a state which encourages environmentally friendly activities and discourages the opposite.

VII Conclusions

In Bangalore, transportation energy particularly by road vehicles constitutes nearly 90 per cent of total energy consumption

out of which 80 per cent is through passenger transport. Between 1980 and 1990, there was a significant growth in personal transport, particularly by two-wheelers (15.41 per cent p.a.) which accounted for 60 per cent total vehicle kilometres. In energy use the share of two-wheelers and cars was around 25 per cent of the total. This growth in personal transport, which has a high energy intensity, will increase energy consumption. As our results suggest, the energy intensities of each mode of travel could have a significant impact on energy use. Also the environmental impacts of transport are significant.

Since the economic growth, technological advancement and transportation are inter-related, the increase in transportation's share of energy will be quite high in the coming years. As the vehicle elasticity results indicate, a one percentage point increase in two-wheeler population results in 0.47 per cent increase in petrol consumption. Thus, with increasing use of transport services, the level of energy consumption, and thereby, the atmospheric pollution increases. This poses a major environmental dilemma.

If there is an increase in petroleum prices, the level of travel may decrease, thereby decreasing the energy intensities of each transportation mode. However, with increasing incomes, personal transport will increase and so also the per capita energy consumption. Thus, the impact of growing volume of personal vehicles more than offset the impact of reduced energy intensities. Modal shifts to less energy intensive modes (from two-wheeler to bus) could contribute to energy savings. To achieve this, the government should make the public transport bus system more efficient and also consider seriously about the rail transit system. Pricing of transport services based on some sort of bus operating index, incentives for economic operations, fuel conservation, punctuality, etc., will improve the performance of BTS. Also, the introduction of point to point travel by public transport, education on conservation of fuel, etc., are important factors to be considered. Fuel-efficient vehicles should be encouraged with some incentives in the form of tax concession, etc. Also, the environmental consequences of transportation should be given importance while framing transportation policies.

Since the economy of a country depends to a major extent on energy, particularly from liquid fuels, the availability and advancement of alternative technologies like electric vehicles, CNG, methanol, etc., for transportation should be investigated.

A developing country like India cannot afford to neglect the development of an efficient transportation system.

[The author wishes to thank Amulya K N Reddy, president, International Energy Initiative for providing valuable suggestions.]

References

- [1] Cresswell, R (ed) (1977) 'Passenger Transport and the Environment', Leonard Hill Publishers, London.
- [2] Whitelegg, J (1991) 'Transport, Environment and Energy', *Impact of Science on Society*, pp 89-100.
- [3] Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation, Bangalore, Annual Reports 1980-90.
- [4] Sreehari, M. N (1987) 'Transportation Planning for Bangalore Metropolis: A Scenario for 2001', Paper presented at the 'National Symposium on Planning and Development of Bangalore', Bangalore.
- [5] Anon (1980-90) 'Annual Reports', Statistics Department, Karnataka State Road Transport Corporation, Bangalore.
- [6] Sathaye, J. A. Ghauri and I. Schipper (1987) 'Energy Demand in Developing Countries: A Sectoral Analysis of Recent Trends', *Annual Review of Energy*, pp 1253-81.
- [7] Dattatri, C and M Siddarth Bhatt (1985) 'Energetics of Transportation Systems', *Energy Management*, pp 135-52.
- [8] Knight, R. L (1976) 'Alternative Roles of Transportation in Urban Planning', *Water, Air and Soil Pollution*, pp 1-5.
- [9] Reddy, B. S (1990) 'The Energy Sector of the Metropolis of Bangalore' PhD Thesis, Indian Institute of Science, Bangalore.
- [10] Pundir, B. P and D. Sudkakar (1985) 'State of Art Report on Vehicle Emissions', Department of Environment, Government of India, New Delhi.
- [11] Ross, M (1989) 'Energy and Transportation in the United States', *Annual Review of Energy*, pp 131-71.
- [12] Kaya, Y (1983) 'Transportation and Energy in Japan', *Energy*, pp 15-27.
- [13] J. P. Pamuly and Jyoti Parikh (1993) 'Policy Analysis of Oil Substitution by Natural Gas in India: Transport and Industry Subsectors', *Energy Policy*, pp 43-52.
- [14] Rene Moreno, Jr and D. G. Fallen Bailey (1989) 'Alternative Fuels from Natural Gas', World Bank Technical Paper No. 96, The World Bank, Washington, DC.
- [15] Scott A. Noll (1982) 'Transportation Energy Conservation in Developing Countries', Discussion paper D-73k (Washington, DC, Resources for the future).
- [16] Mwase, N (1987) 'Railway Pricing in Developing Countries', *Journal of Transport Economics and Policy*, pp 189-217.
- [17] Bailey, R. A (1984) 'Transportation Energy use in Monroe County (Rochester), New York', *Energy*, pp 667-77.
- [18] Karnik, A. V (1989) 'Energy in Indian Transportation: The Emerging Scenario', Himalaya Publishing House, New Delhi.

Dalit Protest Literature in Telugu

A Historical Perspective

A Satyanarayana

Although there was no literary genre distinctively known as 'dalit literature' during the pre-independence period in Andhra, an examination of the literary works of certain dalit intellectuals indicates that the agony and anger of the dalit masses are reflected in their writings. This paper analyses the nature of literary representation of dalit problems and the emerging consciousness in the writings of selected dalit scholars.

THE objective of this paper is to discuss the historical context of the emergence of a literary genre which reflected the growing identity, awareness and consciousness of the dalits during the colonial period. Although there was no literary genre distinctively known as 'dalit literature' during the pre-independence period in Andhra, an examination of the literary works, i.e. poems, novels, plays, etc. of certain dalit intellectuals indicates that the oppression, agony and anger of the dalit masses is reflected in their writings. An attempt is made in this paper to analyse the nature of literary representation of dalit problems and the emerging consciousness in the writings of selected dalit scholars. It focuses on the treatment of caste oppression, untouchability and dalit sensibility in the writings of dalit intellectuals.

In recent years the socio-cultural and political assertion of the oppressed masses belonging to the lower sections—the dalits—has been accompanied by a distinct literary genre called dalit literature. It is noted that "the distinctiveness of dalit literature lies in its authentic unity of language and content. In it the disillusionment and disgust of young dalits, often accompanied by a desire of revenge, come alive. It revives the memory of the pain and suffering of past generations. It confronts centuries of hypocrisy, deceit and violence sustained in the name of tradition".¹ In Andhra Pradesh, the Karamchedu episode² marks a turning point in the growth of the dalit movement. A series of upper caste attacks on the dalits in different parts of the state resulted in the formation of various organisations of dalits, which are presently channelling the assertion and political articulation of the dalit masses. A wide variety of political formations, cultural organisations and ideologies (ranging from liberal bourgeois to radical marxist) represent the growing consciousness of the dalits in the state.

Broadly speaking, since the 1970s an increasing number of poets and writers drawn from the dalit communities of the states of Maharashtra, Karnataka, Andhra Pradesh, etc. have been producing literary works such as poems, short stories, novels and dramas representing the themes of caste oppression, untouchability, poverty, repression and revolution. The writings of dalit scholars

also contain powerful denunciations of and fierce attacks on the caste system and on brahmanical Hinduism. It has been pointed out that the dalit Sahitya is considered to be a unique genre of modern Indian literature, for now untouchables themselves using the traditionally-denied weapon of literacy, are exposing the conditions under which they have lived, as well as directly rebelling ('vidroha') against the Hindu institution which has assured their perpetual subordination to the Varna order.³ As far as Andhra Pradesh is concerned, it can be said that both the radical left movement and the Dalit Maha Sabhas have thrown up a new generation of dalit scholars, intellectuals and philosophers whose writings sharply reflect the changing perceptions and consciousness of the dalit masses. In their writings the dalit question is posed in terms of the annihilation of the caste system and the building up of a casteless egalitarian society.

HISTORICAL ANTECEDENTS

However, the emergence of dalit literature in recent times is not without its historical antecedents. In fact, since the medieval period the Telugu-speaking region of the Deccan witnessed the development of the bhakti movement, which led to the emergence of a literary tradition among the non-brahman scholars, Vemana, Potluri Veerabrahman et al., which propounded anti-caste movements and denounced the caste system, social inequality and oppression. The saint-poets emphasised in unequivocal terms the inequalities and injustices suffered by the lower and untouchable castes due to the varna order. The medieval bhakti tradition, therefore, first raised certain themes and issues regarding the life and sufferings of those at the bottom of the caste hierarchy. By and large, the themes of the bhakti tradition reappear in the dalit literary tradition both during and after independence, even though the perspectives of the two traditions is different.

In Telugu literature the problems of untouchability and the poverty and misery of dalits were represented by nationalist and liberal scholars drawn from the upper castes.⁴ In particular, the literature which was generated during the time of social reform movements contained various problems

confronted by different segments of society. Social reformers such as Gurajada Appa Rao and Veereshalingam broadened the base and scope of literature as well as transformed the traditional character of Telugu literature "into a modern tool of communication".⁵ In contrast to the conservative elitist literary tradition, modern writers such as Appa Rao and Gidugu Ramamurthy favoured and popularised the use of spoken language in literary creation. Though Gurajada and Veereshalingam are acclaimed, as the 'founders of new epoch in modern Telugu literature', their writings focused mainly on themes and problems such as brideprice, widow remarriage, etc. related to women of upper castes, mainly brahmins. Neither *Kanyasulkam* (Bride Price) nor *Raja Sekhara Charitram*, written by Appa Rao and Veereshalingam respectively, addressed the basic, fundamental problem of caste oppression and alienation of dalit masses from the mainstream society. This does not mean that their contribution to social reform is negligible, yet strangely problems central to the varna system escaped their attention. While they sought to reform certain evils of the Hindu social system, they failed to grapple with the ideological and institutional framework of brahmanical Hinduism. Their reading of classical texts and scriptures was only aimed at reforming some aspects of Hindu society, but not to question and negate the varna system itself.

Thus the social reformers of modern Andhra did not inherit and continue the medieval bhakti tradition, it was discontinued. This discontinuation was possible perhaps because the fact that unlike the bhakti saint-poets, the social reformers compromised with the existing social order. Also, given their social background and intellectual and cultural tradition, they could not profess anti-feudal and anti-colonial/caste ideology and consciousness. Unlike the saint-poets they did not revolt against all kinds of social evils. They were selective in their philosophical and ideological standpoint. In this sense the modern social reformers failed to generate and build up a popular cultural and ideological movement against the caste system.⁶

Nevertheless the nationalist literature generated since the time of the

Vandemataram movement reflected the problem of the dalit masses, though to a limited extent. It was put to both social and political use. The Gandhian movement inspired a number of scholars who argued that national liberation will herald a new epoch in which discrimination and oppression of all sorts will be abolished. In order to build a united and coherent anti-colonial movement, they exhorted the people through their writings to eradicate social evils and unite. In this context novels such as Unnava Laxinarayana's *Malapalli* (1922, 'Harijan Hamlet') and Ranga's *Haryana Nayakudu* (1933) are socially significant literary works. Both of them depicted the problem of untouchability and the misery of dalits, but they suggested that with certain changes and modifications, the existing caste system could be maintained. The solution to the dalit problem is offered within the existing framework of the caste system. In a sense, it was not truly a realistic representation of the dalit question. Therefore, in the writings of non-dalit scholars the problems of untouchability and caste discrimination was reflected not as a serious and fundamental one. They advocated minor reforms and adjustments, yet favoured continuation of the existing unequal social hierarchy. For them the dalit masses became an object of pity and sympathy. The nationalist intelligentsia, which was isolated and distanced from the dalit masses, failed to fully grasp and comprehend the oppression and discrimination faced by the dalit masses in their everyday life. Though they were inspired by the ideology of nationalism, they were insensitive to the socio-cultural and economic oppression of the dalit communities. The aspirations and emotional feelings of the dalit masses were not adequately taken cognisance of by the middle class intellectuals, who were predominantly drawn from the upper castes. It was precisely for this reason that the Gandhian programme of 'Harijan upliftment' was a failure. A dalit poet ridiculed the commitment of pseudo-Gandhian upper caste activists towards the upliftment of untouchables. He wrote:

You prove that you are the descendants of
sages
Outwardly you call us brothers
You boast to have listened to the teachings
of Gandhi
Nobody follows (him), is not it injustice
You forget the words of Mahatma Gandhi
You burn with anger at the untouchables?

The constructive programme (harijan upliftment, temple entry, etc) of Gandhi was popularised in Andhra with a view to integrate the dalit masses into the fold of the mainstream nationalist movement. The socio-political programme of Gandhi was not fully realised due to the alienation of the dalit communities. For them (dalits) the

nationalist appeal was meaningless insofar as it did not incorporate their sufferings, emotions and aspirations. Thus a dalit poet opined, "Equality is Swaraj".

However, if the nationalist literature of the 1920s partially reflected the dalit question, the progressive literary tradition of the 1930s and 1940s was no better either. Undoubtedly the progressive writers who were guided by the philosophy and ideology of Marxism⁸ propounded the building up of a classless society. The marxist literary and cultural movement became a powerful social force. But the basic flaw in this literary tradition was that it did not adequately take note of different kinds of non-class exploitation such as by caste, gender, ethnic group, religion, etc, which existed in society. Class struggle and class oppression were seen as universal laws. As Ambedkar pointed out, marxist scholars in India failed to adequately understand and comprehend the caste-specific character of Indian society.⁹ Though the progressive writers guided by a socialist perspective pleaded for socio-economic justice, their writings did not reflect caste oppression and discrimination to the extent that it deserved. Attacks on the caste system, abolition of caste oppression, social equality and self-respect of the dalit masses were not the themes which characterised their writings. Barring a few, a majority of the progressive writers were drawn from the upper 'savarna' castes. Thus just as their predecessors (i.e. the nationalist intelligentsia of the 1920s) did, the progressive writers tended to address the problems confronted by the middle classes and advocated piecemeal social reform.¹⁰ It has been noted by a literary critic that the progressive writers association was dominated by middle class intellectuals mostly drawn from the non-dalit upper castes. He wrote, "the progressive literature was mainly created by middle class youth who were influenced by the Communist movement. In actuality the progressive literature did not go beneath the middle class readers".¹¹ Another scholar remarked: "...the literary activities of the PWA which were... confined primarily to middle class intellectuals, and also, to some extent, to the literate and marginally to a few people from lower middle and middle and poor peasants and working class sections. By and large, the major sections of lower order were left out of its impact."¹² It was so because "all those drawn into the PWA were not a part of the Communist Party cadre. Some of them were fellow travellers and some were not even that."¹³ It was no wonder that many scholars and intellectuals of dalit background were not a part of this progressive literary tradition. At the political level also, the Communist party failed to integrate the vast majority of the dalit masses into the larger struggle for liberation.

An examination of the nature of social participation in the freedom struggle in Andhra indicates that there was no considerable participation of the dalit masses in it. It was mainly due to the fact that economically and educationally advanced upper caste groups dominated the Congress. Social inequality, caste discrimination, illiteracy, poverty, etc, kept the dalit communities away from the mainstream nationalist struggle, at least until the 1930s. The ideology of nationalism did not inspire them as they were subjected to severe socio-cultural discrimination and oppression by the same upper caste forces which championed and led the anti-colonial national movement. The upper caste leadership also failed to evolve a programme and perspective of socio-cultural emancipation of the dalits. Hence they distanced themselves from the liberation struggle. The Gandhian programme and technique also did not completely succeed in integrating them into the fold of the freedom struggle. The aspirations and emotional feelings of the dalit masses did not become an integral part of the nationalist ideology and programme. The nationalist literary and cultural tradition denied a legitimate place and role for them. Thus the political and socio-cultural assertion of the dalit masses developed independently and outside the organisational framework of the Congress Party.

In Andhra, the struggle for emancipation of dalits from the clutches of upper caste domination and for achieving social equality was launched by the Adi-Andhra Mahasabha. Its first conference was held at Bezwada on November 4-6, 1917, under the presidency of Bhagya Reddi Varma. It was the beginning of dalit self-mobilisation for self-respect and social equality. A series of Adi-Andhra conferences were held between 1917 and 1938 in different parts of Andhra, which helped in the mobilisation of the dalit masses in their struggle for social justice.¹⁴ The educated and enlightened sections within the dalit communities provided the direction, programme and leadership for the movement. Persons such as Bhagya Reddi Varma, Sundu Venkiah, Kusuma Dharmanna, Vemula Kurmaiah, et al, provided leadership for the dalit movement. The basic thrust of the movement was to critique the ideology of brahmanical Hinduism and counter the socio-cultural hegemony of the upper castes. It also sought to organise the dalit masses for achieving socio-economic and political equality. The main item in the agenda of the movement was abolition of untouchability, caste oppression and discrimination. The counter-cultural movement and ideology propagated by dalit intellectuals contained a critique and negation of brahmanical Hinduism and undermining of the cultural

tradition of caste Hindus. These aspects were well-represented in the literary and cultural traditions of the dalits in the 1930s and 1940s. The literary, cultural and ideological articulation of dalit identity and sensibility was projected by the first generation of dalit intellectuals. They were the products of western education, which was made available to them by Christian missionaries and the Brahmo Samaj. The spread of education (though limited) during the first quarter of this century among dalit communities was possible due to the prolonged activities of missionaries in coastal Andhra. Therefore, the Krishna, Godavari and Guntur districts witnessed the active movement of the Adi-Andhra Mahasabha. The dalit literary and cultural tradition was also established in Coastal Andhra. Below a random survey of the writings of dalit scholars is undertaken, with special reference to the literary works of Gurram Jashuva, Bhoi Bheemanna, Kusuma Dharmanna, and Bhagya Reddi Varma.

In an effort to create solidarity and identity among the dalit masses, Bhagya Reddi Varma asserted that the so-called untouchables were never a part and parcel of caste Hindu (Aryan) society.¹⁴ He criticised the Aryan gods such as Rama who perpetrated injustices and atrocities on shudras and dalits. He went on to suggest a break from Hindu tradition and religion as the primary necessity for putting an end to the plight of the dalit communities as well as to maintain their separate identity. He stressed that dalits were the original inhabitants of the land ('sons of the soil') and called themselves the 'Adi-Andhras'. This term was coined and consciously put to use to denote unity of the dalits. He opposed and rejected the derogatory term 'panchamas' used by the upper castes. Maha kavi Gurram Jashuva questioned the creation of the panchama varna. He also questioned the wisdom of the upper caste Hindus in treating the dalit masses as panchamas/outcastes.¹⁵ His poem reads.

We heard that for the old Brahma
Born Four Sons
The wretched lower than the animal
Who is this Fifth Caste person?
Savithri! (Mother)

The Adi-Andhra Mahasabha demanded that the government designate the dalits as Adi-Andhras and this was conceded. Similarly Bhoi Bheemanna coined another term MaMas which indicated the two main sub-castes within the dalits (Ma = Mala; Ma = Madiga). This term was deliberately used by him to foster the concept of unity among the dalit communities.¹⁷ Jashuva was critical of sub-caste rivalry among dalit communities. He felt that ignorance was the main reason for this.

In addition to these terms the dalit writers also traced the common ancestry of dalit communities. They claimed that they are

the children of 'Matangi Kanya' and the descendants of Arundhati. In his drama *Ragavashistham*, Bheemanna offered a critique of the brahmanical interpretation of the origin and status of dalits. It is intended to reject the brahmanical reading of certain Hindu classical texts. It is also a negation of the brahmanical view which attributes the lowest and meanest birth to the untouchable castes. The marital relationship between Arundhati (the Matangi girl) and Vasista (the brahmin sage) is interpreted by Bheemanna to claim the highest social status for the dalits. The message conveyed through this drama is that the dalits are not the outcastes and that they have a legitimate claim for the higher social status and prestige/privilege enjoyed by the caste Hindus. Jala Ranga Swamy, in a long poem entitled 'Who are the untouchables', criticised the upper caste Hindus for caste discrimination and asserted the rights of dalits to social equality. He reasoned that the so-called panchamas were the original people ('anaryas') of Telugu country. The Aryan invaders defeated the anarya rulers and subjugated them. Further, the Aryan conquerors imposed their rule and culture on the anaryas. The latter were oppressed, discriminated against and relegated for slavery (out-caste). The poem reads:

Some occupations were created and assigned to us
We were named as serfs
Caste discrimination was introduced, we were suppressed
We were troubled with slavery/serfdom
Occupational difference were imposed, we were alienated¹⁸

While denouncing the Aryan conquest, which led to the enslavement of the dalits, the poet (Ranga Swamy) proclaimed the glory of their (anaryas) past by claiming the great sages and pious/chaste women of the ancient times. The poem is as follows:

The great warriors of Puranas were our people
Vashistha, Valmiki etc, belonged to our dynasty
Vedavyasa, Parasara were our people
Hahuman, Sugreeva were our brothers...
Did not the great mothers of Heros born amongst us
Did not they observe chastity
Is not Arundhati, the daughter of our caste
Sabari, Matangi were our women...
A caste in which such great people were born being alienated
We were made lowly people, excommunicated¹⁹

Bhoi Bheemanna pleaded for social equality. He wrote:

Around the neck of the powerful Indian Nation
Caste, Religion are the hangman's ropes...
Destroy the guile of caste and religion
Eradicate the human inequalities²⁰

The most forceful attack on upper caste Hindus, who are said to be responsible for the perpetuation of caste discrimination and excommunication of the dalit masses, was launched by Kusuma Dharmanna. He was a bitter critic of brahmanical Hinduism. In his long poem, 'we do not want the rule of black landlords', he portrayed the miserable and pathetic living conditions of the dalit masses. He wrote:

(We have) only small huts outside the village
We do not have big houses
An, light do not trifle
(We have) no delicious food, curry
To wear (we have) no Saree. Loin cloth
(We have) no tail, ornaments
(We have) no land to plough, eat food
(You have) no sympathy on our poverty²¹

The claim for social equality was widely propagated by the Adi-Andhra Mahasabha through its resolutions and demands for the use of public wells, educational institutions, temples, etc. by the dalits. The aspirations of the dalit masses for social equality was negated and vehemently opposed by the arrogant upper castes, and many a time the dalits were subjected to physical attacks and reprisals. In the Andhra countryside a number of violent incidents occurred in the 1930s and 1940s when the dalit communities persisted in their struggle for equality and self-respect. A few instances will suffice to make this point clear. In Gajularega village (Vizagapatam district) a newly married dalit couple were taken in a procession on horseback through the main streets of the village, in Mangalagunta (Chittoor district), dalits walked in the streets wearing footwear; in Eluru (west Godavari), dalits took out a religious procession on a festival day through the same street which was used by the upper castes; a dalit disciple worshipped the goddess Aluvolu Manga (wife of Lord Venkateswara) in Tirupati for which a case was foisted against him.²² These acts by the dalit masses enraged the upper castes in the respective villages and resulted in physical attacks on them. Such assaults from the caste Hindus helped in strengthening the feeling of their distinct identity. Thus caste oppression and discrimination became the central themes in the writings of dalit scholars. In particular, Kusuma Dharmanna in his writings and speeches (inaugural address to the Dalit Mahasabha Conference, Vizianagaram, 1936) exposed the false, hypocritical and cunning nature of Hinduism and ridiculed the brahmanical double-standards. He freely quoted verses from the works of the medieval saint-poets/scholars such as Vemana and Veerabrahman to denounce the unequal and inhuman Hindu social order.²³ He appealed to the dalit masses to unite and fight for socialism. He felt that it was through achieving social equality alone

that the dalit masses could hope for a decent living and self-respect. By socialism ('samyavadam') he meant "a society where there will be no distinctions based on caste, religion, rich and poor. A society in which there will be no place for discrimination and internal rivalry."

The urge for dignified living, self-respect and social equality is powerfully presented in the works of Jashuva and Bheemanna. Jashuva, a great creative poet and a literary genius of the modern times, was humiliated and subjected to intense mental agony by the inhuman caste system as well as by arrogant and casteist scholars. He was treated as a literary outcaste by the scholarly world which was dominated by the upper castes, mainly the brahmins. His creative genius, merit and literary talent were not recognised and encouraged because of his low birth and dalit background. But he was not a coward. He resisted and exposed the cruelty of caste oppression through his pen. He said, "Life taught me many lessons. I have two teachers (Gurus) - poverty and Caste/Religious discrimination. If one taught me patience, the other one increased my power to resist. But did not convert me as a slave. I intend to pierce through caste distinction, poverty and prove that I am a human being. I wield a sword. My sword is my poetry. It has no hatred against the society as such. But hatred on its policy."²⁴ In the poetry of Jashuva the anger, agony, disgust, misery and the daily bitter experiences of the dalit masses/communities is most authentically and realistically represented. His famous poetical works, 'The Bat', 'The Orphan', etc., indirectly mirror the bitter experiences and stark realities of his personal life. It is noted that 'The Bat' graphically reflects his growing resistance consciousness and longing for better human values. In it he posed a number of questions to Hindu society, religion and culture which is responsible for the perpetration of untouchability. 'The Bat' is the first poetical work in which a dalit is the hero. The poet speaks through him. It depicts the miserable life and sufferings of the dalit masses:

When his (Dalit's) hands do not work
The green fields hesitate to yield crops
He sweats, provides food for the world
But he himself has no food.²⁵

The material condition of the dalit masses who worked as agricultural labour is revealed in such poems. He ridiculed the brahmins who treat the dalits as untouchables but use the food-grains produced by them as offerings to the gods in the temples; when they (the dalits) do not produce food the gods will go hungry.

By swallowing the blood of the
wretched (dalit)
Lives the iron ankleted Mother
Upon smelling his air hisses with vengeance
The four-hood Hindu Cobra

This poem is a reflection of how the poisonous snake called Hinduism perpetuates oppression of dalits by savarnas.

Jashuva wrote his bitter and moving poetry at a time when the dalit masses were launching struggles for self-respect, independently and outside the framework of both the Congress and left parties. Bhoi Bheemanna captured the intensity and essence of struggles of the dalits for achieving socio-economic and political justice and reflected them in his two plays, *Paleru* ('Annual Servant') and *Cooli Raju* ('The Labourer King').

Paleru depicts the village life of coastal Andhra, which was characterised by socio-economic stratification in which the agricultural labourers were drawn basically from the dalit communities, while the landlords belonged to the upper castes. The dalits were economically and educationally the most backward. Government efforts and

Gandhian programmes played no significant role in their upliftment. Social evils like untouchability and caste discrimination were practised unabated. Moreover, the caste ideology denied them any access to knowledge and education. The hero of the play, Venkanna, a dalit 'paleru', works for the same landlord who employed his forefathers. He was a victim of hereditary bonded labour which was practised by the upper caste landlords with the sanction of the caste system and in the name of custom and tradition. In spite of rigid customary sanctions the hero, with the help of an upper caste school teacher, was encouraged to go to school and study. The little paleru, on seeing the upper caste children of his age going to school, was also inclined to study. But his landlord would not tolerate such an idea. He did not even like the paleru singing songs in the fields. However, with the help

NEW BOOKS

Criminalization of Politics

SUSHEELA BHAN (Ed.)

ISBN 81-85402-49-3

x+190

Rs. 250

Indian Politics Since Independence

C.P. BHAMBHRI

ISBN-81-85402-46-9 (PB)

viii + 440

HB Rs. 395 PB Rs. 120

History of the Parliament of India - Vol. 2*

SUBHASH C KASHYAP

(Second of the six volume study under the auspices of
Centre for Policy Research, New Delhi)

ISBN-81-85402-53-1

xx + 318

Rs. 350

Limits of Authority

Political Controversies & Religious
Conflicts in Contemporary India

MADHU LIMAYE

ISBN-81-85402-43-4

viii + 254

Rs. 250

Dunkel Proposals - Vol. II

The Final Act - 1994

Significance for India & the World Trade
(With supplement on WTO)

N.K. CHOWDHRY, J.C. AGGARWAL

ISBN-81-85402-45-0 (PB)

vi + 400

HB Rs. 450 PB Rs. 200

SHIPRA PUBLICATIONS

115 A, Vikas Marg, Shakarpur, Delhi-110092 Ph. 2200954

of the school teacher and an upper caste girl, the paleru decided to escape from the village and go to Rajamundry (a nearby town) and join the school run by the Brahma Samaj. One day when the landlord came to know about the intentions of the paleru, he scolds his father. The dialogue is instructive of the attitude of the upper castes toward the efforts of the dalit masses to educate themselves and acquire knowledge

Kuberaiah (landlord): O, son of a he buffalo! Did anybody go to school in your family? Pullatah (Dalit): Yes sir, Ah Ah is it? No sir no.

K: Is not it a sin for you to read (and write)?

P: Big sin lord Very big sin indeed Neither during the time of my grandfather, nor my father, myself, nor even my son Yenkadu ..

K: Stop It is alright until your time With your son Yenkadu the tradition of your family is destroyed

P: No my lord I swear, I pledge my life My son is not like that

K: You son of a donkey Why does a son of a slave need education?

P: To whom my lord? Even if you cut my stomach, there is not word in it

K: Osh! Your Yenkadu.

P: Oh my goodness

K: He will be of no use

P: O my God! (beats chest).

K: He is not doing any work He always sings and reads books Stop him from doing agricultural labour. Educate and make him a collector Get lost

P: We are your slaves my lord Save us my lord I will kick that son of a donkey. I will bury him What stops you my lord? You should have broken his bones

K: Well, I did something. If you can teach him good manners and behaviour keep him here or else look for some other way. As you are dependent on me since your childhood I am just thinking OK you can go

The father goes home and beats his son. Later the boy runs away from the village, pursues his studies and secures BA degree. After that he becomes a deputy collector. He also marries the upper caste girl, his childhood friend.

The central theme of this play is an urge for social equality and the acquisition of knowledge and education by the dalit masses for a decent living as well as for a respectable place in the society. In it there is a suggestion that through education and inter-caste marriage social mobility is possible. The author opined that the problems of dalits is not only that of class. In Indian society the dalits unlike other castes have no opportunity to lead a respectable life. Hence dalits should be educated first and obtain good official positions. This play also represents the educational and professional needs of dalits, for education was seen to be a social leveller and a means to acquire secular and political power. The play is imaginary no doubt, but it is a guide to many real life experiences of the dalit masses. It was staged in many villages of coastal Andhra. As a literary

creation it became a basis for social change/mobility. The author remarked that many young dalits, inspired by the play, left their traditional occupation and took to education. The popularity of this play is indicated by the fact that in 1953, Bheemanna (the author) was facilitated in Ponnur village, Guntur district, on the occasion of its hundredth performance

In this paper we have presented an analysis of the beginnings of a literary genre which can be broadly called dalit literature.²⁶ Although most of the scholars whose writings are examined in this article did not exclusively write about and/or for the dalit masses, yet being products of dalit communities they represented the problems of the dalit masses and their emerging consciousness in their works more sympathetically and realistically than the non-dalit scholars who preceded them. There seems to be a fundamental difference between the savarna scholars who projected the dalit problem in their writings and the dalit scholars. The non-dalit (upper caste) scholars were distanced and stood aloof from the dalit masses. They were also unfamiliar with their emotions, aspirations and living conditions. If at all there was any solidarity, affinity and link between them it was purely emotional. Such an emotion was guided by an ideology of nationalism and marxism, about which the large majority of the dalit masses were ignorant. In contrast, the dalit intelligentsia had good knowledge of and insight into the life experiences of the masses about whose problems they wrote, their thoughts and feelings were fused with those of the masses. The subject matter for their works was provided by the everyday life experiences and existential problems of the dalit masses. These writers, who found inexhaustible raw material in the society and community in which they and the masses were born, shaped it into a realistic literary representation. The main characteristic feature of dalit literature was its contemporaneity and realistic presentation. The savarna scholars who depicted the dalit problems in their writings were guided neither by the philosophical and ideological tradition of the bhakti saint-poets nor by the liberation ideology and philosophy of Phule and Ambedkar. The dalit scholars critiqued the brahmanical social order and Hindu ideology based on the philosophy and ideology of both the bhakti saint-poets as well as Phule and Ambedkar. In this sense it can be said that the dalit intellectuals of the pre-independence period were the forerunners to the contemporary dalit literary and cultural movements in the state.

Notes

[An earlier version of this paper was presented at a seminar on 'Caste and Power in India', organised by Satyashodak Centre for Social

Research, Hyderabad, at Kakatiya University, Warangal. March 12-14, 1994.]

- 1 J K Lele and R Singh, 'Language and Literature of Dalits and Santis Some Missed Opportunities'.
- 2 Karamchedu is a prosperous village in Guntur district. It is dominated socio-economically and politically, by the Kammas, a dominant peasant caste "In 1985 July 17 unable to bear the assertion and self-respect of the Dalits, the Kammas armed with spears and crowbars and all sorts of weapons killed six persons, raped nine women and wounded as many" K Padma Rao, *Social and Philosophical Movements in India*, Ponnur, 1990, p 12.
- 3 J B Gokhale-Turner, 'Bhakti or Vidroha' in *Journal of Asian and African Studies*, Vol XV, Nos 1-2, 1980, p 29
- 4 Before the Gandhian era the living conditions and problems of untouchable communities were depicted in novels such as *Helavan* (1913) and *Matrumandiram* (1919) See S V Satyaranayana, 'Dalita Sahityam Charitrika Nipathyam' in *Abhyudaya*, January-March 1993, p 93.
- 5 V Ramakrishna, 'Literary and Theatre Movements in Colonial Andhra Struggle for Left Ideological Legitimacy', *Social Scientist*, Vol 21, Nos 1-2, 1993, p 71
- 6 For a critical analysis of social reform movements in Andhra see K Venkaiiah, *Prjyaswamika Parishkaram*, Guntur, nd, pp 16-43
- 7 Jala Rangaswamy, *Who are the Untouchables*, Rajamundry, 1930, p 9
- 8 See Ramakrishna, op cit, pp 73-77.
- 9 B R Ambedkar, *Collected Works*, Vol 3, 1990, Bombay.
- 10 See K V Ramana Reddy's Telugu articles edited by Ch. Prasad, *Adhunikandhra Sahitya Charitra*, Vijayawada, 1992, pp 154-55
- 11 Ibid, p 150
- 12 Ramakrishna, op cit, p 78
- 13 Ibid, p 76
- 14 See Gail Omvedt, *Dalit Movement Democratic Revolution in India*, New Delhi, 1994
- 15 D Ramulu Nayak, 'MV Bhagya Reddi Varma: Life and Mission', unpublished M Phil dissertation, Dept of History, Osmania University, Hyderabad, 1992
- 16 Cited in C Narayan Reddy, *Sumerkshanam*, Hyderabad, 1981, p 27
- 17 See the autobiographical account of Bheemanna, *Paleru Nanchi Padmasri Varaku*, Hyderabad, 1978
- 18 Rangaswamy, op cit, pp 3-4
- 19 Ibid, pp 4-5
- 20 Cited in Satyanarayana, *Telugulo Udyama Geetala*, Hyderabad, 1991, p 429
- 21 Ibid, p 116
- 22 K Dharmanna, 'Samyavaddanni Sahinchani Hinduism', reproduced in *NALUPU*, November 16-December 15, 1992, and January 1, 1993
- 23 Ibid
- 24 Cited in N Gopi, 'Jashuva Pratighatana Chaitanyam' (mimeo).
- 25 Ibid.
- 26 See Satyanarayana, op cit, pp 44-62; K Prasad, *Dalita Sahityam*, Vijayawada, 1993; K Padma Rao, *Mahakavi Jashuva Samajika Tatwama*, Ponnuru, 1992

Redefining Irrigation Potential

Don't Damn the CV Alone

S M Vidwans

MY critique (EPW, December 4, 1993) of the paper 'Redefining Gujarat's Irrigation Potential' (EPW, June 26, 1993) by D H Parikh, A J Vora and Y K Alagh (PVA for short) showed that PVA's paper failed in its objective of establishing variability of rainfall as the reason for redefining (i.e., down-rating) Gujarat's irrigation potential. But, as the critique pointed out, rainfall variation obviously affects irrigation potential in terms of the volume of water stored in the reservoir – the very reason why the dependability factor comes into play. If dependability is 75 per cent, in that much per cent of years over a long period full potential will be realised and in 25 per cent less than full. One can therefore think about an *average potential* that will be obtained over a long period, an average of (1) full potential in 75 per cent of years, and (2) less than full potential – less by varying amounts – in the remaining 25 per cent. The difference between the full and the average potential gives the extent of down-rating of the former that will be required because of rainfall variation. Thus, the maximum, though unlikely, extent of down-rating will be 25 per cent when dependability is 75 per cent, and 50 per cent when the latter is 50 per cent. It is therefore a truism that full irrigation potential requires to be down-rated on account of rainfall variation; it is surely not a discovery. The only point of interest perhaps is the *extent of down-rating* and its relationship with rainfall characteristics. Possibly a minor point, it becomes statistically interesting to pursue because PVA raised it and handled it rather unsuccessfully. That is the limited objective of this follow-up paper.

IRRIGATION POTENTIAL

There may be several project-specific reasons for a less-than-full realisation of its irrigation potential. Some of them arise after water is released from the reservoir; they apply even if the reservoir were full. Other reasons such as rainfall variation and environmental degradation of the catchment area affect the very volume of water in the reservoir. We are not concerned with the first type of reasons, and of the second, only with rainfall variation assuming that the rest were taken into account when the project was designed and remained unchanged after its construction. This assumption is neces-

sary to measure the effect of rainfall variation unconfounded with other changes that may have occurred. Thus, the scope of the study is confined to measuring the effect of rainfall variation on the volume of water in the reservoir, and the latter is taken to mean the same as irrigation potential, with the two terms used synonymously in the paper.

Using a fairly long series of rainfall data for low-rainfall centres of Maharashtra, the paper studies the relationship between water-storage and rainfall parameters and offers an empirical basis for the main assertions of my critique. It also gives estimates of the main measure for PVA's sample centres and a few other centres from Gujarat-Saurashtra based on an empirically tested model of rainfall distribution. Finally, it quantifies certain implications of the suggestion to reduce dependability. The results would show that neither rainfall variation nor its effect on water storage is of such a magnitude as to cause a disturbing pre-occupation with the need to redefine (down-rate) irrigation potential in Maharashtra because of either of them. It is not suggested that the same conclusion would apply to Saurashtra or Gujarat. Thinking that they succeeded in their objective, PVA appeared to generalise their Saurashtra findings for the whole of Gujarat. The results given here will argue against such generalisations.

Let

- v = The volume of water that gets stored in the reservoir at the end of a year;
- V = volume of water when the reservoir is full, that is the full irrigation potential;
- y = total rainfall in a year in the catchment area;
- M = mean of y ;
- S = standard deviation of y ;
- C = S/M , the coefficient of variation (CV) of y ;
- d = the dependability factor, that is the probability that in any year the reservoir will be full, i.e., of $v = V$;
- $P(1/2)$ = the probability that in any year the reservoir will be less than half-full, i.e., of $v < V/2$, the main variable of PVA's paper.

The values of proper fractions: d and $P(1/2)$, and of C may be expressed as

percentages. Other notation will be introduced as the need for it arises.

ANNUAL YIELD AND RUN-OFF: ENGINEERS' FORMULAE

Since an inch of rainfall on one square mile of an area equals 2.3232 Mcft of water, with y inches of it in a year on a catchment area of A sq miles the total volume of water that falls on it, i.e., the annual yield: Q , is given by

$$Q = 2.3232Ay \text{ Mcft} \quad \dots(1)$$

However, not all of this flows down the catchment because of losses in absorption, evaporation and transpiration which depend upon several physical and topographical characteristics of the catchment and the amount of rainfall itself. Irrigation engineers' different formulae use only a certain percentage of y to work out Q ; the reduced y is called run-off: R . The basic logical structure of almost all the formulae is, however, seen to be the same, that is, the percentage of y that will be effective as run-off will be $(y-H)$, and the run-off given by

$$R = y(y-H)/100 \text{ inches} \quad \dots(2)$$

where H , the technical parameter, and 100 are both in inches.

The annual yield is then given by

$$Q = 2.3232AR = BG(y) \text{ Mcft} \quad \dots(3)$$

where $B = 0.023232A$, and $G(y)$ stands for the quadratic expression: $y(y-H)$, in y .

The technical parameter: H , varies in different formulae ranging from 3" to 7", its lower value reflecting better run-off conditions in the catchment. It is assumed that the annual rainfall is at least H inches and does not exceed $(100+H)$ inches, the latter holding good for the low rainfall areas to which the formulae apply. As an example, with $y = 20"$ and $H = 7"$, though the amount of rain water per sq mile of catchment is 46.464 Mcft, only $(20-7) = 13$ per cent of it will run off and the annual yield will be 6.04032 Mcft. In one type of formula, the value B differs from the one given above, but as we shall see, this does not affect our results.

We should note in passing that the formulae use total rainfall and do not take into account its distribution over time. Also, one of them uses total monsoon rainfall while the others the total annual rainfall.

Given the value of H , the percentage of rainfall which is effective as run-off, i.e. $(y-H)$, thus depends on the amount of rainfall itself, and this essential structure of the formula (3), and the value of H have certain important implications for our problem. The run-off or annual yield not only increases with the amount of rainfall, but increases in proportion to much more than the square of the rainfall amount, and

more so when the initial amount is small or H large. If the amount doubles, the run-off more than quadruples; conversely, to get half of the run-off (for a particular rainfall amount), rainfall has to be more than 0.7071 time the initial amount, that fraction being the square root of $1/2$. (See mathematical note: 1.)

VARIATION IN RAINFALL AND WATER STORAGE

Let Y_d be the rainfall in inches such that $\text{Prob}(y \geq Y_d) = d$... (4)

Then, if dependability of the full potential, V , is to be d

$$V = BG(Y_d) \quad \dots (5)$$

For 75 per cent dependability, Y_d is the first quartile, and for 50 per cent Y_d is the median of the rainfall distribution. When rainfall exceeds Y_d , v does not exceed V as the excess water will overflow. This ensures that

$$\text{Prob}(v=V) = \text{Prob}(y \geq Y_d) = d \quad \dots (6)$$

and

$$\text{Prob}(v < V) = \text{Prob}(y < Y_d) = (1-d) \quad \dots (7)$$

If we consider now only those years when the reservoir does not fill to its full capacity, i.e. $v < V$, or $y < Y_d$, the average value of v for such years, $\bar{v}_1$ will be given by

$$\bar{v}_1 = BE_1\{G(y)\} \quad \dots (8)$$

where E_1 , in standard notation, stands for the conditional expected (average) value operator, the condition here being: $y < Y_d$ or $v < V$. Obviously, $\bar{v}_1$ will be less than V . From this, the unconditional average of v , that is, its average over all years $\bar{v}$, will be

$$\bar{v} = Vd + \bar{v}_1(1-d) \quad \dots (9)$$

Clearly, $\bar{v}$ will also be less than V and the relative extent to which it is so gives the down-rating factor, DR, by which V should be reduced to obtain $\bar{v}$. Thus,

$$DR = (V - \bar{v})/V \quad \dots (10)$$

and using (9),

$$DR = (1-d)(1-\bar{v}_1/V) \quad \dots (11)$$

DR is a proper fraction and may be expressed as a percentage. Further, (11) shows that its maximum value is $(1-d)$, as stated in the first paragraph. *Ceteris paribus*, DR increases with H . It would also tend to do so when Y_d decreases (see mathematical notes: 2 and 3). Also, it measures the relative average variation of v from V .

We have thus derived an expression for the extent of down-rating of full potential on account of rainfall variation. For its calculation, all that is needed are a long series of annual rainfall data and values of the dependability factor and H . We may also note for this purpose that for any year with rainfall $y < Y_d$, by (3) and (5),

$$v/V = G(y)/G(Y_d) = y(y-H)/\{Y_d(Y_d-H)\} \quad \dots (12)$$

and consequently, by (8),

$$\bar{v}_1/V = E_1\{G(y)/G(Y_d)\} = \{E_1(y^2) - HE_1(y)\}/\{Y_d^2 - HY_d\} \quad \dots (13)$$

In (12) and (13), y , Y_d and H , all can be expressed in inches or metric measures. The procedure of calculation is straightforward: From the annual rainfall data, work out the value of Y_d and, from it and H , the value of $G(Y_d)$. Taking all values of y which are less than Y_d , calculate their average: $E_1(y)$, and the average of their squares: $E_1(y^2)$, then $\bar{v}_1/V$ by (13), and DR by (11). Alternatively, one may calculate v/V by (12) for all such values and take their average to obtain $\bar{v}_1/V$ and then DR by (11).

One can also derive an expression for $P(1/2)$ in which PVA are interested. If Y_d is the rainfall needed to fill the reservoir to half its full capacity, then using (3) and (5), we get

$$2Y_d(Y_d - H) = Y_d(Y_d - H) \quad \dots (14)$$

With Y_d known, H can be calculated as the solution of this quadratic equation, and from it $P(1/2)$ by the equation

$$P(1/2) = \text{Prob}(y < Y_d) \quad \dots (15)$$

with the RHS worked out from the rainfall data as the proportion of years in which rainfall was less than Y_d . Like DR, $P(1/2)$ increases as H increases and tends to do so when Y_d decreases. (See mathematical note: 6). It should be clear that DR and $P(1/2)$ are different measures although PVA used the latter to infer about the former.

MAHARASHTRA

We shall now apply these formulae to work out the values of DR and $P(1/2)$ for a sample of low-rainfall centres in Maharashtra on the basis of their rainfall data. Before that, it would be instructive to note a few important characteristics of the rainfall distribution in the state

The values of the mean: M , the coefficient of variation: C , and the minimum rainfall were available for 334 centres in Maharashtra based on data on annual rainfall for varying

TABLE 1 DISTRIBUTION OF CENTRES BY AVERAGE ANNUAL RAINFALL AND CV
Maharashtra
(Centres with 50 or more years' data)

Average Annual Rainfall in mm	CV Per Cent							Average CV (Per Cent)
	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 to 44	All	
400-499	-	-	1	6	2	-	9	32.49
500-599	-	-	5	17	3	1	26	32.36
600-699	-	-	9	14	-	-	23	30.68
700-799	-	3	17	7	2	-	29	29.21
Sub-total 400-799	-	3	32	44	7	1	87	30.88
800-999	-	7	21	3	-	-	31	27.16
1000-1199	-	7	6	2	-	-	15	25.97
1200-1399	-	5	3	1	-	-	9	25.24
1400-1599	-	2	1	-	-	-	3	24.09
1600-1999	-	1	-	4	1	-	6	27.63
2000-2499	-	6	2	-	-	-	8	23.81
2500-2999	1	5	1	-	-	-	7	21.83
3000 and more	3	11	-	-	-	-	14	21.27

Note: Fractional part of value of average rainfall (mm) and of CV (per cent) ignored in classifying centres

TABLE 2 DISTRIBUTION OF CENTRES BY AVERAGE ANNUAL RAINFALL AND THE MINIMUM RAINFALL AS PERCENTAGE OF THE AVERAGE
Maharashtra
(Centres with 50 or more years' data)

Average Annual Rainfall in mm	Minimum as Percentage of Average							Average Percentage (Min/Aver)
	10 to 19	20 to 29	30 to 39	40 to 49	50 to 59	60 and More	All	
400-499	2	3	3	1	-	-	9	30.08
500-599	-	5	11	10	-	-	26	36.36
600-699	2	3	12	4	2	-	23	34.75
700-799	1	7	12	5	4	-	29	35.65
Sub-total 400-799	5	18	38	20	6	-	87	35.04
800-999	2	2	12	13	2	-	31	38.81
1000-1199	-	4	2	5	4	-	15	41.65
1200-1399	-	2	1	5	1	-	9	40.74
1400-1599	-	-	-	1	2	-	3	49.78
1600-1999	-	1	2	3	-	-	6	39.60
2000-2499	-	-	1	5	1	1	8	46.93
2500-2999	-	-	-	3	3	1	7	52.05
3000 and more	-	1	-	4	9	-	14	49.41

Note: Fractional part of value of average rainfall (mm) and of percentage (minimum/average) ignored in classifying centres.

number of years of the period: 1900-80. Only those centres with data for 50 or more years were considered assuming that their estimates of M and C would be relatively firm. Omission of centres with questionable values of the minimum further reduced the number to 180 whose data have been used in making Tables 1 and 2. Centres with low annual rainfall: 400 to 800 mm, numbered 87, with 76 having data for 70 or more years.

Table 1 classifies the 180 centres by ranges of M and C and also gives the average values of C for ranges of M. The expected inverse relationship between the two emerges from the table.¹ For the low rainfall centres the average value of C is a little over 30 per cent with most values between 25 and 35 per cent. As we shall see later, Saurashtra centres have generally a much higher coefficient of variation than this.

Another parameter of rainfall distribution which might be relevant is the threshold value below which rainfall rarely measures. The observed minimum in a long series provides a good approximation to it. Table 2 classifies the centres by ranges of M and the percentage ratio of the minimum to the average. One would expect the ratio to tend to increase with M. The table shows this tendency, but not very strongly. It is rather weak for low values of M with the ratio lying between 20 and 50 per cent and averaging to around 35 per cent.

For studying the relationship of DR with rainfall parameters, a purposive sample of 24 low-rainfall centres was selected to represent the range of values of M, C, and the relative minimum: R_m . The selection was made in pairs of centres within each M-group spread over the range of the C-values in that group; each centre in a pair had roughly the same C but as widely different value of R_m as the data permitted. The names of the sample centres, and the values of the mean, CV and the minimum are given in Table 3 which also gives the values of the first quartile and the median. (The values of R_m are given in Table 5.) Annual rainfall figures for each centre were then used to work out the values of DR and $P(1/2)$ by the application of the first procedure based on formula (13). The calculations were made for two dependability factors: 75 and 50 per cent, and two values of H: 3" and 7", or 76.2 mm and 177.8 mm. The results are given in Table 5.

The alternative procedure of calculation of DR is illustrated in Table 4 to help in understanding the relationship between rainfall and v/V . The table also illustrates the calculation of $P(1/2)$.

The table is self-explanatory. Nevasa has 80 years' rainfall data. After arranging the 80 values of annual rainfall in an ascending order, the first quartile, for 75 per cent dependability, works out at 453.0 mm. The

table shows the first 20 lowest values of annual rainfall arranged in an ascending order. Using equation (12), the next two columns give, for each rainfall value, the percentage ratio: v/V , for the two values of H. Note that although the first rainfall value is nearly half the first quartile value, the ratio: v/V , is less than one-fourth for the lower value of H, and very much less for the higher value of H.⁴

Consider $H = 76.2$ mm; the average of the 20 values of v/V is 63.13 which gives, by equation (13), the percentage value of $\bar{v}/V$. From this and by equation (9), $\bar{v}/V$ is 90.78 per cent, and by equation (11), DR works out at 9.22 per cent. With higher H, DR is 10.74 per cent.

To work out $P(1/2)$, we first solve the quadratic equation (14) with Y_0 equal to 453.0 and obtain Y_1 equal to 332.71 mm and 353.92 mm for the two values of H respectively. The proportion of years when the rainfall was less than these two values gives the corresponding two values of $P(1/2)$. The proportion is obtained by interpolation using the first two columns of the table, after applying continuity correction, as 8.86 and 10.99 per cent respectively.⁵ Note that as H increases so do DR and $P(1/2)$.

Table 5 shows the values of DR and $P(1/2)$, for two values of H and two values of the dependability factor, for every sample centre. It also gives the values of the three rainfall parameters: M, C, and R_m to help study the relationship of DR and $P(1/2)$ with them. The serial numbers of the centres are the same as those in Table 3. The commonly used two engineers' formulae take $H = 7"$

TABLE 4: ILLUSTRATIVE CALCULATION OF DOWN-RATING FACTOR: DR, AND OF $P(1/2)$, THE PROBABILITY OF RESERVOIR FILLING TO LESS THAN HALF THE FULL CAPACITY, FOR NEVASA WITH 80 YEARS' DATA Dependability: 75 Per Cent

Sr No	Rainfall mm	v as Per Cent of V H=76.2 mm	H=177.8 mm
1	224.7	19.55	8.45
2	245.5	24.35	13.33
3	262.3	28.60	17.78
4	279.9	33.40	22.92
5	287.7	35.65	25.36
6	316.2	44.46	35.10
7	316.6	44.59	35.25
8	344.0	53.97	45.86
9	351.9	56.84	49.14
10	358.9	59.44	52.14
11	390.3	71.82	66.53
12	401.9	76.69	72.25
13	403.9	77.54	73.25
14	411.4	80.79	77.09
15	419.3	84.28	81.23
16	435.3	91.58	89.91
17	435.5	91.67	90.02
18	443.2	95.29	94.35
19	443.2	95.29	94.35
20	446.5	96.86	96.24
A: First quartile	453.0	100.00	100.00
B: Average of 20 values: $\bar{v}/V$		63.13	57.02
C: Weighted (75.25) average of A and B: $\bar{v}/V$		90.78	89.26
D: DR = (100-C) per cent		9.22	10.74
E: Rainfall needed for V/2 (mm)		332.71	353.92
F: $P(1/2)$ (per cent)		8.86	10.99

Note: All rainfall figures were arranged in an ascending order; the table shows the first 20 of them

TABLE 3: PARAMETERS OF RAINFALL DISTRIBUTION FOR 24 SELECTED CENTRES OF LOW RAINFALL IN MAHARASHTRA

Sr No	Centre	No of Years (n)	Mean (mm)	Min (mm)	First Quartile Q_1 (mm)	Median Q_2 (mm)	CV (Per Cent)
1	Phaltan	79	473.6	215.4	376.7	473.8	29.81
2	Kopergaon	77	496.1	180.6	408.8	494.7	31.23
3	Mhaswad	79	488.2	108.5	379.4	500.0	34.65
4	Sanganner	78	474.1	86.7	369.7	454.9	37.87
5	Nevasa	80	587.5	224.7	453.0	587.1	29.22
6	Shrigonda	79	526.8	226.9	393.7	496.7	30.82
7	Mirajgaon	68	566.5	156.0	446.5	572.0	31.62
8	Sirur	79	514.5	246.1	399.5	496.6	32.46
9	Dahiwadi	79	506.9	191.1	374.4	479.1	38.21
10	Pusesauli	79	509.5	129.7	314.0	518.4	42.50
11	Tasgaon	78	619.3	194.4	509.8	608.0	27.13
12	Erandol	77	688.3	352.8	546.7	674.7	28.60
13	Islampur	78	662.6	314.0	506.3	637.2	30.82
14	Pandharpur	79	610.9	156.8	475.7	618.6	30.86
15	Amalner	79	681.6	249.2	540.0	641.6	33.39
16	Shevgaon	77	630.0	172.6	479.6	619.5	34.54
17	Jalgaon(1)	80	776.0	391.7	654.0	783.8	23.88
18	Taloda	79	792.4	286.0	663.3	765.6	24.91
19	Bhusawal	80	743.1	172.7	620.0	731.0	28.04
20	Chalisgaon	80	723.3	316.2	598.2	707.4	28.09
21	Jalgaon(2)	79	726.5	193.1	541.6	727.4	32.74
22	Junnar	78	742.9	299.5	589.7	725.8	32.88
23	Deolgaonraja	67	743.3	99.1	557.9	771.8	36.67
24	Kalvan	78	703.6	194.3	518.5	647.6	38.45

Note: CV based on the divisor (n-1); Sr No 17 belongs to Jalgaon district and No 21 to Buldhana.

or thereabouts; the third takes it to be 3". Results are shown for both to help study the relationship of DR and P(½) with H. (Table shows H in metric measure.)

When dependability (d) is 75 per cent, DR does not exceed 10 per cent in most cases for H = 76.2 mm and 12 per cent for H = 177.8 mm. The design of the table helps one see how DR varies according to the three rainfall parameters and H. As a direct consequence of the structure of the run-off function: G(y), lower mean rainfall, higher CV, and lower relative minimum, all separately push up the DR. Also for every centre, DR is higher for the higher value of H, though the difference is quite small. (As we shall see later, the difference could be large in other cases.) Thus, although rainfall variation leads to the consideration of DR, its value – that is, the extent of down-rating – is determined by other rainfall parameters also and the rainfall-runoff relationship in the catchment.

With DR small enough and varying in a narrow range of 7 to 14 per cent, there is little point in quantifying its relationship with the rainfall parameters. However, to broadly gauge the relative importance of the latter, a regression analysis was carried out which yielded the following results. DR refers to d = 75 per cent and H = 177.8 mm. The mean: M, is measured in decimeters.⁶

$$DR = 13.86 - 0.94M + 0.16C - 0.07R \\ (4.72) \quad (-4.84) \quad (2.94) \quad (-3.57) \quad \dots(16)$$

$$R^2 = 0.8373 \quad F_{1,20} = 34.32 \\ \text{and}$$

$$\log_e DR = 2.56 - 0.56 \log_e M + 0.46 \log_e C \\ t_{20}: \quad (3.40) \quad (-5.48) \quad (3.06) \\ - 0.23 \log_e R_m \quad \dots(17) \\ (-4.11) \\ R^2 = 0.8641, \quad F_{1,20} = 42.40$$

All t-values are highly significant, even at 0.5 per cent level of significance, and so are the F-values. The analysis of variance shown in Table 6 points out that every one of the three parameters makes a significant contribution in explaining the variation in DR. Equation (17) shows that the mean rainfall is a little more important than the CV in determining DR and the relative minimum also influences it substantially. Not merely a high CV but a low mean also increases DR (see mathematical notes 4 and 5).

As one would expect, reduction of dependability, from 75 to 50 per cent, invites larger DR which, as the table shows, then lies between 16 to 25 per cent (H = 177.8 mm), nearly 2.5 times its value for 75 per cent dependability. Its relationships with H and the rainfall parameters continue to be the same.

For all sample centres P(½) is also small for 75 per cent dependability. It exhibits the same relationship as DR with H and the rainfall parameters for both values of the dependability factor. Curiously enough, it differs from DR by a small margin of one or two percentage points, although it is slightly less than DR on the average and has greater relative variation than that in DR. The two are positively related with correlation coefficient ranging from 0.87 to 0.96;

the larger the P (½) the larger the DR, vice versa, an observation made in my critique.

In sum, the down-rating of full irrigation potential in Maharashtra, for projects with low-rainfall catchment areas, that may be required due to rainfall variation will be between 8 and 12 per cent for 75 per cent dependability and between 20 and 25 per cent for 50 per cent dependability. Major and medium irrigation projects are generally designed with 75 per cent dependability, and they account for a large percentage of total irrigation potential. Even if their catchment areas have low rainfall – which may not be the case always – down-rating of full irrigation potential on account of rainfall variation does not appear to be a serious problem and should be the least of the worries of policy advisers. It is also observed that the extent of down-rating depends not only on the CV but also on the mean rainfall, and the two affect it in opposite directions.

GUJARAT

The above approach could not be followed for Gujarat centres since a long series of annual rainfall data for them are not available to me. Only the values of the mean and the standard deviation are available for PVA's centres and for some additional centres. Using these values, I attempt to give reasonably good approximations to DR-values for these centres based on a tested statistical model of frequency distribution of annual rainfall. Scientists of the Institute

TABLE 5: PROBABILITY OF RESERVOIR FILLING TO LESS THAN HALF THE FULL CAPACITY P(½), AND THE DOWN-RATING FACTOR DR

Sr No of Centre in Table 3	Mean mm	CV Per Cent	Minimum as Per Cent of Mean	Dependability 75 Per Cent				Dependability 50 Per Cent			
				P(½) Per Cent		DR Per Cent		P(½) Per Cent		DR Per Cent	
				H = 76.2 mm	H = 177.8 mm	H = 76.2 mm	H = 177.8 mm	H = 76.2 mm	H = 177.8 mm	H = 76.2 mm	H = 177.8 mm
1	474	29.8	45.5	8.01	9.29	8.62	10.72	18.39	23.81	21.80	25.16
2	496	31.2	36.4	8.40	9.97	9.70	11.55	15.78	17.97	19.62	22.33
3	488	34.7	22.2	12.89	14.77	11.90	14.30	23.79	26.53	23.73	26.67
4	474	37.9	18.3	11.72	14.76	12.17	14.32	17.02	22.36	21.56	24.50
5	587	29.2	38.2	8.86	10.99	9.22	10.74	18.74	24.40	20.37	22.50
6	527	30.8	43.1	8.10	9.15	7.41	9.07	16.18	20.84	18.75	21.42
7	566	31.6	27.5	7.08	8.04	10.24	11.93	22.19	23.87	21.94	24.29
8	514	32.5	47.8	5.44	12.15	9.00	11.00	18.34	22.80	20.27	23.16
9	507	38.2	37.7	9.69	13.44	10.51	13.04	21.74	24.61	22.09	25.29
10	509	42.5	25.5	11.17	14.44	10.67	13.97	35.64	36.86	30.34	33.68
11	619	27.1	31.4	6.29	7.73	8.85	10.05	13.90	16.75	17.77	19.59
12	688	28.6	51.3	6.31	7.57	7.63	8.61	15.17	17.57	18.40	20.06
13	663	30.8	47.4	4.02	5.64	7.54	8.65	15.30	20.97	18.86	20.71
14	611	30.9	25.7	7.25	9.62	8.39	9.61	18.66	23.58	21.33	23.38
15	682	33.4	36.6	6.29	9.60	7.94	8.95	12.80	13.13	16.28	17.85
16	630	34.5	27.4	6.88	8.89	9.46	10.82	18.90	19.66	22.28	24.42
17	776	23.9	50.5	4.17	5.02	6.82	7.49	10.50	12.06	17.12	18.40
18	792	24.9	36.1	2.30	4.15	6.45	7.07	8.03	11.01	14.91	16.08
19	743	28.0	23.2	7.26	7.58	8.81	9.67	12.42	17.20	18.14	19.57
20	723	28.1	43.7	4.19	5.67	8.61	9.56	17.14	18.16	17.99	19.52
21	727	32.7	26.6	5.50	9.43	8.61	9.66	20.28	25.33	21.94	23.61
22	743	32.9	40.3	6.29	7.86	8.73	9.69	17.21	18.79	19.70	21.27
23	743	36.7	13.3	12.39	13.97	11.97	13.14	24.97	27.36	25.61	27.23
24	704	38.4	27.6	6.66	8.82	9.16	10.36	16.99	17.73	19.77	21.57

of Tropical Meteorology (ITM), Pune have done considerable work to discover the model, found that the two-parameter Gamma distribution fits the Indian data well, and concluded that "the seasonal and annual rainfall at stations in different parts of India can be taken to be Gamma distributed".⁷ The two parameters of this distribution can be estimated from the known values of the mean and standard deviation or CV, and the distribution completely specified.⁸ All the calculations that would have been done on the observed distribution can be done by appropriate calculus on the specified Gamma distribution."

For our problem too the Gamma distribution seems to work well. The values of DR were calculated on its basis for the 24 centres of Maharashtra, and when compared with those in Table 5 were observed to differ from them by a small margin, not exceeding two percentage points, for most centres and were on the average lower by a half percentage point. For our problem this degree of approximation is very satisfactory. Table 7 shows the comparison for $H = 177.8$ mm only for the sake of brevity and also because that value is perhaps more appropriate for low rainfall centres of Maharashtra and Gujarat.

Based on the Gamma distribution, Table 8 shows values of DR for PVA's centres and some additional centres.¹⁰ PVA's centres are grouped first according to the mean rainfall, and then within each group arranged in an increasing order of CV; the additional centres are arranged in an increasing order of the mean. As stated in my critique, PVA did not give the value of dependability factor for each project; the table shows DR for both

the values. PVA's estimates of mean and CV are based on an inadequate sample; the additional centres have data for a much longer series of years and perhaps represent the Saurashtra situation better. It appears that values of CV exceeding 60 per cent for PVA's centres are suspect, especially for Moj.¹¹ Such cases excluded, DR lies for PVA's centres between 12 and 16 per cent for 75 per cent dependability, and between 25 and 30 per cent for 50 per cent dependability.

Values of $P(1/2)$, not shown in the table, differ little from corresponding DR values as in Maharashtra's case. Because PVA's $P(1/2)$ values, based on the observations on reservoir filling, also reflect the effects of factors other than rainfall variation, they are not strictly comparable with DR and $P(1/2)$ values based on rainfall distribution. Also, the number of observations is small. On the whole, they are much higher than the DR values shown in the table for 75 per cent dependability. Even for 50 per cent dependability, they are too high for centres with low enough CV and not so low mean.

Four of the additional five centres are from Saurashtra: for two of them, with low means and high CVs, the DR is outside the above range and higher. A comparison of Veraval and Bhuj, which have about the same CV, brings out the considerable effect the low mean has in pushing up the DR. (Sapda-Vartu comparison shows the same but to a less extent.) It appears that in Gujarat and Saurashtra, except when the mean rainfall is less than 400 mm, the extent of down-rating in most cases will not exceed 15 per cent for 75 per cent dependability,

and 30 per cent when dependability is 50 per cent.

SEPARATION OF EFFECTS OF MEAN AND CV ON DR

The Maharashtra exercise attempted to quantify the separate effects of mean and CV on DR. But such a separation by an analysis of cross-sectional data has limitations because of the relationship between the two—both arithmetical and observed: The larger the mean, the smaller the CV. The use of a model distribution however enables us to separate the effects.¹² Table 9, prepared for this purpose, shows values of DR based on the Gamma distribution for all combinations of five values each of the mean and CV, and two values each of H and the dependability factor. The lowest two values of CV roughly cover its range in Maharashtra, and the other three in Saurashtra and Gujarat. The highest mean value may not be perhaps applicable to Saurashtra. In a sense, the table is a ready reckoner for DR. The set of four equations given at its foot approximates the DR values in it. The coefficients of $\log M$ and $\log C$ in them give the average elasticity coefficients of DR with respect to M and CV .¹³

The first point to note is that if all other parameters remain the same, DR increases with CV, as expected, and much more so when the mean is low and H higher. Second, the mean makes a large difference to DR when it is low; an increase in a low mean reduces DR to a considerable extent, and this effect is more pronounced with higher CV and H . Third, the parameter, H , has a significant effect on DR when the mean is

TABLE 6. REGRESSION OF DR ON C, M AND R_m
Analysis of variance to assess incremental contribution of explanatory variables

Source of Variation	Sums of Squares		df
	Regression Type		
	Linear	Log-linear	
Residual ss after regression of DR on			
(1) C only	38.52	0.3283	22
(2) C and M only	25.10	0.2083	21
(3) C, M and R_m	15.32	0.1129	20
(4) Total ss	94.15	0.8310	23
F-test for significance of regression due to			
(1) C only $\frac{\{(4)-(1)\}/1}{(1)/22}$	31.77	33.69	
(2) addition of M			
$F_{1,21} = \frac{\{(1)-(2)\}/1}{(2)/21}$	11.23	12.10	
(3) further addition of R_m			
$F_{1,20} = \frac{\{(2)-(3)\}/1}{(3)/20}$	12.77	16.90	

Note. All F-values are highly significant, the 1 per cent critical values being 7.94, 8.02 and 8.10 for (1), (2) and (3) respectively.

TABLE 7. VALUES OF DR (PER CENT) BASED ON ACTUAL ANNUAL RAINFALL DATA AND THOSE ESTIMATED USING A GAMMA DISTRIBUTION MODEL
 $H = 177.8$ mm Maharashtra

Sl No	Centre	d = 75 Per Cent		d = 50 Per Cent	
		Actual	Model	Actual	Model
1	Phaltan	10.72	10.32	25.16	22.48
2	Kopargaon	11.55	11.52	22.33	22.89
3	Mhaswad	14.30	11.65	26.67	24.71
4	Sangamner	14.32	12.81	24.50	26.44
5	Nevasa	10.74	9.26	22.50	20.89
6	Shrigonda	9.07	10.12	21.42	22.29
7	Mirajgaon	11.93	10.06	24.29	22.28
8	Sirur	11.00	10.71	23.16	23.27
9	Dahiwadi	13.04	12.47	25.29	26.07
10	Pusesauli	13.97	13.65	33.68	27.84
11	Tasgaon	10.05	8.53	19.59	19.56
12	Erandol	8.61	8.68	20.06	19.92
13	Islampur	8.65	9.36	20.71	21.17
14	Pandharpur	9.61	9.60	23.38	21.53
15	Amalner	8.95	9.95	17.85	22.28
16	Shevgaon	10.82	10.48	24.42	23.15
17	Jalgaon(1)	7.49	7.21	18.40	17.06
18	Taloda	7.07	7.46	16.08	17.57
19	Bhusawal	9.67	8.38	19.57	19.38
20	Chalisgaon	9.56	8.44	19.52	19.49
21	Jalgaon(2)	9.66	9.63	23.61	21.75
22	Junnar	9.69	9.61	21.27	21.73
23	Deolgaonrapa	13.14	10.54	27.23	23.42
24	Kalvan	10.36	11.12	21.57	24.38

low; the higher H leads to a larger DR with a low mean, and more so when CV is also high. The equations show that the positive elasticity coefficient of C is large but less than unity, and decreases with dependability. The coefficient of M is negative and sizeable for higher H, and quite large for 75 per cent dependability. It thus counters the effect of CV on DR. Evidently, there is also some "interaction" effect of the three parameters on DR.

It should be thus clear that if DR is to be investigated, all relevant parameters should be taken into account and not merely the CV. As I pointed out in my critique, we are dealing with a case of physical relationship of the variables with these parameters, and, to be useful, a statistical analysis has to incorporate the relationship. If, disregarding it, as PVA did, observations for projects with differing mean values of catchment rainfall, different dependability factors, and, perhaps, different types of catchment are all put together, and subjected to a regression analysis between the DR and the CV, such an exercise will be misleading even if, unlike PVA's it is based on sound data.

REDUCTION IN DEPENDABILITY

PVA make a reference to a suggestion made in 1987 by one of them to lower dependability from 75 to 50 per cent in regions "with high value of water", and to Gujarat government's corresponding action in drought-prone areas that followed. The suggestion is not a new one: the Maharashtra Irrigation Commission (1960) made the same recommendation observing further that: "It is true that with a lower dependability the average annual utilisation over a period of years would be less in comparison to the projected utilisation and that this would increase the cost, but this increase would be counterbalanced by economies inherent in large scale construction and operation of irrigation schemes. In any case, the need for more water makes the harnessing of larger supplies imperative." The Commission also assessed that about 33 per cent additional water would become available in the process.¹⁴

Our analysis of rainfall data or model-based distribution can be extended to quantify the implications of this suggestion. Suppose V, $\bar{V}$, and DR refer to 75 per cent dependability, and V', $\bar{V}'$ and DR' to 50 per cent dependability, when the project is redesigned with the same dam-site so that the catchment area is not altered. Note that each of the latter three is greater than its corresponding previous value. The factor by which V will increase, i.e. the escalation factor

$$EFV = V'/V = G(Y_{0.75})/G(Y_{0.50}) \quad \dots(18)$$

The capacity of the reservoir will have to be increased and other infrastructure augmented to serve the increased full potential. The escalation factor: EFV, will thus indicate, but not measure, the implied cost escalation. The benefits, in terms of the increase in the average potential, would not however increase in the same proportion. The escalation factor for the average potential

$$EF\bar{V} = \bar{V}'/\bar{V} \\ = EFV(1 - DR)/(1 - DR') \quad \dots(19)$$

using (10) and (18). Since DR' is larger than DR, EF $\bar{V}$ is less than EFV. Thus the increase in the average potential will be proportionately less than that in the full potential as the Maharashtra Irrigation Commission noted. For example, for Nevasa, using Tables 3 and 5, and with H = 177.8 mm, EFV is 1.9276 and EF $\bar{V}$ 1.6736..

The percentage difference between the two escalation factors, with EFV as 100, has much significance. Suppose K and K' are the costs per Meft of V and V' respectively. The costs per Meft of the average potential in the two cases will be KV/ $\bar{V}$ and K'V'/ $\bar{V}'$, and if the latter is not to exceed the former

$$K'/K \leq V\bar{V}'/V'\bar{V}$$

that is

$$K'/K \leq EF\bar{V}/EFV$$

$$\text{or the percentage reduction from K to K', i.e.} \\ 100(K - K')/K \geq 100(EFV - EF\bar{V})/EFV \quad \dots(20)$$

(For the above example of Nevasa, the right hand side equals 13.18.) While K and K' are taken into account when the project is designed, it is the unit cost of average potential that is the effective cost. If this cost is not to increase in the process of reducing dependability, the reduction in unit cost of full potential (K to K') should be at least equal to the percentage difference between EFV and EF $\bar{V}$ with EFV as 100.¹⁵ (In Nevasa example, the reduction in unit cost has to be at least 13 per cent.) Based on the Gamma distribution, Table 10 gives the values of the two escalation factors and their percentage difference (for the same set of values of M, CV and H as of Table 9).

The proportional increase in the average potential is always less than that in the full potential. Both display the same trend as DR for variation in H, the mean and the CV. But changes in the mean affect them much less except when it is low and CV and H higher. Their very large values in certain cases reflect the very low volume, per unit of catchment area, of the 75 per cent dependability full potential. In these situations, unless the catchment area is very large it may be impractical to create this potential.

TABLE 8 ESTIMATED VALUES OF DR (PER CENT) BASED ON GAMMA DISTRIBUTION MODEL
H = 177.8 mm Gujarat

Sr No	Centre	Mean mm	CV Per Cent	DR (Per Cent)	
				d=75 Per Cent	d=50 Per Cent
PVA's Centres					
1	Bhogavo (II)	445.50	34.32	12.15	25.31
2	Machhu (I)	485.80	36.42	12.21	25.58
3	Machhu (II)	485.80	36.42	12.21	25.58
4	Limdi Bhogavo	472.20	38.36	12.98	26.69
5	Shetrunji	477.23	40.98	13.68	27.74
6	Fulzare (I)	472.99	48.13	15.78	30.60
7	Gondali	486.70	49.84	15.99	30.95
8	Ghee	480.88	59.08	18.48	33.97
9	Sapda	450.81	66.15	20.93	36.44
10	Goma	562.40	35.43	11.15	24.14
11	Rangola	514.70	43.98	13.99	28.36
12	Bhadan	539.70	44.68	13.87	28.29
13	Puna	599.67	48.14	14.14	28.90
14	Sasoi	599.67	48.14	14.14	28.90
15	Ghelo (I)	525.71	49.76	15.36	30.32
16	Brahmini	529.38	51.12	15.66	30.74
17	Phophal	523.85	51.98	15.95	31.10
18	Ghelo (S)	521.82	52.47	16.11	31.29
19	Bhimdad	522.40	54.98	16.72	32.08
20	Demi (I)	512.80	56.45	17.24	32.67
21	Vartu	583.60	67.43	18.71	34.78
22	Surajwadi	627.85	52.02	14.81	29.96
23	Moj	724.40	81.79	20.04	36.78
Additional Centres					
i	Bhuj (81)	350.00	54.29	21.44	36.14
ii	Dwarka (60)	376.00	58.24	21.37	36.32
iii	Veraval (68)	559.00	53.67	15.90	31.19
iv	Rajkot (83)	643.00	39.19	11.61	25.09
v	Ahmedabad (92)	779.00	39.02	10.99	24.25

Note: Figures in parentheses after the names of additional centres are numbers of years of data on which the mean and the CV are based

The percentage difference between the two escalation factors varies in a very narrow range: 10 to 20. It varies only a little with the mean unless the latter is very low, or with H; the CV affects it the most. The conclusion would be that with lowering of dependability from 75 to 50 per cent, the cost per Mcft of new full potential has to be less than before by at least 10 to 20 per cent depending upon the CV. Otherwise the lowering of dependability will become a more expensive proposition in terms of the unit cost of average potential.

Results in Table 10 will perhaps support PVA's argument for lowering of dependability of Saurashtra projects.

CONCLUDING REMARKS

Variations in annual rainfall, a natural phenomenon, causes variation in annual potential of an irrigation project; more of it if dependability of full potential of the project is relatively low. If policy advisers are seriously concerned with this unredressable variation in potential, they should note – as this exercise has made it abundantly clear – that not only the CV but the mean also of annual rainfall determines the extent to which the down-rating of the full potential would be required on this account. The principal argument of PVA's paper that DR increases with CV is unexceptionable. But it is only partially true; it is true if the mean remains the same. And the effects of changes in the mean and the CV on DR are in opposite directions; just as a larger CV causes a larger DR, so also a smaller mean. Nature is not always kind and the two often go together. It would be incorrect to hold the CV as the sole offender.

Ideally, one should estimate DR and study its relationship with rainfall parameters on the basis of data on annual discharge of a river and the annual rainfall in its catchment. In the absence of the former data, we have carried out the exercise using only the latter and the rainfall-runoff equations of irrigation engineers. The centre piece of the exercise is the structure of these equations. But it will be unrealistic to suppose that G(y) precisely defines this structure or that a particular value of H specifies it for a particular project.¹⁶ After all, G(y) is only an approximation – perhaps a good one – of reality. The values of DR and other measures given here are therefore, only as good as the engineers' formulae. These have been in use for many decades now and could be refined, and in consistence with their refined versions the DR values could be also reworked. The thrust of the present exercise is, however, only to demonstrate how, once the formula defining rainfall-runoff relationship is given, DR and other measures can be worked out using a long series of annual rainfall data. Further, DR is a direct

TABLE 9: VALUES OF DR (PER CENT) BASED ON GAMMA DISTRIBUTION FOR DIFFERENT VALUES OF MEAN, CV, H, AND THE DEPENDABILITY FACTOR: d

d (Per Cent)	H mm	Mean mm	CV (Per Cent)				
			25	35	45	55	65
75	76.2	350	7.44	9.93	12.22	14.33	16.28
		450	7.16	9.52	11.66	13.62	15.43
		550	7.00	9.29	11.36	13.24	14.96
		650	6.90	9.15	11.17	13.00	14.66
		750	6.83	9.05	11.04	12.83	14.46
	177.8	350	10.88	14.96	18.53	21.65	24.47
		450	9.02	12.30	15.35	18.12	20.67
		550	8.24	11.13	13.84	16.34	18.65
		650	7.83	10.50	12.99	15.30	17.45
		750	7.56	10.11	12.47	14.64	16.67
50	76.2	350	17.54	22.39	26.39	29.72	32.51
		450	17.03	21.77	25.68	28.95	31.71
		550	16.74	21.41	25.28	28.51	31.24
		650	16.55	21.17	25.01	28.22	30.94
		750	16.42	21.01	24.82	28.02	30.72
	177.8	350	22.74	28.57	32.98	36.35	39.03
		450	20.12	25.55	29.89	33.35	36.16
		550	18.91	24.07	28.28	31.72	34.55
		650	18.21	23.22	27.33	30.72	33.54
		750	17.76	22.66	26.70	30.05	32.86

I: d = 75 per cent, H = 76.2 mm
log_e DR = 0.2242 - 0.1329 log_e M + 0.7993 log_e C; R² = 0.9986

II: d = 75 per cent, H = 177.8 mm
log_e DR = 2.5880 - 0.5028 log_e M + 0.8486 log_e C; R² = 0.9928

III: d = 50 per cent, H = 76.2 mm
log_e DR = 1.2377 - 0.0801 log_e M + 0.6534 log_e C; R² = 0.9967

IV: d = 50 per cent, H = 177.8 mm
log_e DR = 2.7122 - 0.2747 log_e M + 0.6201 log_e C; R² = 0.9904

TABLE 10: EFFECT OF REDUCING DEPENDABILITY FROM 75 TO 50 PER CENT ESCALATION FACTORS (EF) FOR FULL (V) AND AVERAGE (̄) POTENTIAL BASED ON THE GAMMA DISTRIBUTION

H mm	Mean mm	EF	CV (Per Cent)				
			25	35	45	55	65
76.2	350	EFV	1.50	1.80	2.19	2.73	3.51
		EF ̄	1.34	1.55	1.84	2.24	2.83
		Per cent dif	10.92	13.84	16.15	17.97	19.38
	450	EFV	1.48	1.76	2.11	2.59	3.25
		EF ̄	1.32	1.52	1.78	2.13	2.63
		Per cent dif	10.64	13.53	15.87	17.75	19.25
	550	EFV	1.47	1.73	2.07	2.52	3.12
		EF ̄	1.31	1.50	1.75	2.08	2.53
		Per cent dif	10.47	13.35	15.70	17.60	19.15
	650	EFV	1.46	1.72	2.05	2.47	3.05
		EF ̄	1.31	1.49	1.73	2.04	2.47
		Per cent dif	10.37	13.23	15.58	17.50	19.07
177.8	350	EFV	1.45	1.71	2.03	2.44	3.00
		EF ̄	1.30	1.48	1.71	2.02	2.43
		Per cent dif	10.29	13.15	15.49	17.42	19.02
	450	EFV	1.79	2.42	3.61	6.74	41.83
		EF ̄	1.55	2.04	2.97	5.47	33.77
		Per cent dif	13.31	16.01	17.73	18.77	19.27
	550	EFV	1.63	2.06	2.71	3.80	6.10
		EF ̄	1.43	1.75	2.24	3.10	4.91
		Per cent dif	12.21	15.11	17.17	18.60	19.53
	650	EFV	1.57	1.93	2.43	3.20	4.49
		EF ̄	1.38	1.65	2.03	2.61	3.61
		Per cent dif	11.63	14.57	16.77	18.39	19.55
	750	EFV	1.53	1.86	2.30	2.94	3.92
		EF ̄	1.36	1.60	1.92	2.40	3.16
		Per cent dif	11.27	14.21	16.48	18.20	19.50
		EFV	1.51	1.82	2.23	2.79	3.63
		EF ̄	1.34	1.56	1.86	2.29	2.93
		Per cent dif	11.04	13.96	16.26	18.05	19.43

Note: Per cent difference, absolute, with EFV as 100. All figures rounded after calculations.

result of the physical relationship between the run-off and the rainfall and a meaningful exercise investigating DR and its relationship with rainfall and other parameters cannot ignore this physical reality.

A large amount of data should now be available for completed projects on annual and seasonal rainfall in the catchment, run-off and discharge, and the volume of water in the reservoir every year, classified by different types of catchment. The refinement of the old – almost ancient – formulae on the basis of these data would be worth the attention of irrigation engineers.

Finally, this exercise ends on a congratulatory note. It is observed (Table 5) that the values of DR and $P(1/2)$ are generally close to each other though the latter show a greater variation and are on the average slightly lower than the former. Their values based on the Gamma distribution also exhibit the same closeness. Some mathematical relationship must be at work, and unaware of it, I did not expect this closeness before I started this exercise. PVA do not refer to the mathematical relationship nor do they explain why $P(1/2)$ would be a good proxy for DR, to measure which was their objective. It cannot be that $P(1/2)$ was easily observable, for DR was equally so from the same data on the filling of the reservoir on which $P(1/2)$ was based. PVA thus deserve compliments for their serendipity in choosing $P(1/2)$ to stand in for DR so satisfactorily.

Mathematical Notes

The implications of the structure of $G(y)$ follow from a high school algebra theorem: A ratio of lesser inequality (i.e., less than one) between two positive numbers decreases when a positive number less than both is subtracted from the numerator and the denominator. As a corollary, the ratio increases when a positive number is added to both. Conversely, with the same arithmetical operations, a ratio of greater inequality changes in the opposite direction. Thus, if $0 < H < H' < y < Y$

$$(y - H')/(Y - H') < (y - H)/(Y - H) < y/Y < 1 \quad \dots(i)$$

(1) From this it follows that with $G(y) = y(y - H)$

$$G(y)/G(Y) < y^2/Y^2 \text{ or } G(Y)/G(y) > Y^2/y^2 \quad \dots(ii)$$

Thus, if y increases to Y , $G(y)$ increases by a factor larger than the ratio of their squares. Further, the ratio of the two ratios:

$$[G(Y)/G(y)]/[Y^2/y^2] = (1 - H/Y)/(1 - H/y) \quad \dots(iii)$$

which is always greater than one, reduces to one as a limit when both y and Y tend to infinity, and tends to infinity when both decrease so that y tends to H . The ratio: $G(Y)/G(y)$, thus becomes a larger multiple of (Y^2/y^2) as y becomes smaller. A little

derivation will show that the ratio behaves similarly when H increases to y .

(2) If $G(y)' = y(y - H')$, then by inequality (i), $G(y)'/G(Y)' < G(y)/G(Y) \quad \dots(iv)$

Therefore, when H is changed to a larger value: H' , all values of v/V for a given set of y -values less than a given Y_d decrease, and as a result $\bar{v}/V$ decreases, and by (11) of the paper, DR increases. Thus, DR is an increasing function of H .

(3) We consider only those cases when $d \geq 0.5$. Because of the positive skewness expected in the rainfall distribution, Y_d will then be less than the mean. For a given d , a change in Y_d is caused by changes in y -values. Generally, Y_d will increase or decrease because all lowest $(1 - d)$ proportion of y -values do so. Three simple models of change are considered below in which all original ordinal relationships remain unchanged. The changed values are denoted by y' and it is assumed that their minimum value continues to be greater than H .

If, (A): all y -values change by the same amount, or (B): they change in the same proportion, Y_d will also change similarly, and in both cases it will be easy to show by the application of the theorem or its corollary that DR will be a decreasing function of Y_d .

(C) In the third case, all y -values less than the mean, M , increase (decrease) and those above the mean decrease (increase) by varying amounts but their ordinal relations are not changed. The new values are given by $y' = ky + (1 - k)M$ and $Y_d' = kY_d + (1 - k)M \quad \dots(v)$

where k is positive. If $k < 1$, Y_d and all y -values less than it increase. Further, since

$y' - H = k(y - H) + (1 - k)(M - H)$, using the corollary to the theorem, it will be seen that for all $y < Y_d$, $y'/Y_d' > y/Y_d$ and $(y' - H)/(Y_d' - H) > (y - H)/(Y_d - H) \quad \dots(vi)$ and consequently,

$G(y')/G(Y_d') > G(y)/G(Y_d) \quad \dots(vii)$ which leads to a decrease in DR. If $k > 1$, Y_d and all values less than it decrease, all relationships are reversed and DR increases. In the case (C) too, DR is a decreasing function of Y_d .

From these simple models, it will be clear that DR would generally – but not always – decrease (increase) when Y_d increases (decreases). When more complex changes take place in the lowest $(1 - d)$ proportion of y -values that change Y_d , one needs the knowledge of the specific distribution of y to work out the effect of the change in Y_d on DR.

(4) When $d \geq 0.5$, for a given mean, Y_d is a decreasing function of CV, and for a given CV, an increasing function of the mean. The three cases considered above represent the situations when, (A) the mean and CV change in opposite directions, (B) only the mean changes but not the CV, and (C) only the CV changes but not the mean.

In the fourth case: (D), when the mean and the CV change in the same direction, opposing changes affect Y_d and the net change in it and its effect on DR can be worked out only if the distribution of y is fully specified. While it may be intuitively clear that DR, for a given mean, will be an increasing function of CV, that it will be related to the mean may itself be an unexpected result. The above derivations will show how, through the changes in Y_d and values below it, DR tends to become a decreasing function of the mean for a given CV.

(5) It is relatively easy to see how the value of the minimum affects DR. If, for a given d and Y_d , the minimum increases (or decreases), it would generally push values lower than Y_d towards it (or pull them away from it) which will result in a higher (lower) value of $\bar{v}/V$ and consequently a lower (higher) DR. Even by itself, the minimum, when it changes, will affect DR similarly to some extent.

(6) In the case of $P(1/2)$, from equation (14), with a little calculus, it will be seen that the ratio: Y_d/Y_d' , increases with the ratio: H/Y_d' . Thus, when H increases, the former will increase leading to an increase in $P(1/2)$ because $\text{Prob}(y < Y_d)$ remains fixed at $(1 - d)$. When Y_d decreases, $P(1/2)$ for the same reason will tend to increase.

Notes

[It is not easy for a solitary research worker like me to carry out a statistical study such as this without help which I received in generous measures from past and present government officials and friends. V B Mujumdar, director of economics and statistics of the Government of Maharashtra (GOM), readily provided me with data on rainfall in the state and that too with some preliminary processing. R H Patil and W D Bhide, retired superintending and chief engineers of GOM respectively, took interest in the problem, clarified its technical aspects and provided me with the necessary material. D A Mooley, former scientist of the Institute of Tropical Meteorology, Pune, was generous with his time and gave me the benefit of his experience of the statistical work he did on rainfall distribution. Very importantly, he provided me with the formulae for working out the incomplete Gamma integral without which the exercise could not have been done with ease. A large part of the complicated computational work this study entailed was not possible but for the use of a PC which my friend V J Puntambekar kept at my disposal with considerable technical input of his own. I am grateful to all of them for their enthusiastic support to this work. Needless to say, any errors in it are mine.]

1 Basically, three formulae are in use, with rainfall y , in inches
By Inglis' formula for non-ghat catchment:
 $R = y(y - 7)/100$ inches
The other two, Binnie's and Strange's formulae are in the form of tables which give R and Q for values of y . For the range: 15" to 30" (375 to 750 mm), I find after some derivation that Binnie's formula: $R = y(y - 3)/100$ inches, and

Strange's formula: $R = \text{constant} \cdot y^{1/6}$, $y = 6.6568/100$ inches give exactly the values in Binnie's table and very good approximations of those in Strange's table. For rainfall below 15", the formula gives exact values in the former table but underestimates those in the latter, leading to overestimation of DR slightly. The latter classifies catchments in three classes. Good, average, and bad, the value of the constant is 1.1267 for a good catchment, and 0.75 and 0.50 time this value for the average and bad catchment respectively. For a particular catchment the relative magnitudes of R and Q are unaffected by the value of the constant. Thus the structure of the three formulae is the same with H taking three values: 3", 6.6568" and 7". There is a small variation though, y is total monsoon rainfall in Strange's table and total annual rainfall in the other two. Inglis' formula for ghat catchments is not, I think, applicable to low rainfall areas and hence not considered (Ref: Minor Irrigation Manual, Government of Maharashtra, I and P D, 1966)

- 2 The average absolute deviation of v from V is $(1-d)(V - \bar{v}_1) + d(V - V) = (1-d)(V - \bar{v}_1)$ and relative to V, the average deviation equals $(1-d)(V - \bar{v}_1)/V$ which by equation (11) equals DR
- 3 Dhawan (EPW, October 23, 1993) also acknowledges the expected inverse relationship between the mean and the CV
- 4 In a year when rainfall was less than H, v, which cannot be negative, was taken to be zero, but the year was counted for calculations. The same rule was applied to calculations based on the Gamma distribution
- 5 Instead of counting frequency 1(one) for any observed value of rainfall, a frequency of 0.5 was reckoned below that value and another 0.5 above that value. The numbers in the first column of the table also stand for the cumulative frequencies, and they were, as a result, taken as: 0.5, 1.5, 2.5, etc., for successive rainfall values before interpolation.
- 6 A substantial part of computation was done on a hand-held programmable calculator. To keep the number of decimals comparable, M was read in dm; on second thought, I should have read it in cm. The log-linear equation would be more appropriate because of the underlying model of rainfall distribution and the far from simple manner in which DR gets determined
- 7 In the paper: Distribution Function for Seasonal and Annual Rainfall over India, by D A Mooley and G Appa Rao, Institute of Tropical Meteorology, Poona-5, India, published in Monthly Weather Review, US Weather Bureau, Department of Commerce; Vol 99, No 10, October 1971
- 8 The probability density function: $f(y)$, of the two parameter Gamma distribution is $f(y) = \text{Constant} \cdot y^a \cdot \exp(-y/b)$, $y \geq 0$. Its mean = $b(a+1)$, and $CV = 1/(a+1)^{1/2}$. Given the values of the mean and the CV, a and b are estimated from these equations. Mooley and Rao however, employ a more sophisticated method of maximum likelihood estimation
- 9 The calculations involve incomplete integrals of the Gamma distribution which were done by formulae Mooley provided.
- 10 The paper at (7); the values of mean and SD are given in its Table 3 and the sample

number of observations in Figure 1, which were read with a magnifying glass.

- 11 See Dhawan at (3).
- 12 This assumes additivity; however, as stated later in the paper, some interaction is present
- 13 These are not strictly regression equations because the Table 9 gives the exact values. The value of R^2 is given only to indicate the degree of approximation
- 14 The Report of Maharashtra Irrigation Commission (1962), published by Government

of Maharashtra (1963); paragraph 2.5.1 (Marathi).

- 15 The latter also equals $100(DR' - DR)/(1 - DR)$
- 16 My information is that engineers work out run-off by alternative formulae and use the safest (i.e., the lowest) value in designing a project. As a result, the actual dependability factor may be different - a little higher perhaps - than the planned

SAMEEKSHA TRUST BOOKS

Selections of Articles from *Economic and Political Weekly*

General Editor: Ashok Mitra

Industrial Growth and Stagnation

Edited by

Deepak Nayyar

A selection of essays presenting the main strands in the debate on industrialisation in India. The contributors analyse the factors underlying the deceleration in industrial growth from the mid-1960s to the mid-1970s and discuss the conditions and policies for a return to the path of sustained growth. Alternative hypotheses about the macroeconomic determinants of and constraints on industrial growth in India are examined, focusing on the performance of the agricultural sector, intersectoral terms of trade between agriculture and industry, disproportionalities within and between sectors, the level of investment in the economy, the nexus between public and private investment and the relative significance of supply and demand constraints.

362 pages

Rs 275

Poverty and Income Distribution

Edited by

K S Krishnaswamy

While there has been, over the years, a perceptible increase in per capita income and expenditure and possibly some decline in the incidence of poverty in India, what still remains is massive and of a kind that is not remedied quickly or smoothly. Even with radical policies, the shifts in income and occupational structures to make a serious dent on it will take more than the rest of this century. In the welter of recent exchanges between the government and the opposition as well as between planners and market advocates on the strategy of growth, these issues have been largely obfuscated. It is therefore more than ever necessary today to recognise the magnitude of the problem and the inadequacy of the measures adopted so far to deal with it.

pp viii + 420

Rs 240

Available from

OXFORD UNIVERSITY PRESS

Bombay Delhi Calcutta Madras

INDIAN SOCIALISTS : SEARCH FOR IDENTITY

Sonal Shah

This is an analysis of the frequency and magnitude of the splits suffered by India's Socialist Party, after independence.

The term Socialist Party encompasses the Congress Socialist Party and its various offspring — the Socialist Party, the Praja Socialist Party and the Samyukta Socialist Party.

In a period of 17 years, between 1955 and 1972, the party underwent four major splits and mergers and during this time was reduced from being one of the principal opposition parties in India to a small and inconsequential one.

This book reviews the history of the socialist movement since its inception in 1934. It provides an insight into the quality of the leaders, their differences, the ideological perceptions of the Indian socialists in general, the influence of the Congress Party and Jawaharlal Nehru on opposition politics, particularly on the socialist movement and the struggle for power which a small party within a one party dominant system faced.

The leaders of the Socialist Party — Acharya Narendra Dev, Jayaprakash Narayan, Dr Rammanohar Lohia, Achyut Patwardhan, Acharya Kripalani, Asoka Mehta, S.M. Joshi, N.G. Goray — played a vital role during the freedom struggle and influenced many events in Indian politics. And yet the movement (started and led by them) has all but frittered away. What led to this state of affairs? Why has this been the fate of many other opposition parties? These are the questions which haunt many political observers.

For anyone who wishes to understand Indian politics in a proper perspective this book is indispensable

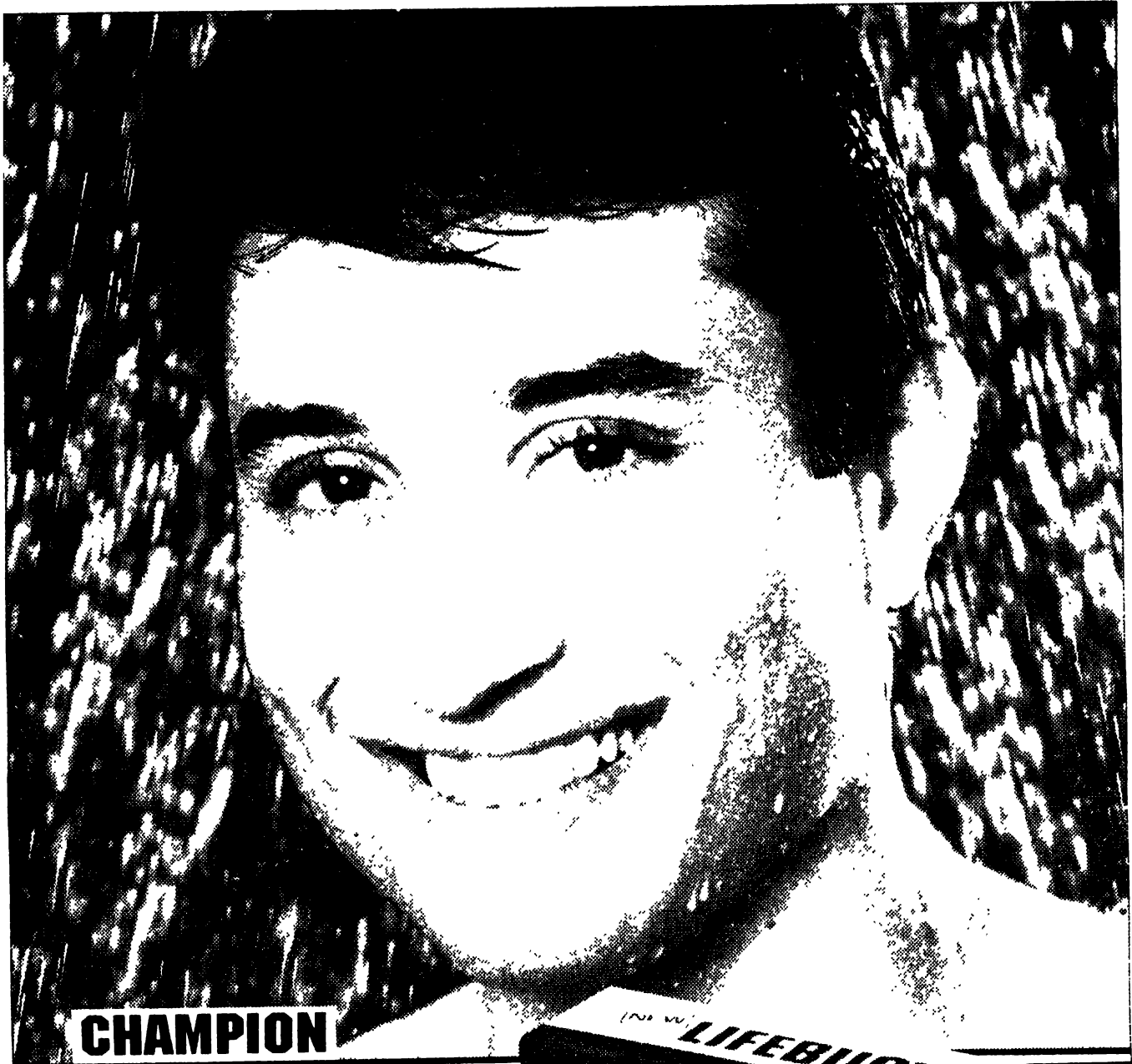
ISBN 81-7154-699-4 demy hardbound xvi + 194pp Rs. 250.00

Sonal Shah (b. 1955) has a doctorate in political science from Bombay University. At present she is connected with *Jhanta*, a weekly magazine with democratic socialist leanings, which was once the organ of the erstwhile Socialist Party. Her parents Dr. G.G. Parkhi and Mangla Parkhi have been actively involved in the socialist movement for several decades. Dr. Sonal Shah had been privileged to witness socialist politics from first-hand — and from a very young age.

**Popular
prakashan**

Popular Prakashan Private Ltd.
c/o Popular Press Building, 4th Floor, Bombay 400
Telephone: 434 1111, 434 5293
Fax: 434 1111, 434 5293, 434 5294

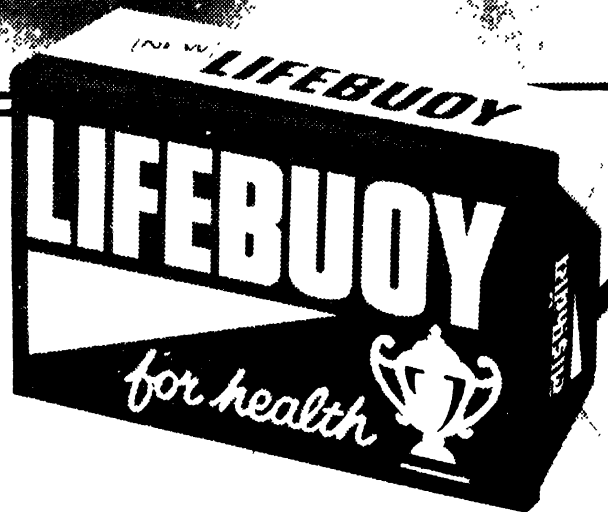




CHAMPION

LIFEBUOY

Where there's Lifebuoy there's health. It washes away all the germs in dirt — to give you that clean, healthy feeling that comes only with Champion Lifebuoy. Now with a modern, new look.



WHERE THERE'S LIFEBUOY, THERE'S HEALTH

**ECONOMIC
AND
POLITICAL**

WEEKLY

Sameeksha Trust Publication

Rs 20.00

Vol XXX No 4

January 28, 1995

GLOBALISATION AND THE FUTURE OF INDIA

**EXPECTATIONS, MACROFOUNDATIONS
AND POLICY INEFFECTIVENESS**

**TRANSNATIONALISATION AND
UNDOING OF GREEN REVOLUTION**

**POSTMODERNISM: WHAT IS NEW
IN THE OLD LAMP**

**MARXISM AND CAPITALIST
TRANSFORMATION**

■ **COLONIAL ETHNOGRAPHY OF THE KANDHA**

■ **POLITICS OF MUSLIM 'VOTE BANK'**

■ **WORLD TAMIL CONFERENCE: CARDBOARD HISTORY**

■ **FOOD SECURITY UNDER ECONOMIC LIBERALISATION**

CHINA'S TRYST WITH GLOBALISATION



**Maharashtra
State Lottery**

Price per
ticket Rs. **10**

REPUBLIC DAY

BUMPER DRAW

THREE COMMON PRIZES:

Rs. 51,00,000

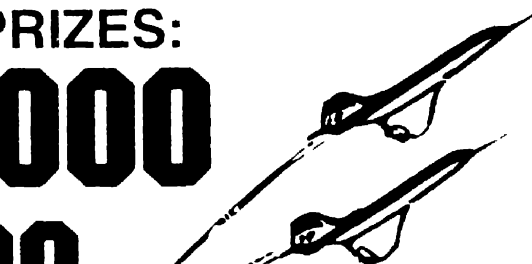
Rs. 6,00,000

Rs. 4,00,000

FIRST PRIZE IN EACH SERIES:

Rs. 25,000

The numbers of the winning tickets are drawn under the supervision of the panel of judges formed of reputed personalities.



DRAW NO.: 57

**TOTAL PRIZES AMOUNT :
Rs. ONE CRORE
TWENTYEIGHT LACS**



DGIPR

DATE OF DRAW 9-2-1995 4.30 P.M.

AT: BOMBAY

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

At Stock Market's Mercy	187
Congress Party Cynical Game - Poverty Removal by Definition - Bihar Caste Equations - Industry Breakfast Revolution - Politics. The Real Issues	188
In the Capital Market	191
Current Statistics	192
Companies	194
Commentary	
Politics of Muslim Vote Bank	
--Iran Engineer	197
Eighth World Tamil Conference Of Cardboard History and Discursive Space	
--V Geetha, S V Rajadurai	201
'No Fish to Eat' Impact of Liberalisation	
--Ambrose Pinto, Bern Leekas, Latha Radhakrishnan	204

REVIEW OF POLITICAL ECONOMY

China's Tryst with Globalisation	
--Nirmal Kumar Chandra	PE-2
Transnationalisation of Third World State and Undoing of Green Revolution	
--Meera Nanda	PE-20
Expectations, Macrofoundations, Policy Ineffectiveness and Culture A Methodological Detour	
--Abhay Pethé	PE-31
Nature of Capitalist Transformation: Continuing Relevance of Marxism	
--James Petras, Chronis Polychroniou	PE-38
Reconsidering Postmodernism: What Is New in the Old Lamp	
--Gurpreet Mahajan	PE-45

Singapore's 'Other' Brain Drain	
--M G G Pillai	207

Perspectives

Mass Struggle: The Only Option	
--Pradnan H Prasad	208

Reviews

Gandhis Inclusivism	
--Sanjib Baruah	212
Managing India's Central Asian Policy	
--Ranmath Narayanswamy	213

Special Articles

Beyond 'Surpluses': Food Security in Changing Context	
--V M Rao	215
Colonial Ethnography of the Kandha: 'White Man's Burden' or Political Expediency?	
--Jaganath Pathy	220
Letters to Editor	186

ECONOMIC AND POLITICAL WEEKLY

Htkan House
284 Shahid Bhagatsingh Road, Bombay 400 001
Phones 2616072/73 Grams Econweekly
FAX (022) 261 6073

Editor

Kishna Raj

Senior Assistant Editor Padma Prakash

Editorial Staff Cleatus Antony, Prabha Pillai

Gautam Navlakha (Delhi)

Circulation A S Shetty, B S Sharma

Advertisement Manager M K Ansan

Manager K Vijayakumar

EPW RESEARCH FOUNDATION

C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887 3038/3041

FAX (022) 887 3038

Director

S L Shetty

Vol XXX No 4

January 28, 1995

China's Tryst with Globalisation

Rejecting neoliberal diagnoses, China has created a transitional economic system that combines in a most original way seemingly contradictory elements of central and local planning, the domestic market and a relatively small window looking out into the world outside. Above all, China's experience illustrates most vividly the contemporary relevance of 'economic self-reliance' as the motor of growth in a developing country.

PE-2

Colonial Ethnography

The task of re-examining colonial ethnography and demystifying and exposing the colonial conspiracy is far from easy, especially when post-colonial scholars remain captives of the premises of colonial soldiers, administrators and ethnographers. The crucial issue is to bring out the extent of enmeshment of ethnographic reports with imperial power as reflected in colonial brutalities to silence the indigenous peoples' struggles for autonomy, survival and independence.

220

Undoing of Green Revolution

The current internationalisation of capital has the effect of transforming the state into a 'transnational state' in which domestic, social and political relations are increasingly shaped by global capital circuits. In contrast to the green revolution period, the current phase of internationalisation of agribusiness impedes the ability of third world states to formulate self-sustaining and pro-poor agricultural policies.

PE-20

How Will Muslims Vote?

A survey of Muslims in Bombay brings out the strong anti-Congress sentiment prevailing in the community. Irrespective of the Ulema council's directive, a majority of Muslims are for an alliance with Hindu backward caste political forces.

197

Two Cultures

Getting time and uncertainty into economic theory has truly been a pons asinorum of mainstream economics, with even the most elegant model that we have, that of Arrow-Debreu, being essentially static. In this context it has been a tragedy for economics that its practitioners have resolved themselves into two distinct compartments, those who indulge in high theory and others who dirty their hands with empirico-computational work.

PE-31

Beyond Food 'Surpluses'

The present phase in our economy and agriculture is indeed an appropriate time to give serious thought to the past performance, present status and the priorities for the future directions of change in the food security system.

215

Cardboard History

With the divine blessings of Jayalalitha, the eighth world Tamil conference in Thanjavur concluded successfully, showering praise on its patroness. The distinguished participants demonstrated their scholarly disengagement from the world of *realpolitik* by maintaining a cautious silence about the deportation of their colleagues from Sri Lanka.

201

Value in Negation

The value of postmodernism derives from its power of negation. Its critique of objectivism and the 'metaphysics of presence' offers a new philosophical framework within which elements of the early critiques of enlightenment/modernity can be incorporated and given a more comprehensive form and analytical depth. However, when the concepts employed in the critique are transformed into affirmative norms, they yield an attitude of scepticism and nihilism within which every kind of 'coherent' and 'meaningful' enquiry becomes suspect.

PE-45

Premature Obituary

The dismissal of Marxism as either an intellectual tool or a potentially politically relevant force in the contemporary world is profoundly mistaken. The collapse of bureaucratic collectivism in central and eastern Europe in fact signifies the definitive vindication of Marxism in theory and political practice.

PE-38

LETTERS TO EDITOR

Pleasing the Master

SOME five years ago Ashok Rudra had enunciated in this journal his thesis on the emergence of the intelligentsia as the third ruling class in India. Were he alive today he would have definitely felt compelled to revise his thesis to add that not only has the intelligentsia emerged as the third ruling class but, like the dominant partner of the erstwhile ruling class combine of big bourgeoisie and landlords, has acquired strong compradore characteristics as well. Watching the proceeding of a 'seminar' on Indo-US Relations at A N Sinha Institute of Social Studies (ANSISS) in Patna on December 14 last, one was consistently haunted by this thought.

ANSISS, one of the premier research institutions of its kind in the country, can boast of having had such illustrious scholars on its faculty as A K Das Gupta, R N Maharaj, Pradhan H Prasad and Sachidanand, to name only a few, all known not only for their intellectual achievements but equally for their integrity, independence and academic honesty. This institution once upon a time had seen these traits reaching such pinnacles of glory that one of the economists of this institute did not feel shy of presenting a damning indictment of the Sarvodaya Programme even though the leading light of Sarvodaya movement, Jay Prakash Narayan, happened to be the chairman of the institute. Such academic integrity alas is a thing of the past now.

The main speaker in this so-called seminar was E T Emree, advisor to the US Ambassador in India. The gathering at the seminar was bigger than any of the seminar held at ANSISS in recent times. After Emree had given his long sermon on how much the US valued democracy, civil liberties, human rights and all the virtues on this earth and how India was its natural partner even though it figured quite low in the list of foreign policy priorities of the US, those present, and they included leading lights of ANSISS, Patna University and other intellectual stalwarts of the city, presented a show as if they were vying with each other to please the virtuous speaker from the land of all 'virtues' in the world. Emree was showered with encomiums – 'how true', 'how noble', 'how kind' and what not.

Nobody remembered the ghastly bombarding of civilian targets in Iraq, the firings by the US army on queues of hungry people in Somalia, the events in Haiti, the inhuman embargo on food and essential life-saving medicines imposed against Cuba, the bloody interventions in Panama, the backing to military dictatorships the world

over, not to speak of the numerous killings and assassinations hatched by the CIA. All these were conveniently forgotten by the intellectuals assembled at the seminar hall of ANSISS on that wintry afternoon. The only thing that the 'distinguished' gathering seemed to remember was that an 'angel' from the lord of the world was there and he had to be pleased. So all of them waited in the wings to have some crumbs thrown by the angel in the form of grants, projects and so on.

The only one who stood up in the end and modestly challenged Emree's sermons was promptly damned as a confused man by the one presiding over the 'seminar'. Nobody in fact had the patience to listen to this man. After all in this gathering of distinguished intellectuals, he was a rank junior having no credentials, such as voluminous books or scores of papers, to his credit to call himself an intellectual except that he was a teacher of economics in Patna University. And in any case it was already getting dark and the distinguished gathering's attention had now shifted to the high tea financed by US dollars that awaited them outside the seminar hall. And if this man was to be allowed to continue, with the 'nonsense' which he was 'pontificating' it would have displeased the white master and the expected dollars would have been threatened. So the man presiding over the seminar promptly drubbed this speaker as "a confused man wallowing in his numerous confusions".

Next day the newspapers dutifully reported the sermons of Emree making no mention at all of the person who stood up and got damned as a confused man. Later on in the day, the same crowd of intellectuals was seen chattering over the noble views of Emree and making jibes about the 'confused man'.

The entire jamboree underlined one thing – the intellectuals of this supposedly great land have lost a modicum of self-respect and have acquired strong compradore traits.

KC

Patna

Socialism or New Democracy?

DULY bemused as we are by post-Foucauldian wisdom, we refuse to see in the striking juxtaposition of a vituperative letter on 'non-class socialism' by Prabodh Dutta of Calcutta and another letter on the crucial question of a 'mass struggle' from Niranjana Phukan (*EPW*, December 3, 1994), the trace of any agency. But surely,

in a climate where democracy has come to mean the right of might alone and sane reason is often buried under vulgar abuse of childish spite, one expects a modicum of fair play from a journal devoted to social justice.

It is clear that Phukan has not espoused any variety of non-class socialism at all, though he has not cared to spell out the class angle for the benefit of diehard dogmatists. In fact, he has pleaded for a series of mass campaigns for a people's democracy.

Unlike Dutta, Phukan does not assume that India is a full-fledged and stable bourgeois democracy. In fact the combination of feudal and imperialist support continuously sabotages its democratic pretensions. Hence, the goal of people's struggles should be a people's democracy, a genuinely democratic constitution against the designs of imperialism and feudal interests.

Phukan proposes that the left lead the struggle, freed from its bondage to parliamentary criticism and adventurist violence. The masses to be led are not merely the working class, but an alliance of what he calls 'the oppressed classes'. In a country where smaller nationalities, the minorities, and the petit – bourgeois are among the oppressed, and where the concept of law itself remains confused, even a struggle for genuine democracy has revolutionary implications.

Dutta's lack of understanding stems from a sterile dogmatism of the left that can neither learn from its past mistakes nor can make creative applications of received ideology to Indian situation. People like him find themselves surrounded by narrowing walls of a dream of pure socialism which they do not know how to turn into reality. Frustration leads to accumulation of impotent spite and lunatic fury revelling in imaginary atrocities on their critics. The fear of the new goads them ultimately into the arms of their traditional enemies.

GUPPY DESHPANDE

Shillong

A Correction

In the article 'Arunachal Pradesh: Tension over Chakma Issue' (December 31, 1994) on page 3312, column 2, the period of the Assam movement was wrongly mentioned as 1985-90. It should read 1979-85. The error is regretted.

Ed.

At Stock Market's Mercy

THE precipitate fall in equity prices on the Indian stock exchanges in the past four months or so should not be a surprise to a keen observer of the stock market scene. The post-scram buoyancy in share prices up to September 1994 and the subsequent retreat have been dictated by the actions of foreign institutional investors (FIIs). Even the steps taken by the authorities in recent months in introducing various regulations with a view to enforcing a degree of discipline on the markets have essentially been guided by the adverse reactions of the FIIs to the various questionable practices and structural problems of the Indian stock market system.

Initially, the FIIs had swarmed in when there were both push and pull factors in operation. Low interest rates in the US accompanied by the persistence of recessionary conditions in Europe induced the FIIs to look to the emerging markets in Asia for portfolio investments. The offer of an attractive 20 per cent tax rate on investment income and 10 per cent on long-term capital gains was made by the Indian finance minister in 1992-93, but the FIIs began making sizeable investments in the Indian markets only in the July-September quarter of 1993 when share prices began to look up. The BSE sensitive index (base: 1978-79 = 100) which was around 2,200-2,300 between end-March and end-July 1993, with average price-earning ratios of shares ranging from 28 to 32, shot up to 3,346 (or by 52 per cent) and the price-earning ratio to 40 by the end of December 1993. Thereafter, for about nine months up to September 1994, FIIs' investments, and consequently share prices, rose sharply. During that nine-month period the FIIs made gross purchases worth as much as Rs 7,265 crore or an average of Rs 807 crore per month. Correspondingly, equity prices as represented by the sensdex touched a peak of 4,618 on September 16, 1994, registering a rise of over 110 per cent since mid-March 1993 and taking the P/E ratio beyond 48. The daily turnover of the Bombay stock exchange galloped from Rs 163 crore in June 1993 to Rs 1,010 crore in December 1993 (partly due to PSU shares); it remained high at Rs 384 crore and Rs 340 crore in August and September 1994. There was a spectacular rise in market capitalisation of BSE-quoted shares from Rs 1,60,952 crore in April 1993 to Rs 4,46,884 crore in August 1994, a rise of 178 per cent.

Then came a series of adverse factors, on both the pull and push sides. Quick and sharp increases in US interest rates and economic recovery in the industrialised countries reduced the incentives for fund managers to move to the Asian emerging markets. In India there occurred some major micro and macro developments which went to reinforce the FIIs' natural inclination to be fair-weather friends. First, it was time for the FIIs to book profits in those investments which had crossed the

12-month lock-in period to qualify for the low long-term capital gains tax of 10 per cent. Then in October 1994 came the private placement of 7 per cent Reliance Industries (RIL) shares worth Rs 900 crore mainly with the UTI, followed by the merger of two subsidiaries with RIL in early November, which shocked foreign as well as domestic investors insofar as transparency in share transactions was concerned. There was in consequence a quick fall in GDR prices of Reliance and other companies quoted abroad. And as these developments coincided with the calendar year closing for the FIIs, there was a sharp decline in their investment. From Rs 648 crore in September and Rs 611 crore in October 1994, their gross monthly purchases came down to Rs 808 crore in November, Rs 364 crore in December and Rs 316 crore in this January (up to January 20). More than the decline in gross monthly purchases, it was the steady rise in gross monthly sales by FIIs that brought down their net investment. The FIIs' sales went up from Rs 108 crore in July 1994 to Rs 316 crore in December and Rs 233 crore in January (up to January 20), as a result of which their net investment fell from Rs 755 crore in June 1994 to Rs 345 crore in October, Rs 34 crore in November, Rs 48 crore in December and Rs 84 crore in January so far.

The decline in FIIs' investment has been reflected in steady losses in equity prices and a general slackness in market activities. The sensdex dipped to 3,411 on January 24, registering a fall of nearly 25 per cent from the peak of 4,618 reached in September 1994, with the price-earning ratio touching a low of 30. The average daily turnover slipped from Rs 441 crore in October 1994 to Rs 250 crore in December 1994 and has slumped to less than Rs 200 crore so far this month. The FIIs' disinclination to make substantial commitments has made the authorities sit up and initiate a few long overdue steps to discipline the market, which have in turn dampened the speculative activities of share brokers. Apart from banning the archaic *badla* system, the government has insisted on corporate bodies retaining abroad the proceeds of their GDRs and Euro funds till these proceeds can be used for project financing in India. Further, with the ban on *badla* transactions, brokers' attention shifted to cash scrips in which the daily turnover has expanded significantly. In 1993-94 the total turnover in group A or specified shares was Rs 62,213 crore against Rs 22,324 crore in group B or non-specified shares, or 36 per cent of that in group A scrips. The tables have been turned in 1994-95, with the turnover in the group B shares overtaking that in group A shares. In September 1994, the turnover was Rs 1,540 crore in group A and Rs 6,558 crore in group B, or 425 per cent of that in the former. Even in December 1994, when share prices and general share market activity suffered a setback, the respective

turnovers were Rs 680 crore and Rs 4,248 crore. Apart from the PSU shares being now traded as group B securities, a major factor has been the repeated renewal of transactions as a backdoor form of badla by brokers with the connivance of the stock exchange authorities. Renewals have reportedly increased from about 20 per cent of transactions to over 40 per cent, with some select cash scrips crossing even 80 per cent, forcing SEBI to ban renewal of transactions in non-specified shares and insist on the seven-day settlement procedure. SEBI has also insisted on strict segregation of clients' and brokers' accounts as required by the government notification amending the BSE by-laws effective from December 5, 1994. Finally, in the face of the sharp fall in share prices following the reduced net investment by FIIs, the government has, through an ordinance, opened the doors to the writing and trading of options in stock markets and substantially strengthened the regulatory powers of SEBI over capital market intermediaries as well as corporate bodies insofar as they concern the issue of capital, transfer of securities and other related matters.

While some of these measures were long overdue and hence are to be welcomed, what is objectionable is that the government's actions are being increasingly guided by short-term considerations. In the present instance, the overwhelming concern is about the FIIs' investments. This approach is seriously flawed from the viewpoint of the long-term development of the capital market. In the first place, options trading is an independent derivative essentially intended to enhance speculation based on average price variations of a composite set of scrips or indices of scrips. Apart from the fact that the scope for rigging prices is all the more in the Indian situation as the volume of transactions is not only not large but also now distributed between three major exchanges, the crying need is to address questions of basic reform such as the introduction of depositories and screen-based transactions so as to ensure transparency and essential disclosures.

At a more fundamental level, the government has still not realised the dangers of relying on FIIs for boosting share prices. Such portfolio investment is both expensive and volatile. The volatility can hurt the process of capital market development. In the long run, a healthy market is one in which prices are set by the fundamentals of the economy and by investment emanating from cash flow of corporate bodies and saving of households. Even injection of bank money may at times create unsettled conditions in the market, as happened during the scam. Excessive dependence on portfolio investment may also tend to artificially heat the market, as happened in September 1994 when share prices surpassed even the peak of the scam. Further, financial structures of companies may tend to get distorted with overwhelming dependence on equity

financing even for working capital purposes - a phenomenon noticed in the recent past. Detailed studies of the experience of different countries have shown that stock market exuberance does not serve any macro-economic goal, whether generation of additional domestic saving or more efficient allocation of investment or even disciplining of corporate managements. Claims to these effect have been proved to be myths. Instead, excessive stock market activity encourages corporate bodies to expand or diversify through takeovers and similar devices rather than through organic growth making for long-term economic development. The stock market-dominated economies of the US and UK have found themselves at a competitive disadvantage *vis-a-vis* the economies of Germany and Japan which prospered with bank-based financial systems. The perverse aspects of stock markets can hinder corporate sector development, particularly in developing countries where entrepreneurship has a strong bias for trading. India is certainly no exception to this.

CONGRESS PARTY

Cynical Game

DESPITE his attempts to put a brave face on his suspension from the Congress Party, Arjun Singh must be conscious deep down of the risks of his political gamble. For all his talk of mobilising support by working among common Congress activists, he knows very well that he cannot make any dent in the party anywhere without sustenance from the provincial Congress 'satraps'. The latter are divided and are only too willing to throw in their lot with the highest bidder. Prime minister Narasimha Rao, being in power, is in a more advantageous position than Arjun Singh in distributing largesse. The mood among Congress workers and middle-ranking leaders was summed up by one such leader from West Bengal recently who was reported to have said that if Arjun Singh achieved anything they would be behind him, otherwise they would forsake him. What else can one expect from a party which is totally devoid of any ideology, and has become a bloated body of corrupt leaders and lumpen activists?

Since his suspension from the primary membership of the party debars Arjun Singh from campaigning in the coming elections, he will have to bide his time for any effective intervention till the elections are over. During the elections, he and his followers may do their best to ensure the defeat of Rao's candidates - in order to demonstrate that the party under Rao has collapsed and therefore needs a new leader (in the form of Arjun Singh). But it is doubtful whether, even if the Congress is defeated in most of the six states, Arjun Singh will be accepted as replacement for Rao. There is too much of jockeying for the top position among the ageing leaders of the Congress. Sharad Pawar, one of the claimants, has already

blamed Singh for "exceeding limits". The Kalpnath Rais and the ND Tewaris who are now supporting Singh may well evaporate in the next stage in the tussle for power.

The other option for Arjun Singh then is an honourable exit from the party with a chunk of followers. By clamping a show-cause notice on him, paving the way for his eventual expulsion, Rao has in fact pushed him to the wall. We might therefore see the mushrooming of yet another Congress Party - a Congress(A) perhaps? What are the prospects of such a rump headed by Arjun Singh in the next general elections?

By accusing Rao of compromising with the Hindu chauvinist forces on the Babri masjid issue, Arjun Singh hopes to win the Muslim constituency. By playing on the popular resentment against corruption, he is perhaps dreaming of emerging as another Jayaprakash Narayan, harking back to the 1974-75 period. By harping on the alleged suppression of evidence and delay in the Rajiv Gandhi assassination case, he is trying to ensure the support of the enigmatic lady at 10 Janpath and the Rajiv loyalists within the Congress Party. By shedding tears over the plight of the people due to Rao's acceptance of the economic liberalisation policies, he expects the Left to support him.

But on all these counts in his multi-pronged electoral strategy, Arjun Singh stands on a sticky wicket. First, the Muslim leaders appear to be sceptical about his rather belated conciliatory gestures towards their community. One of them, Ebrahim Sulaiman Sait, the convenor of the All-India Muslim Personal Law Board, has dismissed these gestures of his as coming "two years too late", and has demanded nothing short of the rebuilding of the mosque at its original site. Can Arjun Singh afford to make that promise and carry it out - if he is voted to power? For all his anti-BJP rhetoric, and pretensions to secularism (which are calculated to woo the Left), in practice he has always been careful to adhere to the traditional superstitious Hindu practices (like expensive 'yagnas' and obeisance to god-men) in order to ensure support from the Hindu vote bank in north India. As the minister for human resources development in the Rao cabinet, his last act of compromise with the Hindu chauvinist forces was his advice to the foreign delegates to the World Archaeological Congress in Delhi to refrain from bringing up the issue of the destruction of the Babri masjid at the conference.

As for the other issues which Arjun Singh has raised in his campaign against Narasimha Rao - whether the question of corruption or that of the ill effects of the economic liberalisation - he had been a part of, and a party to, all these developments during the years of his tenure as a member of the Rao cabinet. If he was all that conscientious, he should have resigned much earlier - in 1992 when Rao allowed the Hindu fanatics to demolish the Babri masjid, or when he felt that Rao was shielding corrupt politicians (one of them being Kalpnath Rai who, after

being dismissed from the cabinet, has now snuggled up to Arjun Singh).

Given this dubious political background, it is doubtful whether Arjun Singh will be able to carve out any significant niche for himself in the configuration of political forces that may emerge following the coming assembly elections.

POVERTY

Removal by Definition

DOES anyone believe that unemployment in India is around 2 per cent only, whereas the proportion of persons below the poverty line is close to 41 per cent? But that is precisely what is thrown up by National Sample Survey data for the period January-December 1992.

That experts in this business of numbers have themselves been uneasy about the credibility of the figures of unemployment, which the NSS surveys yield is evident from the attempts from time to time to not only refine concepts but introduce new ones. The two concepts of unemployment that have by now come to stick and be widely accepted are 'usual status' and 'weekly status'. The former is supposed to capture the number of those unemployed most of the year and the latter those unemployed in the week preceding the survey, with the latter considered possibly more reliable than the former on the assumption that recall time is shorter for the respondent. And the two measures do yield different results. Thus while the figure for male unemployment by usual status works out to 1.9 per cent for 1992, by weekly status it goes up to 2.8 per cent, which means that measured by weekly status the unemployment level turns out to be over 50 per cent higher than that measured by usual status. Nonetheless, it comes nowhere near the estimated proportion of persons below the poverty line. Hence, the question of credibility of the unemployment estimates.

With poverty level as high as it is, and virtually refusing to contract despite the much touted budgetary allocations for employment generation and anti-poverty programmes year after year, the question of attempting reasonably credible estimates of unemployment must be faced squarely. Or is it that such an attempt has to be abandoned altogether? In any case, the present farcical scenario conjured up by NSS data of very low unemployment co-existing with very high poverty levels is becoming increasingly laughable. A concept of employment will have to be evolved that takes note of the fact that a large proportion of the workforce in the country is driven to take up work, however demeaning and low paid, because the alternative before them is to starve and see their families starve. To consider such people as employed is to make a mockery of the very concept of employment. Employment has to be at a certain level of earning.

It is ironic that the attempt so far has been not to arrive at a credible concept of employment but to dilute the concept of the poverty level by introducing the notion of two square meals a day in order to find out if the poor also starve, as if a square meal is easy to gauge and poverty is not. Interestingly, measured by the yardstick of two square meals a day, the proportion of those thus deprived in rural India was supposed to be less than 1 per cent in 1992 which is lower than the proportion of men unemployed by the usual status. By such statistical jugglery unemployment and poverty can be proven to have vanished from India. But to what purpose?

BIHAR

Caste Equations

WHAT is remarkable about Laloo Prasad's government in Bihar is its completion of the five-year term of office without any disruption. This is an achievement given the fact that for past two decades and a half no government in the state was able to endure so long. Thus, despite the various gibes in the press about Laloo's style of functioning, people in Bihar have experienced political stability after a long time. That Laloo Prasad still claims considerable support in the state was evident in the mammoth garib rally he organised in Patna in October, last year. The rally was also a show of strength directed at the rival Samata Party which a couple of weeks earlier had at the same site of Gandhi maidan held a Jan Adalat for 'Bihar Bachao'.

It was the politics of the backward castes that bestowed the chief ministerships of the country's two most populous neighbouring states on two yadavs. Though Uttar Pradesh went through turbulent political upheavals, including the drifting apart of Mulayam Singh from V P Singh's Janata Dal(JD), Bihar continued to be the latter's bastion. But the politics of the backward castes in effect consolidated caste politics in the states. The kurmis and the koers, led by Nitish Kumar's Samata Party, a breakaway group of the JD, have accused Laloo Prasad of 'yadavisation' of Bihar's polity. Incidentally, both Laloo Prasad and Nitish Kumar are contesting elections from constituencies having a strong base of their respective castes. Danapur and Raghapur, from where Laloo Prasad has filed his nominations, are yadav-dominated areas while Harnaut, Nitish Kumar's seat, has a solid kurmi presence. But the so-called yadavraj will be toppled only if anti-Laloo forces in the state reach an agreement amongst themselves. And this is nowhere in sight. Virtually every opposition alliance in the offing has broken down. Samata Party and CPI(ML) have parted ways due to disagreement over seat distribution. Samata Party itself has suffered a split with Ram Sunder Das, a former chief minister, initiating the Loktantrik Samajwadi Morcha. The deliberations between the SP-BSP combine and Jharkhand Mukti Morcha

(Soren) have flopped. The Congress, the BJP, and the new-born Bihar People's Party (BPP) are to contest separately. Interestingly, the only alliance that survives is between Laloo Prasad's Janata Dal and the two communist parties, CPI and CPI(M). Laloo Prasad exerts a tight grip over the yadav-Muslim block which forms 30 per cent of the voting population. He has unsettled the base of his communist allies too. When the two communist parties launched a land-grab movement in protest against the government's failure to address the land problem, Laloo simply asked the yadavs in the communist fold to disown their parties. Further, the growing support to the Vinod Mishra-led CPI(ML) in north and central Bihar has left the CPI and CPI(M) with no option but to seek *rapprochement* with Laloo.

The real challenge to Laloo Prasad's dominance will be in south Bihar. On December 20, 1994 a bill was passed in the Bihar assembly constituting an autonomous council for the development of 18 districts of Chhottanagpur and Santhal Parganas of Jharkhand. Bolstered by what it sees as a vindication of the party stand, JMM(S), an adversary of Laloo Prasad, has decided to contest all the 82 seats of south Bihar on its own. Laloo had alienated the tribal population of south Bihar by declaring that the separate state of Jharkhand would be formed only over his dead body and the JAAC bill and the announcement of 76 per cent reservations for tribals may not have compensated for their ire.

Among the conservative forces in Bihar, it is Anand Mohan Singh's BPP, and not the Congress or the BJP, that has captured the imagination of the upper castes in Bihar. It is reported that the bhumihars and the rajputs who dominate Muzaffarpur and Vaishali districts of north Bihar have gravitated towards this party. The murder of Choten Shukla, a prominent party activist, in December and the lynching of the district magistrate of Gopalganj, a dalit, in retaliation have added to the polarisation of caste forces in the state. The Congress, the largest opposition party in the outgoing assembly, is destined to sink further. The party's state leadership is factionalised beyond remedy. Jagannath Mishra's 'non-political' drive against economic backwardness of the state could not inspire even his party members into action. The BJP, on the other hand, constrained by the code of electoral conduct, is banking on criminalisation of state politics and the infiltration of Bangladeshis - issues that have failed to arouse the public.

Laloo Prasad Yadav's success in challenging the election commissioner over the issue of photo identity cards has dwarfed all his rivals. Though the opposition parties may cry themselves hoarse over the financial mismanagement of the state, the fact is that the state has always been mismanaged. It is the security and dignity that Laloo has been able to give the backward castes and the Muslims that is new.

Breakfast Revolution

A correspondent writes:

THE opening of the economy has cleared the way for the invasion of the Indian market by foreign branded food products. Between August 1991 and September 1994, 290 foreign collaboration projects were approved in the food processing sector, with proposed investments totalling Rs 1,836 crore, of which Rs 700 crore are estimated to have already entered the country. Foreign companies have apparently been animated by the government's propaganda that India's 'growing middle class' is ready and able to purchase their products. Even if one sticks to the urban middle and upper classes, there is a large and tempting market for foreign food and pseudo-food products, not to mention consumer goods in general. Foreign firms have the resources to spend heavily on advertising and marketing, and we are already witnessing their onslaught, particularly of foreign liquor brands. The wave of the future for the marketing of foreign processed food products can be seen in the launching of Kellogg's ready-to-eat breakfast cereals (corn, wheat and rice flakes) recently in the Bombay market.

With a total project cost of \$60 million, Kellogg India (a 100 per cent subsidiary of the American Kellogg Company) may have to wait a number of years to see a profit, but company officials say they are in for the long haul. Initial market survey results were discouraging – a survey of 17 million urban households by the Indian Market Research Bureau (IMRB) found that the penetration of cold cereals in the market is only 3 per cent at present, while 12 per cent of households eat bread for breakfast and most prefer hot foods such as 'dosa' and 'paratha'. But Kellogg's own market research convinced it that the Indian urban middle and upper classes are becoming more 'health-conscious' and so may be willing to give up their traditional 'greasy' breakfast fare for 'nutritious' Kellogg's cereals, 'fortified with vitamins and iron'. Thus its marketing strategy is concentrating on the health aspects of the product.

Many feel that Kellogg will have an uphill battle to convince consumers here to eat its cereals for breakfast, but the company has plenty of experience in creating a market for its products in countries where food habits are very different. It will use that experience, plus money power, to good advantage here. It plans to 'educate' the consumers through advertising that targets parents, teachers and doctors, and to organise programmes in schools to promote its products. This strategy indicates that the real eventual target will be children, as in the United States – the company also plans to launch 'Frosted Flakes', a sugar-coated variety of corn flakes popular with children.

It is ironic (but not surprising) that with increasing health consciousness in the US

leading consumers to turn away from such heavily processed foods, especially for children, Kellogg is trying to open up the Indian market on the plank of health foods (much as cigarette companies are turning to third world markets as first world consumers are giving up smoking). American nutritionists discourage parents from buying breakfast cereals for their children because the sweetened varieties are little better than junk food. The main consumers of cold cereals abroad are probably children, given the profusion of super-sweet brands with numerous strange flavours and shapes, and the producers aim their advertising directly at children via television. While Kellogg could make a case for plain corn flakes or wheat-based cereals as healthy foods, its role in spoiling the diets of millions of children in the US and elsewhere with its children's brands of cereal cannot be denied. In any case, a traditional Indian breakfast, be it 'dosa' or 'paratha/subzi', is by no means less nutritious than a bowl of processed and chemically preserved grain soaked in sugar and a little milk (which also has fat, after all), and it is certainly cheaper.

It remains to be seen whether Kellogg will succeed in changing Indian eating habits. At present its significance is minor – after all, only a small segment of the population can afford to buy its products. But those who think that Indian tastes cannot be changed should recall that the national habit of drinking tea was introduced by the British authorities in collaboration with the tea companies with the explicit objective of providing a cheap, energy-giving drink to the toiling masses (and of course, of creating a new market for tea produced by British companies in India). Tea was heavily promoted in every corner of the country through slogans such as 'chai priyo, khoob din jiyo' which were pasted on walls and chanted by tea vendors, and by distribution of free packets. The result has been a decline in nutritional status as 'chai' has replaced the traditional glass of milk in the morning, even for children. Given this history, is it likely that the opening of the economy to foreign food brands will have a salubrious effect on the health of anyone, including the 'middle classes'? Already the road is being paved for the entry of highly processed foods in the market – the department of health had to change the rules to allow Kellogg to use BHA, an anti-oxidant, in its cereal.

Even in the US, the big food corporations had to create markets for their products through intensive advertising and 'consumer education', in the process changing dramatically the way Americans eat. The result is that the average American diet today is very unhealthy, with too many highly refined foods, too much fat and sugar, and too many artificial preservatives, colours and flavours. Even the US government recognises this fact, yet companies like Kellogg are allowed to push their junk foods at children, whose food preferences are still

being formed. Now that they have been allowed to operate in India, will the same companies behave any differently here?

POLITICS

The Real Issues

V P SINGH's prediction in New Delhi on January 20 that the country was heading for a coalition in 1996 is not much of a prophecy while his projection of this coalition as an anti-BJP line-up betrays a serious underestimation of the advanced socio-political reality of the time. That the present ruling power at the centre may suffer conclusive defeat due to its alienation from the people and sharpening political-factional dissensions within are too patent to be overlooked. But there is nothing on the horizon to indicate that the BJP can exploit this situation to emerge as the major challenger. With its *brahmastra* (the Ram Janmabhoomi-Babri masjid tangle) blunted and its inability so far to formulate any new fiction to hoodwink and bamboozle the masses anew, the BJP today is in no position to emerge as a major contender for power, even if one ignores the debilitating effects of the growing power struggles among its leaders.

More concretely and specifically, the BJP has little prospects in Bihar and the states to its east as also in Andhra Pradesh, Tamil Nadu and Kerala in the south. Even in Karnataka its share of votes declined in the recent assembly elections relative to that during the last Lok Sabha polls. If the recent municipal elections in Madhya Pradesh are any guide, its chances in that state are not bright either. Even if compared with these areas, the BJP fares a little better in the western and northern regions, there is hardly any possibility of its sweeping the polls in those states.

Against this background, the projection of the coming Lok Sabha poll battles as primarily an anti-BJP confrontation is entirely misconceived. Indeed, this is a sure way to demoralise the people or at least to ensure failure to galvanise them for a worthwhile political battle. The task dictated by the developing situation is to set an agenda before the people to achieve a secular-democratic, clean and ethically motivated alternative – a credible and viable third force – to defeat the corrupt, degenerate and servile Congress as well as the anti-national, anti-democratic, indeed fascistic BJP.

Unless the leading lights of the emerging third force themselves imbibe confidence and conviction in this realisable prospect, they cannot enthuse and mobilise the people for its realisation. Indeed, the key to the consolidation of this third force, that is, the weaning away of sizeable segments of the Congress edifice towards itself, is contingent upon the faith and conviction of the third force in its own victory. Statements such as V P Singh's can serve only to undermine this confidence.

Birla Advantage Fund

BIRLA MUTUAL FUND is entering the mutual fund business with the launch of an open-end scheme called 'Birla Advantage Fund'. The corpus of the fund is targeted at Rs 100 crore. The plan is to restructure the investment portfolio in such a way as to maximise capital gains for unit holders rather than provide annual income. Accordingly, the fund plans to invest at least 70 per cent of the corpus in equities. The balance is to be invested in debt and money market instruments. To provide transparency, the fund will announce the NAV of the fund on a daily basis and full details of the portfolio will be announced annually. Unit holders would be eligible for loans against units to be provided by Birla Global Finance. The fund has been sponsored by Birla Global Finance, formerly known as Birla Growth Fund, which belongs to the Aditya Birla group. The investment of the corpus is to be managed by Birla Capital International AMC which is a joint venture between the Aditya Birla Group and the Capital Group Companies of the US. The issue offer comprises 10 crore units with a par value of Rs 10 each. The issue is slated to open on February 17.

SRP Industries

A Lunar group company, SRP Industries has been successful in turning agricultural waste into pure silicate, giving various products including precipitated silica of highest purity. The process does away with the need for melting crystalline silica sand in a high power-consuming furnace and producing pollutant sulphuric acid. The amorphous silica is produced by reacting agricultural waste with caustic soda, which is recovered fully from the process. The company plans to implement the project which is scheduled to be on stream by the end of the current year. The 2tpd stream has already commenced production and seed marketing has been successful. To part finance this project, the company plans to enter the capital market shortly with rights cum public issues at a premium.

Essar Oil

Essar Oil belongs to the Essar group which has an asset base of about Rs 6,000 crore and an investor base of over 8,00,000 with interests in steel, power, shipping, financial services, trading and turnkey projects. The

company has been involved in the oil and gas sector in offshore construction and drilling and has recently been awarded three explicate blushes by GOI. The company, to finance the existing operations and the 9 mnt oil refinery project of Rs 5,350 crore, proposes to enter the capital market on February 7 with a simultaneous and unlinked straight equity issue of Rs 166.5 crore at a premium of Rs 35 and an Optional Fully Convertible Debentures (OFCDs) issue of Rs 1,649.99 crore at an average premium of Rs 37.5. The net offer of OFCDs to public is approximately Rs 714 crore.

The 9 mtpa world scale refinery project is being set up by the Essar group which has a proven track record of setting up mega greenfield projects such as its 2 mtpa HR steel plant at Hazira where trial production has commenced. The refinery project being set up at a project cost of Rs 5,350 crore will have one of the lowest capital and marketing costs for similar refineries internationally. The location being Vadinar, an all-weather deep-draft port in Gujarat, the refinery enjoys proximity to west Asian crude as also to the growing markets in north and west India and there would be easy accessibility to Indian Oil's Kandla-Bhatinda oil pipeline. The issue is to be lead managed by IDBI, ICICI securities and Finance Company, Enam Financial Consultants, SBI Capital Markets, IFCI, DSP Financial

Consultants, JM Financial and Investment Consultants Services.

Banaras Beads

Banaras Beads (BBL) is presently engaged in the manufacture and export of glass beads and imitation jewellery, woollen products and handicrafts. While manufacture and export of glass beads and woollen products are handled by the Varanasi division, handicrafts are being handled by the Delhi works. The company is entering the capital market on February 3 with a public issue of 22,16,000 equity shares of Rs 20 each at a premium of Rs 75 per share aggregating Rs 1883.60 lakh. The company owns three industrial plots in Varanasi along with 20,000 sq ft built-up area in New Delhi. It now proposes an expansion by additional civil construction in existing buildings for utility services in Varanasi plots. Also, acquisition of 17,000 sq ft for godown-cum-showroom in New Delhi is being planned. The jewellery project needs 17,000 sq ft for godown, workshop and office-cum-showroom. Also a godown-cum-showroom is being planned to be opened in Bombay. The company plans to incorporate computer aided design system for the glass beads and imitation jewellery division. The project has been appraised by IDBI and the total cost is estimated to be Rs 3559.58 lakh. The issue is to be jointly managed by IDBI, SBI Capital Markets and SM Finance.

Revised Subscription Rates

Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	-	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	-	325	-	900
Students	-	225	-	-

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign

(in US \$)

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe,				
Japan, New Zealand,				
Australia & Russia	150	100	90	65
All other countries	100	70	70	50

All remittances to Economic and Political Weekly

CURRENT STATISTICS

EPW Research Foundation

The annual inflation rate, measured by any of the price indices, has further accelerated: 10.8 per cent by the WPI against 9.1 per cent in the previous 12-month period and 10.3 per cent by the CPI for industrial workers against 7.4 per cent. M₁ growth has slowed down due to moderation of expansion of net bank credit to government following a sharp contraction of RBI credit to the central government. However, bank credit to the commercial sector has begun to gallop, financed to an extent by disinvestment of trustee securities by banks. Reports suggest continued high gold import (official and clandestine) at 257 tonnes in 1993 and 262 tonnes in 1994, worth roughly Rs 12,000 crore each year.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Jan 7, 1995	Variation (Per Cent)				Point-to-Point			
			Over Month	Over 12 Months		Fiscal Year So Far	1993-94	1992-93	1991-92	1990-91
				Latest	Previous					
All Commodities	100.0	279.1	0.9	10.8	9.1	8.1	8.1	10.8	7.0	13.6
Primary Articles	32.3	291.1	2.2	14.4	8.8	12.4	9.6	11.5	3.0	15.3
Food Articles	17.4	319.3	0.9	13.0	5.3	13.9	5.3	4.4	5.4	20.9
Non-Food Articles	10.1	311.9	4.7	19.0	13.7	11.3	16.8	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10.7	281.4	0.0	5.3	13.8	1.2	8.7	13.1	15.2	13.2
Manufactured Products	57.0	271.9	0.2	9.6	8.5	7.0	7.3	9.9	7.9	12.6
Food Products	10.1	269.2	-0.1	8.9	11.0	6.8	10.2	12.3	6.8	10.2
Food Index (computed)	27.5	300.9	0.5	11.6	7.2	11.4	6.9	7.0	5.8	17.1
All Commodities (Average Basis) (April-January 7, 1995)	100.0	271.1	-	10.3	7.8	10.5	7.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent)				Point-to-Point			
			Over Month	Over 12 Months		Fiscal Year So Far	1993-94	1992-93	1991-92	1990-91
				Latest	Previous					
Industrial Workers (1982=100)	289 ¹⁰	0.3	10.3	7.4	8.2	7.8	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	238 ⁹	0.8	9.7	6.4	7.2	5.9	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1285 ¹¹	1.6	11.2	6.5	9.4	9.8	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Dec 23,	Variation					
	1994	Over	Fiscal Year So Far		1993-94	1992-93	1991-92
	Month		1994-95	1993-94			
Money Supply (M ₁)	494795	2295 (0.5)	61229 (14.1)	45434 (12.4)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	94825	2399 (2.5)	12627 (15.4)	9986 (14.6)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	396386	465 (0.1)	47546 (13.6)	35135 (11.8)	51601 (17.4)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt Sector	215794	900 (0.4)	12008 (5.9)	21255 (12.1)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Commnl Sector	262092	5540 (2.1)	24889 (10.5)	9148 (4.2)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	70103	-1744 (-2.5)	16376 (30.5)	9773 (39.2)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money (Dec 30, 1994)	160844	1827 (1.1)	22222 (16.0)	17146 (15.5)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	90227	-6231 (6.9)	-6556 (7.3)	7842 (8.1)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks (Jan 6, 1995)							
Deposits	358614	1053 (0.3)	43482 (13.8)	36185 (13.5)	46560 (17.3)	37814 (16.4)	38216 (19.8)
Advances	190076	8002 (4.2)	25658 (15.6)	9907 (6.5)	12436 (8.2)	26390 (21.0)	9291 (8.0)
Non-Food Advances	176214	7356 (4.2)	22703 (14.8)	5572 (3.8)	8272 (5.7)	24317 (20.1)	9127 (8.2)
Investments	148468	-2532 (-1.7)	15945 (12.0)	21136 (20.0)	26867 (25.4)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Sept 1994	Average for Fiscal Year So Far				Variation (Per Cent)			
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
General Index	100.0	241.5	231.7 (8.1)	214.4 (3.4)	3.0	2.3	0.5	8.4	8.6	8.7
Mining and Quarrying	11.5	214.5	213.6 (4.1)	205.2 (3.3)	2.5	0.5	0.9	4.5	6.3	7.9
Manufacturing	77.1	236.3	224.1 (8.8)	205.9 (2.4)	2.2	2.1	3.0	9.1	8.6	8.7
Electricity	11.4	303.6	300.7 (7.0)	281.0 (8.6)	7.3	5.1	8.5	7.8	10.8	9.5

Capital Market	Jan 27, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3506	3927*	4069	3600	4604	2037	4286	3779	2281	4285
	(-13.8)		(56.8)					(65.7)	(-46.8)	(266.9)
National Index (1983-84=100)	1703	1864*	1933	1765	2176	934	2050	1830	1021	1968
	(-11.9)		(63.5)					(79.2)	(-48.1)	(234.1)

* data pertaining to December 23, 1994

Foreign Trade		Nov 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			1994-95	1993-94				
Exports	Rs crore	6657	50012 (15.2)	43405 (31.3)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
	US \$ mn	2121	15941 (15.2)	13840 (19.5)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports:	Rs crore	7495	55227 (22.5)	45075 (7.6)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
	US \$ mn	2388	17603 (22.5)	14372 (2.2)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn		1832	13908 (32.2)	10524 (-2.9)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade	Rs crore	-838	-5214	-1669	-3259	-9687	-3809	-10640
	US \$ mn	-214	-1662	-532	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Jan 13,	Jan 14,	Mar 31,	Variation Over							
	1995	1994	1994	Month	Year	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Ago	Ago	1994-95	1993-94				
Rs crore	60899.6	31456.1	47626.0	-247.7	29443.6	13273.6	9249.0	27430	5385	10223	-1383
US \$ mn	19488.0	10019.0	15176.0	63.0	9469.0	4312.0	3017.0	8724	731	3383	-1137

External Sector

Exchange Rate of Rupee	June 1994	June 1993	March TWER								
	1994	1993	1994	1993	1992	1991	1990	1989	1988	1987	1986
36-Country TWER (1985=100) :											
(Based on FEDAI Rates within brackets)											
Nominal	(44.20)	(44.94)	(44.99)	(44.94)	(43.87)	49.89	64.08	75.52	73.43	79.82	82.19
Real	(65.00)	(49.15)	(63.56)	(59.15)	(56.53)	64.24	74.69	78.70	77.52	84.56	84.73

	Monthly Average Rates					Annual Average Rates				
	Jan 20, 1995	Month Ago	Year Ago	Mar 31, 1994	Mar 31, 1993	March 1994	March 1993	1993-94	1992-93	1991-92
Official/RBI Reference Rates/Rs per US \$	31.37	31.37	31.37	31.37	31.23	31.37	31.37	31.37	25.97	24.47
Market/FEDAI Rate/Rs per US \$	31.37	31.37	31.37	31.37	31.22	31.37	31.37	31.36	30.65	-

Foreign Direct Investment	Foreign Collaboration Approvals					Approvals Involving Foreign Investment				
	1994 (up to Oct)	1993	1992	1991	1990	1994	1993	1992	1991	1990
Number	1519	1476	1520	950	666	865	785	692	289	194
Amount	Amount of Foreign Investment Approved					Actual Flow of FDI				
	1994 (up to Oct)	1993	1992	1991	1990	1994 (up to Oct)	1993	1992	1991	1990
Rs Crore	10750	8860	3890	530	120	2221	1786	675	351	-
US \$ million	3427	2852	1386	215	67	708	575	240	142	-

Foreign Aid (Rs crore)	April-October		1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
	1994-95	1993-94	(Budget)				(Actuals)			
Net Aid Receipts	1512	1010	4279	6175	6159	5319	5421	3181	2595	2460
Net Aid Inflows	-888	-1212	118	2124	2188	1514	2717	1347	1101	1218

Tourism	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Tourist Arrivals (000)	1871.3	1820.8	1781.9	1613.7	1765.0	1619.3	1513.5	1491.9
	(2.8)	(2.2)	(10.4)	(-8.6)	(9.0)	(7.0)	(1.4)	-
Foreign Exchange Earnings (Rs crore)	4572	3989	3318	2444	2386	2054	1856	1607
	(14.6)	(20.2)	(35.8)	(2.4)	(16.2)	(10.7)	(15.5)	-
(US \$ million)	1457	1302	1356	1362	1433	1418	1431	1309
	(11.9)	(-4.0)	(-0.4)	(-5.0)	(1.1)	(-0.9)	(9.3)	-

Bullion

Bullion Prices	Jan 20, 1995	Month Ago	Year Ago	March 1994	March 1993	March 1992	March 1991	March 1990	March 1989	March 1988
Bombay Gold (Rs/10gm)	4725	4680	4030	4611	4082	4443	3440	3140	3140	3140
London Gold (\$/Oz)	380.25	381	330.25	387.35	330.34	344.64	363.39	393.66	390.27	443.49
Spread over London (Per Cent)	23.2	21.8	21	18	21.9	36.1	53.4	44.8	61.3	69.6
Bombay Silver (Rs/Kg)	6350	6474	6850	7159	5492	8050	6663	6464	6755	6136
London Silver (\$/Oz)	4.78	4.83	3.74	5.64	3.63	4.50	3.97	5.07	5.79	6.41
Spread over London	31.7	32.9	81.6	25.9	49.1	88.9	171.8	131.5	133.9	129.4

Estimated Imports (Official/ Clandestine, Tonnes)	1994 (Prov)	1993 Total	1993 Q4	1993 Q3	1993 Q2	1993 Q1	1992	1991	1990	1989	1988
Gold	262	257	89	65	88	65	260	150	170	173	135
Silver	2400	3620	1097	842	875	806	1750	1360	1300	650	250

Industrial Production

Core Industries	Variation Over		Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92
	Oct 94	Month	Year	1994-95	1993-94		
Coal (mn tns)	20.62	2.69 (15.0)	1.81 (9.6)	123.49 (2.1)	120.92 (5.3)	246 (3.2)	238 (3.9)
Electricity (mn kwh)	29485	1359 (4.8)	3010 (11.4)	197211 (7.6)	183239 (7.5)	323323 (7.4)	301066 (5.0)
Hydel (mn kwh)	7790	-1720 (-18.1)	1458 (23.0)	51751 (16.6)	44378 (3.1)	70311 (0.7)	69833 (-3.8)
Thermal (incl nuclear)	21695	3079 (16.5)	1552 (7.7)	145460 (4.8)	138861 (9.1)	253012 (9.4)	231233 (8.0)
Crude petroleum (lakh tns)	29.1	1.3 (4.8)	6.0 (26.0)	181.4 (17.5)	154.4 (-3.6)	270.2 (0.2)	269.5 (-11.2)
Petroleum products (lakh tns)	49.6	1.8 (3.8)	3.4 (7.4)	328.9 (4.6)	314.3 (1.1)	543.4 (1.6)	534.8 (4.0)
Saleable steel (000 tns)	1029	4 (0.4)	62 (6.4)	7043 (7.6)	6545 (5.4)	11981 (5.7)	11333 (12.6)
Cement (lakh tns)	51.9	5.1 (10.9)	4.7 (9.9)	350.2 (7.3)	326.2 (5.1)	578.0 (6.8)	541.0 (0.2)
Fertilisers (N) (000 tns)	683	99 (17.0)	33 (5.1)	4432 (7.1)	4140 (-1.6)	7274 (-2.1)	7430 (1.8)
Fertilisers (P ₂ O ₅) (000 tns)	184	6 (3.4)	negligible	1347 (60.3)	840 (-41.7)	1810 (-21.5)	2306 (-10.0)

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 4 stands for April. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) - means not available/not relevant.

DEEPAK NITRITE

Rise in Sales

DEEPAK NITRITE, a market leader in nitration products that meet critical needs in dyes, agrochem and pharmaceuticals industries, has done well in 1993-94 with net sales increasing by Rs 21.84 crore (28 per cent), operating profit by 16 per cent and net profit by 119 per cent. There was a 43 per cent decline in depreciation and 60 per cent increase in other income. The company declared an enhanced dividend of 22 per cent against 20 per cent in the previous year.

Exports were up by 27 per cent (Rs 1.69 crore). Imports were also up by 33 per cent. Return on investment has been steady at 6 per cent in the past two years. Sundry creditors to current assets ratio has risen in the past three years from 19 per cent in 1991-92 to 21 per cent in 1992-93 and 23 per cent in 1993-94. Remuneration to employees after being steady in 1991-92 and 1992-93 rose marginally by 3 percentage points in 1993-94. Earning per share fluctuated at Rs 10 in 1991-92, Rs 4 in 1992-93 and Rs 9 in 1993-94. Exports to sales ratio remained steady at 7 per cent in the past two years. Debt-equity ratio fluctuated at 112 per cent in 1991-92, 118 per cent in 1992-93 and 92 per cent in 1993-94. Short-term borrowings to inventories rose sharply by 18 percentage points for the year as against 57 per cent in 1992-93. Net value added to value of production showed a decline from 23 per cent in 1991-92 to 21 per cent in 1992-93 and 18 per cent in 1993-94. Sales to total assets and sales to total gross fixed assets ratios showed increase in the past three years.

The performance of all the three divisions, i.e., nitrite, the sodium nitrite/nitrate, HAS, AN and GN, was commendable. However, nitric acid production and sales were under pressure due to competition from large producers having in-house ammonia production. Cost of power and fuel has gone up considerably and efforts are being made to overcome the impact through improved efficiency and better utilisation of existing capacity. The nitroaromatic division, despite stiff competition and considerable reduction in selling prices, has performed well due to increased capacity utilisation. The company's efforts in value addition have started yielding results. Sahyadri Dyestuffs and Chemicals division continued to work at high capacity in spite of increased competition in domestic and international markets. The dye-intermediate section in particular showed significant improvement.

The company invested Rs 11 lakh on R and D during the year, with the focus on improvement in yields of present products, new process for nitroaromatic-based downstream products and improvement in efflu-

ent treatment using bio-technological solutions. The department plans to develop nitration and reduction based technologies as a downstream activity to nitroaromatics.

IVP

Revived Demand

IVP has shown mixed performance with net sales declining marginally by Rs 1.67 crore (2 per cent) and operating profit by 17 per cent. But net profit was up by 20 per cent. Though other income was down by 35 per cent, non-operating profit was up by Rs 115 lakh (212 per cent), depreciation, interest charges and taxation were down by 38 per cent, 5 per cent and 24 per cent, respectively. This helped in holding margins up. A 20 per cent dividend was declared for the year against 17 per cent in the previous year. Net value added to value of production has increased from 13 per cent in 1991-92 to 20 per cent in 1993-94. Return on investment has declined marginally in the past two years. Turnover ratios have declined over the past three years. Sales to total assets declined from 164 per cent in 1991-92 to 138 per cent in 1992-93 and 128 per cent in 1993-94. Sales to gross fixed assets declined from 316 per cent in 1991-92 to 293 per cent in 1992-93 and 276 per cent in 1993-94. Sundry creditors to current assets fluctuated at 18 per cent in 1991-92, 16 per cent in 1992-93 and 19 per cent in 1993-94. Short-term bank borrowings to inventories increased from 84 per cent in 1991-92 to 101 per cent in 1992-93 and 116 per cent in 1993-94, while debt-equity ratio declined from 43 per cent in 1991-92 to 35 per cent in 1992-93 and 28 per cent in 1993-94. Exports declined by Rs 1.72 crore (73 per cent) against a 22 per cent fall in the previous year. Imports were also down by 6 per cent for the year.

In the next two years the company intends to invest Rs 30 crore on diversification, expansion and modernisation. With this the company expects to become broad-based, thus helping to improve profitability. With the engineering and chemical sector reviving after the recession, the company's products faced increased demand. To meet the growing demand and upgrade production facilities, the company proposes to make fresh investment. It plans to raise the required funds by making an issue equity share or convertible debentures, for a maximum of Rs 30 crore. The company has entered into two technical collaborations with Cerasiv GmbH, Germany, for manufacture of high alumina faucet discs, which is imported at present. The second collaboration is for upgrading and increasing the product range of the industrial ceramics division.

The company invested Rs 5 lakh on R and D activities. The department has been carrying on research with the focus on pro-

duct development, import substitution and technology upgradation.

SOL PHARMACEUTICALS

Rise in Exports

Sol Pharmaceuticals has performed excellently with net sales going up by 124 per cent (Rs 87.7 crore), operating profit by 170 per cent (Rs 14.88 crore) and net profit by 141 per cent (Rs 4.96 crore). Taxation increased by Rs 14 lakh, depreciation by Rs 126 lakh and interest charges by Rs 9.18 crore. But the effect was mitigated by the increase in other income from Rs 9 lakh to Rs 80 lakh and in non-operating profit from Rs 4 lakh to Rs 70 lakh. A 30 per cent dividend was declared for the year against 25 per cent in the previous year.

Exports were up by 399 per cent (Rs 45.71 crore) while imports were up by 127 per cent (Rs 28.42 crore). Debt-equity ratio fluctuated at 11 per cent in 1991-92, 154 per cent in 1992-93 and 27 per cent in 1993-94. Short-term bank borrowings to inventories ratio too fluctuated at 96 per cent in 1991-92, 87 per cent in 1992-93 and 89 per cent in 1993-94. Sales to total assets ratio declined from 135 per cent in 1991-92 to 124 per cent in 1992-93 and 94 per cent in 1993-94. Sales to gross fixed assets ratio also declined from 547 per cent in 1991-92 to 368 per cent in 1992-93 and 285 per cent in 1993-94. Growth in inventories fluctuated at 143 per cent in 1991-92, 60 per cent in 1992-93 and 230 per cent in 1993-94. Earning per share declined by 6 percentage points for the year. Net value added to value of production increased by 3 percentage points for the year.

The formulations division showed a growth of 34 per cent in the year. The company launched a new range of formulations in the domestic and international markets. The bulk drugs division has also done well with sales going up by Rs 74.85 crore. With the addition of the bulk drugs division of Standard Organics, manufacture of a wide range of products for domestic and export markets along with sale of these products is expected to improve. The exports division is focusing on establishing new markets along with the introduction of new products. With formulations becoming a thrust area, exports are expected to increase.

Standard Organics (SOL) was amalgamated with the company. During the year the company made a rights issue, followed by a public issue. The proceeds were utilised for meeting the cost of expansion and product diversification and working capital requirement. The company also made a 1:4 bonus issue in January 1994.

The company spent Rs 91 lakh on R and D in the year, developing formulations for export and also new cost effective processes.

The Week's Companies

(Rs lakh)

Financial Indicators	SOL		Sayaji		Deepak		Hindustan		IVP	
	Pharmaceuticals		Industries		Nitrite		Sanitaryware			
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	15840	7070	8075	6934	9937	7753	6883	5888	7648	7815
2 Value of production	17187	7454	8060	6909	9816	8031	6973	6182	7676	7813
3 Other Income	80	9	162	147	416	259	68	96	57	89
4 Total income	17267	7463	6222	7056	10232	8290	7041	6278	7733	7902
5 Raw materials/stores and spares consumed	10561	4911	4200	3789	3838	3415	2024	1768	5146	5094
6 Other manufacturing expenses	1419	561	1588	1282	1676	1283	1982	1803	405	554
7 Remuneration to employees	990	357	631	651	643	611	837	724	404	356
8 Other expenses	1938	763	1075	813	2260	1429	784	544	923	856
9 Operating profit	2359	871	728	521	1815	1552	1414	1439	855	1042
10 Interest	1325	407	259	264	963	915	846	922	419	444
11 Gross profit	1104	468	470	341	856	780	1061	933	605	652
12 Depreciation	205	79	81	151	313	556	484	521	83	134
13 Profit before tax	899	389	389	190	542	223	577	412	522	517
14 Tax provision	52	38	116	58	53	0	0	0	169	224
15 Profit after tax	847	351	273	132	489	223	577	412	353	293
16 Dividends	213	59	49	34	118	107	46	40	138	117
17 Retained profit	634	292	224	98	371	116	531	372	215	176
Liabilities/assets										
18 Paid-up capital	1027	235	111	114	534	534	364	209	688	688
19 Reserves and surplus	5359	663	1484	1260	3906	3600	5960	4941	1655	1473
20 Long term loans	1772	1387	315	200	4085	4892	2234	1094	662	767
21 Short term loans	5157	1555	1461	1295	1935	1005	2256	3939	1870	1784
22 Of which bank borrowings	5088	1510	1457	1117	1065	945	1310	989	1526	1237
23 Gross fixed assets	5544	1917	3168	2982	7321	7112	10541	10408	2766	2664
24 Accumulated depreciation	1330	252	1910	1832	2565	2213	3760	3261	942	1003
25 Inventories	5705	1728	1308	928	1406	1637	2092	2055	1305	1220
26 Total assets/liabilities	16818	5682	4117	3617	12839	12185	12450	11297	6029	5628
Miscellaneous items										
27 Excise duty	517	343	1302	1042	0	0	1811	2040	324	385
28 Gross value added	3618	1301	1400	1312	2174	2296	3249	2974	1618	1523
29 Total foreign exchange income	5714	1143	336	158	782	613	391	384	66	256
30 Total foreign exchange outgo	5146	2266	103	79	649	581	113	73	336	368
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	94.2	124.4	196.1	191.7	77.4	63.6	55.3	52.1	126.9	138.9
32 Sales to total net assets (%)	119.0	184.1	239.5	241.7	95.0	77.3	63.6	57.8	156.9	165.9
33 Gross value added to gross fixed assets (%)	65.3	67.9	44.2	44.0	29.7	32.3	30.8	28.6	58.5	57.2
34 Return on investment (gross profit to total assets) (%)	6.6	8.2	11.4	9.4	6.7	6.4	8.5	8.3	10.0	11.6
35 Gross profit to sales (gross margin) (%)	7.0	6.6	5.8	4.9	8.6	10.1	15.4	15.8	7.9	8.3
36 Operating profit to sales (%)	14.9	12.3	9.0	7.5	18.3	20.0	20.5	24.4	11.2	13.3
37 Profit before tax to sales (%)	5.7	5.5	4.8	2.7	5.5	2.9	8.4	7.0	6.8	6.6
38 Tax provision to profit before tax (%)	5.8	9.8	29.8	30.5	9.8	0.0	0.0	0.0	32.4	43.3
39 Profit after tax to net worth (return on equity) (%)	13.3	39.1	17.1	9.6	11.0	5.4	9.1	8.0	15.1	13.6
40 Dividend (%)	30.00	25.00	75.00	50.00	22.00	20.00	20.00	20.00	20.00	17.00
41 Earning per share (Rs)	8.25	14.94	471.93	213.33	9.16	4.18	16.50	21.19	5.13	4.26
42 Book value per share (Rs)	62.2	38.2	2703.5	2200.0	83.1	77.4	94.5	106.9	26.3	23.3
43 P/E ratio (based on latest and corresponding last year's price)	19.6	12.7	9.9	4.7	8.5	10.8	11.2	6.5	21.4	23.5
44 Debt-equity ratio (adjusted for revaluation) (%)	27.7	154.5	19.7	14.6	92.0	118.3	67.4	52.4	36.6	47.9
45 Short term bank borrowings to inventories (%)	89.2	87.4	111.4	120.4	75.7	57.7	62.6	48.1	116.9	101.4
46 Sundry creditors to sundry debtors (%)	113.5	158.2	53.4	63.6	54.7	55.4	45.4	46.2	36.1	31.6
47 Total remuneration to employees to gross value added (%)	27.4	27.4	45.1	49.6	29.6	26.6	25.8	24.3	25.0	23.4
48 Total remuneration to employees to value of production (%)	5.8	4.8	7.8	9.4	6.6	7.6	12.0	11.7	5.3	4.6
49 Gross fixed assets formation (%)	189.2	119.3	6.2	14.1	2.9	2.6	2.5	5.4	24.5	-2.0
50 Growth in inventories (%)	230.15	60.15	40.95	-24.24	-14.11	31.38	1.80	19.48	6.97	12.13

SAYAJI INDUSTRIES

Higher Margins

After being plagued by rise in input cost and recession in the starch industry in the previous year leading to a fall in profit, Sayaji Industries has done well in 1993-94 with net sales increasing by 16 per cent, operating profit by 39 per cent and net profit by 106 per cent. Though there was a 100 per cent increase in taxation the effect was slightly reduced by a 46 per cent decrease in depreciation. Non-operating profits were down by 98 per cent. Other income went up by 10 per cent. Reduction in the cost of raw materials resulted in better production activity for the year. Also, the reduced bank rate enabled the company to borrow more at the same cost. But certain unfavourable factors like increase in the cost of electricity, coal and furnace oil and also increase in repairs and maintenance charges proved detrimental to raising the margins. The company declared a dividend of 75 per cent for the year against 50 per cent for the previous year. Earning per share has been high at Rs 471 in 1993-94 compared to Rs 226 in 1991-92 and Rs 213 in 1992-93. Remuneration to employees fell marginally by 4 percentage points in the year against 49 per cent in 1992-93. Both sales to total assets and sales to gross fixed assets ratios have risen steadily in the past three years. Short-term bank borrowings increased by 16 percentage points in 1992-93 but declined by 9 percentage points in 1993-94. Sundry creditors to current assets ratio fluctuated at 21 per cent in 1991-92, 27 per cent in 1992-93 and 22 per cent in 1993-94. Debt-equity ratio fluctuated at 15 per cent in 1991-92, 14 per cent in 1992-93 and 19 per cent in 1993-94.

Exports were up by 116 per cent while imports were up by 22 per cent. Increase in exports is being attributed to the agreements with Amylum of Belgium for the upgradation of technology. Installation of certain machineries and equipment has improved quality of finished products and reduced cost of production. The company has completed the establishment of its plant to manufacture 'Mannitol', used in foods, pharmaceutical and cosmetic products as an antioxidant, and commercial production is said to have commenced.

The company incurred an expenditure of Rs 15 lakh for its R and D activities. The major thrust is being laid on pollution control and energy conservation.

HINDUSTAN SANITARYWARE

Modernisation Programme

Hindustan Sanitaryware, the flagship of the H L Somany Group is engaged in the manufacture of ceramic tiles and sanitaryware. The sanitaryware division has two units, one in Bahadurgarh in Haryana and the other in Somanyapuram in Andhra Pradesh. Net sales in 1993-94 were 16,851 mt

(up by Rs 9.95 crore in value), operating profit was up by 44 per cent (Rs 2.4 crore), and net profit by 40 per cent (Rs 1.65 crore). Depreciation and interest charges were down by 7 per cent and 8 per cent, respectively. The 10 per cent decrease in other income was more than compensated by the 18 per cent increase in non-operating profit. The company has maintained its dividend at 20 per cent for the year. Earning per share declined to Rs 16 for the year against Rs 21 in the previous year. Sundry creditors to current assets ratio declined from 18 per cent in 1991-92 to 16 per cent in 1992-93 and 11 per cent in 1993-94. Net profit margin more than doubled from 3 per cent in 1991-92 to 7 per cent in 1992-93, and then increased marginally by 1 percentage point in 1993-94. Debt-equity ratio fluctuated at 148 per cent in 1991-92, 21 per cent in 1992-93 and 35 per cent in 1993-94. Short-term bank borrowings to inventories ratio decreased by 10 percentage points in 1992-93 but has increased by 14 percentage points in 1993-94. Gross savings

to gross capital formation ratio increased by 50 percentage points in 1992-93 and by 188 percentage points in 1993-94. Net value added to value of production has remained stable at 39 per cent.

The Indian Council of Ceramic Tiles and Sanitaryware has been making persistent efforts for the reduction of excise duty to 20 per cent from 30 per cent. As a part of its modernisation programme, in one of the casting shops at Unit I, environment control equipment has been installed and successfully commissioned. This has resulted in increased productivity from the existing set-up. Many new patterns were developed for the export market and repeat orders have been coming in. The company expects to launch two new suites and is also planning the introduction of four new colours. Products of the company were well accepted in the UK market and the company has bagged its maiden export orders from the US market to become the first Indian sanitaryware company to enter the sophisticated US sanitaryware market.

LATEST IN SOCIOLOGY

SOCIAL STRATIFICATION & MOBILITY

K.L. Sharma

Professor Sharma examines critically theoretical and methodological issues in the essays included in this volume. The book provides a comprehensive and critical review of the studies on social stratification particularly from a sociology of knowledge perspective. The book must prove as a source material for teachers, researchers and students. It encompasses all that which one would normally like to know about social stratification in India.

ISBN 81-7033-263-7

290pp

Rs. 400(cloth)

Rs 100(pbk)



RAWAT PUBLICATIONS

3-Na-20, Jawahar Nagar, JAIPUR 302 004

Phone: 0141-567022 Fax: 0141-567748

Monthly Review

DECEMBER 1994

UNEMPLOYMENT : CAPITALISM'S ACHILLES HEEL | The Editors
CHINA AT THE BRINK : CLASS CONTRADICTION OF "MARKET
SOCIALISM" | Robert Well
REMEMBERING SOL ADLER | James Peck

Annual subscription Rs.240.00(individual) with Rs.25.00 for P & H may be sent by MO/DD payable to CORNERSTONE PUBLICATIONS, P.O.-Hijli Co-operative, KHARAGPUR -721306, WB

Politics of Muslim Vote Bank

Irfan Engineer

A survey of Muslims in Bombay brings out the strong anti-Congress sentiment prevailing in the community. Irrespective of the Ulema council's directive, a majority of the Muslims are for an alliance with the backwards.

THE post-Babri masjid demolition and the consequent communal holocaust all over the country has rudely shocked the Muslim psyche. The anger of the community was seen recently in the assembly elections held in Karnataka and Andhra Pradesh, where Muslims are said to have voted against the Congress and thus, contributed to its defeat. Now elections are to be held in Maharashtra, Gujarat, Bihar, Orissa, and Arunachal Pradesh. Various political parties are vying for Muslim votes by offering various promises. In this context, the Centre for Study of Society and Secularism and IDRAAK conducted a survey to study the political perceptions of the minority community. A hundred-odd randomly picked up Muslim men and women in Bombay were respondents of this pre-poll survey. The survey was done more than a month before the poll date, the campaigning had not yet commenced and the candidates were yet to be finalised by the parties. However, the intention was more to gauge the preferences for political parties and programmes rather than for individual candidates.

The Muslims constitute about 15 per cent of the city's population. They are concentrated in few pockets in the city and therefore capable of influencing election results in at least 11 out of the 34 metropolitan constituencies. Their presence in other constituencies is marginal and incapable of influencing the election results. City Muslims do not constitute a monolithic community though the Hindutva forces, the Muslim fundamentalists and other parliamentary parties would like the common man to believe so. Muslims in the city come from various regions of the country and continue to maintain their regional identities. Similarly, they are also divided into different sects, with each sect having its own priesthood which ensures that the Muslims remain divided along sectarian lines. Nearly 95 per cent of the city Muslims live in dire poverty, toiling as petty vendors, bakery workers, daily wage earners in shops and small firms owned by Muslims. Some Muslims are engaged as low wage earning artisans in wood carving and zari designing. The much discussed Bangladeshi Muslims work as

bonded labourers in the construction industry. The remaining 5 per cent own shops, business, small-scale factories, financial institutions like the Bombay Mercantile Co-operative Bank, with a very few in salaried jobs. They are mostly composed of business communities like bohras, khojas and memons. Thus, the Muslim elites of the city mostly belong to the business class.

MUSLIM COMMUNITIES

Muslims are divided into numerous sects such as wahabis, deobandis, ahle-hadis, bohras, khojas, memons, etc. Each sect claims itself to be more loyal adherent than the others. Muslims are also divided on regional, class and caste lines, e.g. sheikhs, ansaris, qureshis, pathans, syeds, bagwans, and so on. Sociologically, there is hardly any commonality between these communities, except that they are all followers of Islam. These communities rarely mix with each other and zealously guard their own identities. Each sect maintains a separate mosque. The syeds, the sheikhs and the pathans consider themselves superior and hold the lower caste converts like qureshis and ansaris in contempt. The upper caste converts to Islam, like the bohras and the khojas, have strong prejudices against other Muslims whom they address as 'mabhai'. The bohras and the khojas intermingle more with upper caste

Hindus than lower caste Muslim converts.

These separate communal identities persisted due to the varied customs and rituals followed by the communities, reflecting their regional, caste and economic differentiation. Each Islamic sect has its own clergy and elite who have vested interest in keeping the followers divided on the basis of petty sectarian issues. Thus, even the political participation of the members is decided at the sect/community level. The elites of each sect/community, in order to protect and further their economic interests, extend financial support and assist the politically ambitious members in the elections. In return they expect political patronage from them. The clergy also wants congenial environment to operate. The clergy and the elite thus join hands and appeal to the members to vote for the party which can best assure them of patronage. The economic elite wield influence over their community since they support all charitable purposes like educational institutions, health services, mosques, and also, to some extent, the well-being of the poor. Nevertheless, whenever there were compelling reasons, the deprived sections of the community have ignored the advice of their elites and clergy. There are two glaring instances of this in the post-Babri masjid demolition period. (i) all Muslims, cutting across class, caste and sect, refused to obey Imam Bukhari's call in 1993 to hoist black flags and boycott the Republic Day in order to protest against the demolition of Babri masjid; (ii) the Muslims ignored the Imam's appeal to vote for Janata Dal in the recent assembly elections of UP. The Muslim masses wisely voted for SP-BSP candidates where the latter were likely to win and voted for that candidate who would defeat the BJP where SP-BSP alliance was unlikely to win.

The political participation of the bohras can be studied as an instance of the sect/

TABLE 1. PERFORMANCE OF MUSLIM CANDIDATES IN ASSEMBLY ELECTIONS

Constituency	1980		1985		1990	
	Congress	Muslim League	Congress	Muslim League	Congress	Muslim League
Umarchhadi	15,290*	7,034	18,175#	12,244	10,799	34,866*
Kherwadi	18,335	684	19,267	-	20,135#	-
Nagpada	17,975*	6,072	20,081*	-	21,026*	19,467
Amboli	26,572*	3,819	39,797#	14,993	25,375#	39,728
Chinchpokli	17,512*	-	21,086#	11,948	25,236#	6,228
Andheri	25,073#	-	47,346#	7,945	62,276#	-
Kurla	22,383#	-	41,472#	9,513	59,543#	-
Nehru Nagar	21,276#	-	26,460#	-	23,783#	776
Bandra	22,440*	-	30,293*	-	34,251*	-
Turbhe	35,115#	-	38,933*	-	97,715*	-

Source: Maharashtra Rajya Vidhan Sabha Nivadanak Poorvapithika, Directorate of Information and Public Relations, Government of Maharashtra

the candidate fielded was Hindu

* the candidate was victorious.

community level participation of the Muslims in the election process. The religious head of the bohras, the Syedna, always asks his community members to vote for the Congress candidates. Before issuing such directive, he bargains with the party and protects his interests. The Syedna is least bothered about the Shahi Imam's directive to vote for a party of the latter's choice. Similarly, the Shahi Imam's writ does not run over other sects. The elites and the clergies of different communities enter into separate bargains with political parties of their choice to protect their vested interests. Muslim leaders belonging to same political party vie with each other. The Muslims vote unitedly only when they perceive a common threat. The Ulema council has been recently constituted in the city. It is an attempt to bring together the clergy of various sects so that they can cohesively intervene in certain situations. The Ulema council, dominated by the sunnis, has dissensions within it. The political parties have thus pacified the clergy and allowed fundamentalism to grow. But overwhelming majority of the Muslims, who are deprived, often vote against the wishes of the clergy and the elite of their sect.

The clerical-elitist appeal is one of the factors that influences the voting pattern of the Muslims. The Urdu press, too, has tremendous influence on the Muslim voting behaviour. In general, the Urdu press survives by stoking the passions of the Muslim community. *Inquilab* which gives high dose of fundamentalism, has highest circulation. Being more fundamentalist has never prevented it from being pro-Congress. Only recently, after Fuzail Jafri became the editor, that *Inquilab* has become critical of the Congress. It is giving extensive coverage to the Ulema council and trying to convey an impression that all Muslims are eagerly awaiting the directive of the council to make their decision. However, as prominent Muslims admit, the Ulema council's decision would hardly influence 5 per cent of the Muslims. Due to internal dissensions, the Ulema council has not been able to decide. The orthodox sunni section has already severed its links with the council. When contacted, the general secretary of the council, Maulana Abdus Qudus Kashmiri refused to say anything about the elections, except that the Muslims should not vote for the Congress or the BJP. *Inquilab* is also reporting the various meetings of the Ulema which criticise the Muslim leaders for lack of unity within them. The Muslim leaders in turn allege that the Ulema itself is not united. The reality is that neither the leaders nor the clergy want to unite so as to safeguard the interest of the Muslims. Their interests differ widely and can be safeguarded only by supporting various forces. *Urdu Times*, on the other hand, is playing down the Ulema council. It gave extensive coverage to the recent visit

of Mulayam Singh Yadav and is backing the third force. Sarfraz Arzoo, the editor of *Hindustan* is campaigning amongst the Muslims to vote for the BJP-SS alliance. The editor is opportunistic. Nevertheless, *Hindustan* has very little circulation.

Various parties and organisations are holding public meetings in the Muslim-dominated areas and raking up different issues to influence the voters. Mulayam Singh held a public meeting on YMCA grounds which was reportedly well attended by the Muslims. He highlighted his government's achievements, including the recruitment of 9 per cent Muslims to the police force. He criticised TADA and emphasised the unity of the Muslims and the backward classes to fight against the communal forces. The meeting was organised by UP Haj and Welfare Association, Bombay Aman Committee, Bombay Citizens Welfare Committee and Agripada Relief Committee. Muslims lined up on both sides of the road from where his motorcade was to pass and many prominent Muslim citizens called on him. Bashir Patel, the lone Muslim League MLA who defected to Samajwadi Party along with three party corporators, mentioned in a press conference that he joined Samajwadi Party to work for the unity of the Muslims and the backward classes. Another public meeting was addressed by Ibrahim Suleiman Sait who leads Indian National League, the breakaway faction of Muslim League in Kerala. The target of his attack was G M Banatwala, the president of Muslim League. He charged Banatwala of being a Congress agent and called upon the Muslims to support the third force. Muslim Samaj Sangathan also organised a public meeting which was addressed by Ramdas Athavale, the minister of state for welfare. The minister and the organisers exhorted the Muslims to look beyond their own community and work for a unity with the backward classes so as to defeat the communal forces.

Like other communities, the Muslims also formed secular organisations to solve their day-to-day problems and organise welfare activities. While some organisations have general membership, some are exclusively Muslim organisations (especially when the Muslims do not have any say in multi-community organisations of a particular area). Like Ganeshotsav mandals, these organisations organise religio-cultural activities like Moharram, Tazia processions, etc. This is done in co-operation with other communities. The leaders of these organisations have to keep good relations with various party leaders in order to solve problems like civic malfunctioning, getting arrested people released, and securing funds for their activities. Depending on which party helps them, the leaders of these organisations ask people to vote for that party. By and large the decisions regarding

casting of votes are taken at this level. Our investigators found that most of the local leaders have gone against the Congress and that too for non-religious reasons. The local leaders were helpless spectators during the communal riots and after the bomb blasts even the innocents were harassed. They found entire state administration against them. Even the Muslim leaders of the Congress failed to do anything substantial for them. They are annoyed for being repeatedly called upon to prove their citizenship and patriotic credentials. No leader, whichever party he may belong to, is able at the present juncture to assure the community. Therefore, the community seems to be in a mood to defeat the Congress that has brought them to such a pass. In order to achieve this they have started to look for alliances with the non-Muslims. But since the third force has not materialised, it remains to be seen whom the Muslims will vote.

**National Institute of Science
Technology and Development Studies
Dr.K.S.Krishnan Marg, New Delhi-110012**

RECENT PUBLICATION

Scientific Communities and Brain Drain: A Sociological Study". Subodh Mahanti, VV Krishna, E Haribabu, Vinod Jairath, Aparna Basu. *Gyan Publishing House, New Delhi, 1994, Rs.200.00, pages 149.*

The migration of skilled scientific and technical personnel from India to affluent West is a sociological phenomenon with manifold dimensions. A number of studies estimate a loss of US\$10-20 billion to India due to Indian brain drain during 1966-86 alone. Do the brains go where money is or the brains go where the brains are? This exploratory study, inspired by late Professor Sukhomoy Chakraborty and undertaken by NISTADS, identifies and defines brain drain beyond its much discusses economic dimension.

It helps (a) understand the structure and organisation of Indian scientific community as reflected in the research groups, (b) identify the social feature of research groups which tend to check or promote the process of brain drain, and (c) suggest some policy recommendations on the basis of findings.

It provides fresh insight into the brain drain--an original contribution to the literature on the subject.

Orders may be placed with either the publisher or NISTADS

In the 1989 and 1991 Lok Sabha and 1990 assembly elections, Muslim voters in Bombay had preferred the Congress. The 1989 elections resulted in a hung parliament. Yet, the National Front had not struck roots in Bombay. Thus, for all practical purposes, the choice for Bombayites was between the Congress and the BJP (the BJP-SS alliance had not yet materialised). Both, the Congress as well as the Hindutva forces, were competing to capitalise on the Ram Janmabhoomi-Babri masjid controversy. Rajiv Gandhi had commenced his campaign from Ayodhya by laying the foundation stone of the Ram temple in November 1989. The Congress as well as the Hindutva forces were competing for Hindu votes, taking advantage of the phobia amongst the Hindus engendered by the separatist movements in the country. Muslim vote bank then had little significance. The same situation more or less continued during the 1990 assembly elections. The Congress had fielded four Muslim candidates in the city, out of which three won. The candidate who lost was Abdullah Shahadat from Umarchhadi constituency, who was defeated by the Muslim League candidate Bashir Patel by nearly 14,000 votes. Due to the rising tempo of Ram Janmabhoomi-Babri masjid issue, the Muslim League (ML) for the first time expanded its base in the 1990 elections. It not only won the Umarchhadi seat but also polled more votes than previous elections. In 1980, the ML could poll only 17,609 votes from the four constituencies. In 1985 assembly elections, it polled 56,643 votes from five constituencies and in 1990 it polled 1,01,085 votes from these five constituencies. The ML also stood second in Amboli assembly seat, which was won by Shiv Sena. A small section of the Muslims therefore appear to have expressed their displeasure with the soft Hindutva stand of the Congress during the 1990 assembly elections itself.

Table 2 shows that the Muslim voters slowly but steadily are shifting away from the Congress. The shift is significant. In fact, more Muslims are likely to vote against the Congress than the survey shows. This is evident from the fact that out of the 29 per cent who showed their preference for the Congress, 22 per cent did not approve of the Congress' policy on the Babri masjid dispute and the communal riots. It is also possible that the Muslims would vote for the Congress since the third force has not emerged in the state. The only area where those who will vote for the Congress outnumbered those who were for the third force, was Govandi and Baiganwadi where the Congress minister Javed Khan is to

contest. Javed Khan is known for his strong arm tactics and had reportedly arrested a Muslim woman who had publicly expressed her dissatisfaction with the developmental work in the area. A prominent social worker of the area and erstwhile Congress supporter, Sher Ali, has publicly said that he will not work for Javed Khan and the Congress.

Ten respondents showed their preference for the BJP. As many as eight out of them approved the BJP's policy towards the Muslims. However, all those who showed their preference for the third force approved of their policy towards the Muslims. Even those who did not want to vote or had not yet decided whom to vote, expressed their displeasure with the Congress. In all only 7 per cent approved of the Congress policy on the Babri masjid and the communal riots.

Salim Zakaria, the minister of state for education, who is contesting elections from Bandra agreed that the Muslims are unhappy with the Congress and that the BJP has succeeded in alienating the Muslims from the Congress. He was critical of the Congress for not taking firm steps to counter BJP's propaganda. The alienation, according to him, climaxed with the demolition of the Babri masjid and the construction of the unauthorised temple. The Congress, he felt, should have accepted its mistakes and assuaged Muslim sentiments. The Bombay riots worsened the situation. Punishing Bal Thackeray, Zakaria added, is not challenge to the Muslims but to the law of the land. Nevertheless, he opined that there is no alternative for the Muslims other than the Congress. The secular elements in the Congress should be strengthened and this can be done if the Muslims stand solidly behind the party. The disintegration of the Janata Dal and the third force has left no alternative for the Muslims but to stand behind the Congress.

TABLE 2: PARTYWISE VOTING PREFERENCE
(percentage)

Party	Voting Preference
Congress	29
BJP	10
Third Force	44
Will not vote	5
Not Decided	12

The survey shatters several misconceptions. One misconception is that the Muslims give top consideration to their religious interests while casting their vote. Though 22 per cent of the Muslims did not approve of the Congress policy towards the Babri masjid and the communal riots, they still wanted to vote for the Congress for other reasons. Amongst these are businessmen and professionals who in all probability approve of the economic policies of the Congress and may have benefited to some extent. This also indicates that there is polarisation within the community. The deprived section of the community would like to punish the Congress not only for lack of concern and discrimination against them, it also seems to be concerned with its security. The businessmen and the professionals, nevertheless, constitute a microscopic minority within the Muslim community. Therefore, the deprived masses who suffered during the riots and are concerned about their security, and are at the receiving end of the new economic policy are against the Congress.

The different party preferences also indicate that the Muslims do not vote unitedly. Only 12 respondents had not made up their mind whereas 88 respondents had decided whether to vote or not and whom to vote. This is significant because the Ulema council has not yet decided for whom should they direct the Muslims to vote. Thus, even before the Ulema council announces its directive, majority of the Muslims seem to have made up their mind.

MUSLIM VOTE BANK

Most political parties like to give an impression of a herd mentality amongst the Muslims. If previous voting patterns are any indication, the Muslims are neither exclusive vote bank of the Congress nor have they always voted unitedly. Vote banks are more a creation of political parties rather than religious or communal behaviour. Moreover, the Muslim community is not the only community to vote unitedly. Other communities also have at times voted unitedly. Political exigencies of the parties and economic interests of the elites result in projections of vote banks. Certain emotional issues like Muslim

TABLE 3: AREAWISE VOTING PREFERENCE

Party	Md Ali Road	Crawford Market	Dharavi	Govandi	Kurla	Jogeshwari	Mahim	Golibar	Bahram-pada
Third force	3	6	4	1	6	3	7	3	6
Congress	2	4	4	6	0	2	2	5	1
BJP	3	1	1	2	0	0	0	2	1
Not voted/ not decided	3	0	1	1	2	3	1	1	2
Total	11	11	10	10	8	8	10	11	10

personal law are sometimes exploited successfully. Perception of common threat, nevertheless, does make the Muslims vote unitedly. More intense the threat, more unitedly the community acts and votes. In Rampur constituency (UP), there are 47 per cent Muslim voters. Yet, in 1991 BJP won because of the division of the Muslim votes amongst three parties. Same thing happened in Domariaganj (UP) constituency from where Mohsina Qidwai, a senior Congress leader, and Seema Mustafa, a BJP candidate were contesting. In spite of 35 per cent Muslim votes, their division led to BJP victory. In West Bengal, the Muslims always vote for the Left Front defeating even the Muslim candidates of the Congress

ANTI-CONGRESS VOTES

Though the Muslims voted for the Congress in the post-independence period, it was due to its popularity and secular image. They never hesitated to vote against the Congress whenever it became unpopular. The Samyukta Vidhayak Dal governments in West Bengal, UP, Bihar, Punjab could not have been formed without the support of the Muslim communities in 1967 when the Congress was voted out of power. Charan Singh successfully garnered the votes of Jats, OBCs and Muslims to become the chief minister of UP. In the years immediately preceding 1967, there were two factors (besides of course the general economic crisis) which influenced the Muslim vote. The major communal riot at Jabalpur in 1961 and the whipping up of national chauvinism during 1965 Indo-Pak war guided the Muslim votes. The Shahi Imam stood up against the demolition of the Muslim-dominated slums during the emergency. The government's inability to arrest him made him popular amongst the Delhi Muslims. When the emergency was lifted, Vajpayee and the Imam addressed several Muslim gatherings and appealed them to vote for the Janata Party. Impression was thus formed that he is the leader of all Muslims. If the Muslims voted against the Congress in 1977 elections, it was because the Shahi Imam was accepted by all Muslims as their leader for his opposition to the emergency.

Indira Gandhi tried to woo back the Muslim votes in 1980 elections by hobnobbing with the Shahi Imam. However, in spite of the Imam's directive, the Congress could not get massive Muslim votes. A section of the Muslims did vote for the Congress since the Janata Party had split. Subsequently, Indira Gandhi lost confidence in Muslim votes. The common threat of insecurity amongst the Hindus due to the secessionist movements in Punjab and Assam were used to carve out a Hindu

vote bank. Minority vote bank could be thus dispensed with.

The dominant political forces are now divided into three camps, the Congress, the BJP and the NF-LF. The importance of the Muslim vote bank has thus increased. More so, since the Muslims are at present insecure due to the onslaught of the Sangh parivar's Hindutva, the soft Hindutva of the Congress, the trauma of communal riots and the increasing atrocities under TADA. They are therefore likely to vote unitedly to defeat the Congress as well as the BJP-Shiv Sena combine. This, however, should not give rise to the misconception of permanent vote bank of the Muslims since the Muslims are as divided as the Hindus on caste, regional and sectarian lines.

The real issues of the deprived Muslims have so far been ignored by the fundamentalist-dominated leadership. Political parties in their lust for votes have assisted the fundamentalist section. This has led to the suppression of democratic forces within the community. A new hope is however on the horizon. After the demolition of the Babri masjid, polarisation is taking place within the community between the fundamentalist and the democratic forces. In order to defeat the

Congress the deprived sections want to join hands with the backward classes. Recently, there have been several Muslim OBC conventions in Maharashtra wherein cutting across community lines, the deprived Muslims have resolved to unite for their just demands. This will unsettle the fundamentalists and interests of the deprived sections will be on the agenda. For this trend to succeed, genuine democratic forces cutting across religious barriers should come together. Gauging this trend, Sharad Pawar has promptly announced the government's resolve to extend reservations to the Muslim OBCs.

Salim Zakaria wants the secular forces within the Congress to be strengthening. With this propaganda, 50 per cent of the Muslim votes will be in favour of the Congress and other 50 per cent will be divided between remaining parties. However, the deprived Muslims are so angry that they are likely to vote against the Congress and the BJP. But whom they will vote depends on the candidates of non-Congress, non-BJP parties. We have already witnessed such voting pattern in the last UP elections.

[The survey of Muslim voters was carried out on behalf of Centre for Study of Society and Secularism.]

JUST PUBLISHED

READINGS IN PUBLIC ADMINISTRATION

Edited by : R.K. Srivastava

(Senior Consultant, Manpower Research & Development Institute, New Delhi)

VOL. 1 : ISSUES IN PUBLIC ADMINISTRATION

VOL. 2 : DYNAMICS OF DEVELOPMENT ADMINISTRATION

VOL. 3 : ADMINISTRATION AND SOCIAL DEVELOPMENT

A precise and to the point multi-volume in the field of Public Administration. This set covers all the related aspects of Public Administration. Administrators, Civil Servants and students of Public Administration would find this set useful.

23 cm 1995
ISBN 81-7391-065-0

Cloth Rs. 1550 (Set)
(Set in Three Vols.)

Rush your orders to :

Kanishka Publishers, Distributors
9/2325, Street No. 12, Kailash Nagar,
Delhi-110031 (India) Phone : 2229769

Eighth World Tamil Conference Of Cardboard History and Discursive Space

V Geetha
S V Rajadurai

With the divine blessings of Jayalalitha, the Eighth World Tamil Conference in Thanjavur concluded successfully, showering praise on its patroness. The distinguished participants demonstrated their scholarly disengagement from the world of realpolitik by maintaining a cautious silence about the deportation of their colleagues.

THE presiding deities of the eighth World Tamil Conference which concluded in Thanjavur on January 5, 1995 constituted a veritable Holy Trinity in themselves. Summoned to bless this hallowed event by AIADMK partymen and women, the medieval Chola monarch Rajaraja I, Thiruvalluvar whose verses edify the minds of bus commuters in Tamil Nadu everyday (inscribed as they are inside buses that tiredly ply the anarchic roads of Tamil country), and M G Ramachandran, Tamil Nadu's hero for all seasons, arrived in their respective avatars of stone and bronze to grace mouldy old Thanjavur. The choice of this particular trinity is, of course, not entirely fortuitous. Chief minister Jayalalitha's pretensions to authority derive from a patchwork tradition, and Rajaraja, who consecrated brahmin hegemony at the altar of royal rule, is a natural forebear. For one who thrives on a complete lack of accountability to the political process and the people, and whose chief virtue is her immense capacity to relish sycophancy in all its diverse forms, the murky politics of medievalism is bound to hold attractions. Thiruvalluvar, whose ethical wisdom is often invoked to represent quintessential Tamilness, is a useful household god. For one who reveres the Kanchi Paramacharya and Periyar ostensibly in equal measure, Thiruvalluvar assumes great significance. Constituted as he is in popular imagination as one who is always beyond caste and community, he reconciles contrary qualities in himself. Thus he represents rational, ethical as well as spiritual and sacred attributes and stands for a civilisational glory to which all Tamils may aspire. M G Ramachandran is a divinity of a different calibre. He is part guardian spirit and part transcendent object. He exists as a touchstone on which subsequent leaders are expected to test their munificence, nobility and good intent. His very name invokes reverence and more important, lends credence to Jayalalitha's careless promises of largesse to the people.

In their lack of fit with one another, this unlikely trinity may be seen to be emblematic of history as it obtains in present day Tamil Nadu. Never has the Tamil past appeared so tawdry and inauthentic as it does now –

claimed by a party and a leader who have done and said nothing to thus effortlessly appropriate it. Unlike her forebears in office – here one must reluctantly include MGR – Jayalalitha has no affiliation to speak of with the Non-Brahmin-Dravidian movement. Her attempts to own history and embody it in her person are symptomatic of her essential non-relation to this history. She lacks that power of utterance which came so easily to C N Annadurai and M Karunanidhi, both of whom utilised the word to constitute a viable community and polity. Neither can Jayalalitha hope to capture and possess that aura which still surrounds MGR. She had to, therefore, necessarily resort to cardboard and tinsel to invent a past, create a present and carve out a constituency. It is not accidental that at Thanjavur she forced history to confront its own past achievements in stone and metal with creations in cardboard and synthetic paint. Arches (one of them compared her with the Vaishnavite saint Andal), cut-outs, posters, floats and billboards were assembled in all their tinsel glory to announce the triumph of the kitsch version of Tamil history. Jayalalitha and her ministers were present at that blessed hour when history marched past in a haze of silverfoil and technicolour. Her benign gaze and approval imparted to this roll-call of the dead and buried a certain 'truth'. During the conference this sanctified truth would hover over seminar halls, mocking the vainglory of scholars who had gathered in vast numbers to argue, deliberate and establish their fine points of view.

* * *

Questions of history, historical truth and objectivity were resolved in the most historical fashion at the Eighth World Tamil Conference. That spirit of enquiry and curiosity which seeks to make sense of the past, and that eschatological urge to connect and narrate events and scholars' will to knowledge, were put to test, as a host of persons, including the prime minister P V Narasimha Rao, sought tirelessly to reiterate well-worn myths about the glory that was Tamil culture. In a speech that could easily rival a 10th standard school history textbook's claims to erudition and

knowledge, Narasimha Rao, famed for his learning and his talents as a polyglot, demonstrated once more that singular lack of vivacity and wit which have endeared him to wags and cartoonists all over the country. Names of ancient Tamil classics and poets tumbled out of his talk in a hurry and in pell-mell fashion as his practised literary tongue clicked in frustration over those oh so harsh Tamil syllables! It is possible he considered this ordeal worth suffering in order to strike a fresh deal with Jayalalitha's AIADMK and evolve a New Electoral Policy that ignores irritants like the TNCC chief's protest against Rao's participation in the conference.

Lapses of a more serious sort occurred as well, but we can vouch that neither the prime minister nor the central government had anything to do with these. Consider the logo designed for the conference – it shows a map of the world across which are strewn sundry objects ostensibly symbolic of Tamil history and culture. Our concern is with the map as such, since it is a curious one that has neatly excised out the island of Sri Lanka from its contents! It is as if the organisers not only desired to re-write history in Her image – as one long-standing billboard in Madras city has it, 'henceforth there will be no history only Her-story' – but were determined to re-draw the map of the world if only to gratify her geographical imagination. Thus a new sacred geography has been propounded in defiance of actually existing lines of political and cultural demarcation and intersection. Sri Lanka and its Tamil population obviously cannot figure in this cultural universe where historical and linguistic links and shared cultural worlds and concerns have been erased in favour of a bounded and 'pure' cultural space. Here, surrounded by lifeless symbols of culture she covets – the cultural objects shown in the logo include images of the flags of the Chola, Pandya and Chera kingdoms and a temple tower – Jayalalitha reigns supreme, proud and alone in her unabashed narcissism.

It is another matter that the Tamil diaspora whose history and culture the conference is supposed to represent consists largely of Tamils from Sri Lanka whose contributions to Tamil research and study have been extremely significant. (One may recall the singular contribution of late Father Xavier Thaninayakam whose brain-child is the International Association of Tamil Research (IATR), which is nominally responsible for organising World Tamil Conferences.) When the sovereign wills, the subjects have to make themselves invisible. Or, as happened with Sivathamby, Rupavathi Sivathamby, Velup Pillai, Shanmugadoss, Manonmani Shanmugadoss and Peter Schalk, they are simply whisked away by the police.

* * *

The forced and dramatic deportation of these renowned scholars from the conference

and subsequently from India is a matter that begs explanation. To date, none has been offered. Sivathamby, who is past 65 years of age, has pioneered critical work on ancient Tamil drama. His work on Tamil literary history, historiography, Saiva Siddhanta philosophy, film, and modern literature in Tamil reveal him to be a scholar of many talents whose range of enquiry is wide and whose observations have always been stimulating. Sivathamby earned his doctorate from the University of Birmingham and was a student of Georg Thomson, well known, Marxist teacher and critic. In spite of his ill health, Sivathamby continues to live in Jaffna despite black-outs, gunfire, rations and the LTTE. Velup Pillai, a Jaffna Tamil now teaching in Uppasala University in Sweden, is chiefly known for his excellent studies in Tamil literature of the Sangam period and the philosophy of the ancient Tamils. Shanmugadoss heads the department of Tamil in Jaffna University and has produced outstanding works on Tamil grammar. His wife Manonmani Shanmugadoss is a scholar of her own repute and is working in a prestigious institute of Colombo. Rupavathi Sivathamby, wife of Sivathamby, is a meritorious academic. The Swedish scholar Peter Schalk has been a keen observer and student of Tamil history and culture, and his paper on, "The First Evidence for the beginning of Buddhism in Tamil Country" was approved by the IATR for presentation in one of the seminars of the conference. He has, at times, lent his name to the cause of human rights of Tamils in Sri Lanka, and this has earned him the unique distinction of receiving two deportation orders – the first from the Sri Lankan government a few years ago while he was on tour in the island, and now from a state government in India that rules in the name of the Tamils. But by no stretch of the imagination could the words or deeds of these scholars be interpreted to be in sympathy even remotely with the ideology and practice of the LTTE. If none of the scholars still based in Jaffna has chosen to speak a word against the Tigers, it is because of their commitment to discretion as the better part of (their) valour.

The humiliation suffered by the scholars did not stop with their graceless expulsion from the conference. Sivathamby and Velup Pillai, together with their family members, were virtually kept under house arrest in the Madras University Guest House with the 'Q' branch police keeping the surveillance. It is obvious that none of these men and women nor the other 25 or so Sri Lankan Tamil scholars could have constituted a threat to the security of the chief minister Jayalalitha or, for that matter, the nation. If this were not a matter of grave importance, the solemn observation of officials that they had received "adverse notice" regarding these scholars could be construed to represent a laughable instance of paranoia. It is clear that the

objection to these scholars is due solely to their filiatory and, in a sense, entirely accidental ties to Sri Lanka. To penalise them for living and working in an existential context they cannot wish away is, of course, to penalise birth. As such the gross injustice done to these men and women can only be described as undiluted political racism. The chief secretary to the government of Tamil Nadu has tried to shift responsibility and blame by claiming the visas given to the deported men and women had been cancelled by the central government at the last moment. He cannot, however, explain how the Indian high commissioner's office in Colombo issued visas and the immigration officials in Madras city cleared their entry into the country in the first place. Besides, lists of invitees had been prepared in advance by the IATR and approved by the Tamil Nadu government, which had ample time to make its apprehensions known. The state government has also tried to rationalise its actions by claiming that Sivathamby et al were invitees of the IATR and that it really had no idea who the scholarly invitees would be. This claim, coming as it is from a state government that has completely hijacked the conference, broke the silence of Nabora Karashima, the president of IATR who characterised it as 'strange logic'. It is noteworthy that the central government has neither agreed nor disagreed with the contention of the chief secretary to the Tamil Nadu government that it had ordered or implied that these particular scholars had to be expelled and deported. However, immigration officials are known to have remarked that their job is only to verify the genuineness of the passport and the validity of the visa, whereas the state government could order deportation of foreigners if it

so wished by filing an affidavit before a magistrate stating that the presence of the foreigner on Tamil soil is undesirable (*The Hindu*, Madras edition, January 4, 1995). It is clear that government of Tamil Nadu is solely to be blamed for this act of discourtesy and its arbitrary exercise of power.

The Tamil Nadu government's antipathy towards Sri Lanka has extended to Sinhalese as well, for Sinhala scholars too were left out from the list of invitees. Even those Sri Lankan Tamil scholars who were given preliminary invitations did not receive the final and officially confirmed invitations to the conference. There was no consultation, from the very beginning, with the Sri Lankan chapter of IATR. Meanwhile many of those who received the preliminary invitation had sent in abstracts of their articles and even paid the required participation fee of Rs 850. When the final invitations failed to arrive some of them sought the good offices of Sri Lankan minister Thondaman, who put to use his connections in Madras and obtained seven invitations. These invitations were shared between scholars from Jaffna University, Peredjiniya University and the Eastern University where Tamil and allied subjects are taught. But these seven did not know that their travels had just begun. When they reached Thanjavur they were dismayed to discover that Rajaram, the organising secretary of the conference, would not accept the invitations they possessed as valid. They were rudely asked to seek out Thondaman himself for further help. After a harried two days, during which they literally went without food and had to stay with friends, they decided to return to Madras. By then they had also come to know of Sivathamby's expulsion and naturally enough feared for their own safety.

New
Book
from

MD

Publishers of the
Humanities, Natural
& Social Sciences

SUSTAINABLE GROWTH OF AGRICULTURE IN INDIA

By
S K Mishra

The book shows that the instant need to feed the teeming millions has propelled us to increase the use of chemical fertilizers and adopt better agricultural practices which have created multifaceted problems in agriculture. The prices of inputs have increased at a much faster rate than those of agricultural output. The author has stressed the use of self-produced organic manures from inorganic fertilizers:

1994, 135p, bibliography, index; 22x14 cm
ISBN 81-85880-30-1

Rs 175.00

Send your orders and write for complete catalogue to :

M D PUBLICATIONS PVT LTD
11 Darya Ganj, New Delhi-110 002
Tel.: 3273347, 3271378, 3285830, 3268045
Fax: 91-11-3275542 Cable: INDOLOGY

PUBLISHERS
DISTRIBUTORS
EXPORTERS

Such a total lack of civility on the part of the government of Tamil Nadu was evident in other instances as well. No one is very clear as to whether Chenna Reddy, the governor of Tamil Nadu, was sent an official invitation to attend the conference. According to Raj Bhavan sources, an invitation mailed to him reached his office just two days before the conference. Former chief minister and DMK chief M Karunanidhi was sent an invitation which addressed him as an "ex-MLA". (He quipped back with the reply that this was a case of an ex-actress writing to an ex-MLA!). S R Balasubramaniam, the leader of the opposition Congress(I) in the Tamil Nadu legislative assembly, fared worse. An invitation handed over to him by a traffic police inspector did not even address him by name but only as "Leader of Opposition". Not only do these acts constitute a breach of propriety but they express a political arrogance that has shown itself to be utterly indifferent to criticism, imprecations and rebukes. The Thanjavur conference will be remembered as much for the habitual practice of a diabolical doublespeak by the AIADMK as for the ineptitude and lack of professional decorum which characterised it.

* * *

As Jayalalitha was making history (and headlines) of a sort, the seminars attended by scholars (both local and foreign) in the various disciplines progressed in due solemnity. Paper readers and observers expressed their "utmost satisfaction" at the conduct of academic sessions and were one in noting that whatever disturbances had occurred outside their exalted premises, these did not affect the nature and content of their deliberations. The matter of the deportations elicited a protest from Karashima well after it had occurred. Others waited out their turn and chose to make their displeasure known only during the concluding plenary session. By that time Sivathamby was already in Jaffna and Velup Pillai was making a detour to Stockholm. Neither these protests nor the statements of men such as Burton Stein – he is reported to have characterised the deportations as a fascist gesture – mattered at that point; except that they served as pathetic instances of a scholarly conscience reluctantly and lately come to life. For the few who protested there were many who maintained a cautious silence which they dared break only after the conference was over. Robert Frykenberg, for instance, in an interview given to an English daily observed: "When the bone of contention between two countries and two communities is Tamil, and when one country's prime minister has been blown up because of this, there is no point in commenting because no matter how you look at it, it is an extremely sensitive issue" (*Indian Express*, Madras edition, January 8, 1995). Prime minister Rao could not have produced a more evasive answer

nor dared to implicate the deported scholars in the Rajiv murder case! This scholarly disengagement with the world of *realpolitik* is not only disturbing but extremely problematic as well. Does Frykenberg suggest that the expulsions were somewhat justified? Does he imply that when politics and statesmen are involved in a matter such as this, academics and intellectuals would do well to remain silent and willingly abdicate their ethical responsibilities? For us who are beyond the pale of academia this is simply an instance of scholars preferring concourse with the dead than a dialogic engagement with the living. Not that these are such mutually exclusive tasks that they may, thus, be separated even for heuristic/hermeneutic or analytic purposes.

* * *

This brings us to the vexed question of the relationships that underwrite the history-politics equation, or more generally the relationship that exists between intellectual enquiry and political responsibility. There are several issues that need to be disentangled here: First, if intellectual enquiry, especially as it relates to history, is to freeze up within its own discursive space, it automatically becomes sealed off from a larger communicative universe. Here, other versions of the past get written and often at a ruler's whim. Lies, half-truths, patent falsehoods and deceptions are habitually yoked together to produce a formidable narrative that reproduces itself with little or no effort because a solid and powerful communicative apparatus literally realises these fictions as saleable truth. If intellectuals fail to, or refuse to, engage these lies in a combative sense, they risk becoming collusive with the perpetrators of these falsehoods. For a generation that has only known MGR and Jayalalitha, all of modern non-brahmin politics converge into a much awaited telos where, as we remarked earlier, history becomes her-story – in what really amounts to a double travesty of the non-brahmin movement and feminist discourse. If academicians are going to let this sort of a travesty take place on the grounds that this is all politics, while we are doing the real questioning and the real thing, one is forced to question the credibility and motivations of such exercises in academic learning.

Second, the IATR obviously cannot seek refuge in a sort of schizoid reasoning – let the government go ahead with its own show while we men of letters confer in peace. For what this really amounts to is that two sorts of knowledge are being sanctioned here, one for the adoring masses who anyway do not care for history, and one for the insiders who really cannot be expected to worry about the adoring masses. The question then is, what are these conferences for and for whose benefit is research being urged in diverse fields? Allowing for the interplay between knowledge and power that is characteristic

of a great deal of intellectual enquiry, one is still left with the question of scholarly responsibility, of whether it is merely to archive or whether it can be extended to the hapless living as well?

* * *

Last: we cannot really close our observations without offering a few examples of that diabolical doublespeak we had occasion to refer to elsewhere. The first instance relates to a session on women in Tamil Nadu that was graced by the chief minister herself. The recurring theme of the various addresses was simply this: that under Jayalalitha's compassionate rule, women's lot has improved vastly, that she was indeed personally responsible for this glorious achievement. Jayalalitha was duly apostrophised by almost every speaker, many of whom prostrated themselves before her before commencing their talk. What seems galling about this particular session is its essential falsehood. For in the three years since Jayalalitha assumed office, not only have monumental crimes against women been reported, a considerable number of them involving the police, but the one act for which she is often praised – the setting up of women's police stations – has proved as much of a nuisance as anything else. For one thing, women constables have proved themselves to be as harshly abusive of women petitioners as their male counterparts, and occasionally as foul-mouthed as well. Further, given the excessive pampering of the police force by the chief minister, the police have become a virtual law unto themselves, unaccountable to even the judiciary. More important for our purposes, they have set themselves up as moral arbiters in family disputes and are known to have coerced women to go back to unhappy marriages. This being the reality experienced by thousands of women, it is surely gross that Jayalalitha and her worshippers should thus comfort each other with self-serving lies and fortify themselves within a circle of deception.

However, doublespeak is not confined to Jayalalitha's political camp alone. Consider P Nedumaran, vociferous supporter of the LTTE and advocate of self-determination for Tamil Nadu – not only was he present at the conference while scores of Tamil scholars and enthusiasts (some of them led by his political allies) were lathi-charged and bundled out of Thanjavur to be thrown into the central prison in Trichy for trying to organise a demonstration to protest against the state government's unwillingness to make Tamil the sole medium of education and administration at all levels, but he even attempted to defend Jayalalitha on the matter of deportation of scholars by arguing that the centre was to blame. It is clear that in the tinsel world of Tamil Nadu's politics, colours may be changed at will to keep intact the glitter that characterises it.

'No Fish to Eat'

Impact of Liberalisation

Ambrose Pinto
Berin Loekas
Latha Radhakrishnan

In spite of the now well known effects of mechanised boats on fish catch as well as on the economy of the traditional fishing community, the government of India has now opened Indian waters to foreign fishing vessels. Protesting against this invasion which will have a disastrous impact on the economy and the social life of fisherfolk, are both traditional fisherfolk as well as mechanised boat operators.

FISHING in the territorial waters and beyond has always been the major source of livelihood for fishermen all along the coast. Till the early 70s fishing was confined to traditional type of vessels, viz, catamarans, country craft and canoes. When the mechanised vessels with fishing gear and bottom trawling were introduced conflict arose between the traditional fishermen and the new class of mechanised boat operators. The introduction of mechanised boats no doubt enhanced the marine fish production. But they also brought forth a number of socio-economic problems. The mechanised boats scrapped the bottom of the sea for fish. This led to the gradual decrease in fish haul and made life difficult to traditional fishermen. Bottom-trawling during monsoon months adversely affected the growth and viability of fish, in particular the spawning of fish.

Kerala's traditional fishermen who were the most organised raised a cry and hue against the mechanised boats. The government of Kerala appointed in the year 1981 an expert committee headed by D Babu Paul to enquire into the allegations of traditional fisherfolk. The committee with its vested interest members could not reach unanimity on the question. Later the government appointed the Kalawar Commission and based on the report prohibited bottom-trawling during the monsoon period. In the interest of conservation of fish wealth the Kerala government, from 1992, banned bottom-trawling by all the boats in the territorial waters. As expected the lobby of the mechanised boats appealed to the court. The Kerala High Court supported the findings of Kalawar Committee and two reports of the special officers appointed by the state government and observed that "mechanised nets like the purse-seine do an irreparable damage to the existing stock of fish by killing the juvenile fish and fish eggs and by preventing fish breeding". The purse-seiner caught 600-800 tonnes of fish per annum while the traditional crafts could catch only five tonnes in 1980-82 in Kerala. The situation of the traditional crafts is

worse today on account of non-availability of fish.

The court also observed from the data provided that while the population of the traditional fishermen has increased by more than 20.8 per cent, the average production of each fisherman declined by more than half. This resulted in 98.5 per cent of the fishermen population descending below the poverty line. The mechanised fish gear operators though smaller in number were able to catch more than 92 per cent of the fish. This left a fatal effect upon the lives and economy of the traditional fishermen. The court had no hesitation in stating in clear terms that the use of mechanised gear in fishing did not lead to any increase in production. But it posed a real threat of depletion of stocks. In countries like the US, Norway, UK and Japan where the number of fishermen engaged in fishing is small, steps have been taken to restrict fishing by sophisticated gears to avoid destruction and depletion of the pelagic fish wealth.

In spite of the evil effects of mechanised boats on traditional fisherfolk, the government of India has now decided to open Indian waters to foreign vessels keeping with its policy of globalisation and liberalisation. The invasion of our seas by foreign fishing vessels has brought together both the traditional fisherfolk and the mechanised boat-operators. Use of destructive and uncontrolled fishing technologies of the west will quicken the pace of the depletion of fishery resources. According to the 'Food and Agricultural Organisations' already stocks in four out of the world's 17 major fisheries are seriously depleted while catches in nine other countries are declining. It is ironical that when some countries are waking up to the consequences of overfishing, India is welcoming foreign fishing vessels with open arms.

India has a huge coastline of about 6,100 km and an estimated annual potential of about four million tonnes. Fishery and allied activities is a source of livelihood for over 75 lakh people. The traditional fisherfolk

who constitute 80 per cent of the fishermen operate in the inshore waters within the 50m depth. Since fishing has become uneconomic, the small-scale fisherfolk are compelled to increase their investments 20-fold requiring even up to Rs 10 lakh to remain operational at present. With foreign vessels entering the race, traditional fisherfolk will have to be eased out of their age-old profession and thus deprived of their livelihood.

Leading industrial houses like ITC, Dunlop, Hindustan Lever, United Breweries, etc, have made big investments in shrimp culture, deep sea fishing and seafood processing projects. A large number of these projects are export-oriented. In addition to these large industrial houses, reputed companies from France, US, Japan, South Korea, Australia and Germany have come forward to establish joint ventures. The government's decision to permit joint ventures with 60 per cent equity within India's 200 km exclusive economic zone has led to restlessness among the country's fishing population. The 33 lakh fisherfolk who live along India's 9,040 km long coast are wondering about their bleak future.

In spite of all the scientific reports that point out to the depletion of our sea sources the technical committee instituted by the government of India has recommended an increase in deep sea fishing under the assumption that there are fish stocks for 2,630 deep sea vessels. About 128 licences have been issued till February 1994. What is worse is that foreign vessels have been given the right to export 100 per cent of their catches for a mere 12 per cent remittance of the earnings. These licences permit the vessels to haul in everything with their over efficient nets. Licence grant the right to fish without any quota restrictions.

CONSEQUENCE OF GOVERNMENT'S POLICY

Arguments and counterarguments could be put forward towards the policy of the government. What is important to look at is the whole problem in a 'mass' perspective than a 'class' perspective. That the policy supports a privileged class of multinationals both within and outside the country is beyond doubt. The mass of traditional fisherfolk will be further marginalised. The struggle of the traditional fisherfolk against mechanised boats and multinationals is essentially a struggle between man and machine, livelihood and greed. The three enquiry commission of the government of Kerala have pointed out the danger of overfishing with devices detrimental to the 'fauna and flora' of the sea. In the last six years certain common species of fish have disappeared altogether.

That the mechanised boats and the multinationals would destroy our sea-wealth needs no proof. The latest data of fish

production in Kerala well establish the fact. The total fish production of the state in 1990 was 6.94 lakh tonnes. It came down to 6.04 lakh tonnes in 1991 and 6.03 in 1992. Kerala's share in national fish production has dropped from 23 per cent to 20 per cent. The Maharashtra fishermen claim that their overall catch has gone down by 30 per cent. Besides mechanised boats, pollution in the Maharashtra waters could be another reason. Coastal rivers brimming with industrial effluents successfully destroy the fish in the shallower sea waters. A special problem is caused by the operation of the Oil and Natural Gas Corporation (ONGC) at Bombay's coast. Prawn beds are often found near oilfields. When fishermen approach the oil rigs they are shoed off by ONGC. Fishermen also complain that the effluent from the oil rigs has affected the fish in the vicinity. Added to the arithmetic of production is the greater danger of diseases afflicting fish. Two years ago tonnes of fish had to be abandoned and fishermen put on 'vocation' due to widespread fish disease. Several instances of people taken ill after eating fish had been reported in the print media in recent years.

The social consequence is the disintegration of fishermen's families. Here are a few interviews that would give us indicators of traditional fishermen's lives:

Says a traditional fisherman of Alleppey district, now involved in ring-seine fishery. "I have been fishing in the sea for 20 years. But now I can fish only for four to five months in a year. There is no fish for the remaining months. If I go continuously for fishing, it is a severe loss for me. Thus I am worried about my future, what will happen tomorrow to me and to my family".

Elias, living on the banks of the lake in Kollan district says: "Traditionally I was fishing in the lake. But now there is no fish there. So we all go to Ernakulam district for survival. I have a small boat. Traditionally, I was fishing in inland water, but now the inland water bodies have shrunk. And the remaining water bodies are given to private hands and contractors on lease. Small boat-owners seem to have a gloomy future, because there is no space left for them in inland or coastal waters.

Ambika from Pallithodu village in Alleppey district distressingly tells: "My father is a fisherman in Pallithodu. I have three sisters and one brother. Five years ago our whole family was involved in drying fish. But then came a time when there was no fish to dry. Now whatever fish my father catches, he immediately sells in the market. And there is no surplus fish to store or to dry. So we are idle. Hundreds of women like me went idle because traditionally in every family women are involved in this work. There is no work for me. The same is the case with my sisters and brothers, and most of the village women".

Leelamma began vending fish when she was 19 years old. She lost her husband at sea a few years ago and is now a widow. Her earnings are essential to feed, clothe and educate her children. Her husband became cynical and took to drinks, when he could not make his ends meet saying, "When the sea mother gives me alms like a beggar instead of rewarding my labour with wealth, what am I to do but drink?" What her husband told her was significant, "Some people are making liquors instead of fishing in the sea, and I am drinking liquor instead of fishing because there is no fish in the sea".

Mariamamma is a fish vendor and has been one since she was 18. She cannot remember how old she is now but thinks she must be over 30. She looks very old. Some years ago, on the advice of a wandering social worker, she had a tubectomy after two children. At that time, she had a daughter who was two months old. Shortly after her operation, she discovered that her son suffered from a kidney disease. The doctors in the big hospital in Trivandrum told her that nothing could be done for him. One young nurse advised her to look after her younger child properly since she could have no more children. Someone told her that a very big operation, costing a huge amount of money might save the boy. Mariamma prayed to god that her husband might catch a lot of big sharks which would fetch them enough money for the operation. One night, while she was praying, her husband had gone to fish in his own kattamaram. Having cast his net into the water, he fell asleep waiting for the fish. Late at night, a trawler came and hit the sleeping man. His country craft and net were badly ravaged. The kattamaram could not be reconstructed because the wood of which it is made has become very scarce and expensive, thanks to deforestation and industrial use in the manufacture of match sticks. A kattamaram has four to five logs and a new craft costs between Rs 1,500 to Rs 5,000. His ruined craft was worth Rs 5,000 and the net that was lost was Rs 2,000. Meanwhile, Mariamma's trust with doctors, hospitals, medicines, magic men and holy shrines resulted in a serious state of debt. Her husband is today a coolie in a boat. Mariamma could not look after her younger daughter as the young nurse had asked. She had to run up and down the markets to feed her family and stopped lactating. Her baby daughter was neglected and had a chronic bout of dysentery. She died when she was 11 months. Finally, Mariamma buried her elder son when he was round seven years old.

There is a clear economic and ecological advantage, besides the social benefit, in small-scale fisheries as compared with the big fish industry. The small-scale sector is well adapted to the tropical aquatic ecosystem and local fishing communities frequently

possess built-in mechanisms and rules for over-fishing.

The ecological wisdom of the traditional fishermen has always been very good, says John Kurien, social scientist from Trivandrum mentioning an old saying "never touch a shoal to the left of the boat", thereby saving it from extinction. In contrast over-fishing among trawlers is quite frequent; they destroy the ocean floor in the effort to squeeze out the shrimps with bottom trawling. Large-scale operators can sell out of one sector of operations and reinvest in another with a minimum of personal sacrifice. For the small-scale fishermen there is no such option and that is one important reason why he prefers sustainable development of fisheries.

The problem today in fisheries is not unique. It is similar to other resource-use patterns in society where the powerful appropriate the resources traditionally used by the artisanal sector. However, the blame for depleting resources is conveniently passed on to the poor as their sheer numbers frightens the authorities. India cannot ignore the fact that the employment generated in the large-scale fishing operations is only 100 of small-scale fishing for every crore of investment. Even the fish catch compared to the fuel consumed by the big fleets is one-fifth less than in the small-scale fishing sector.

The conflict between the small and the powerful in the fishing industry is not just a matter of resource conservation, economics or legislation. It is a socio-political problem dealing with the ultimate survival of fishing communities and the many millions of people they represent.

The stress of India on exports is pushing the flow of protein from the needy to people who can provide the foreign exchange. The supplies of fisheries resources for the poor are reduced further because the market system tends to move fish towards those with higher incomes. Most of the fish in international trade goes to more highly developed countries. "Of the fish that is consumed directly, most goes to people who already have enough food. Only a relatively small share goes to those who are at risk of undernutrition", says George Kent of Hawaii University pointing out the fact that people in developed countries consume more than four times as much fish as consumed in developing countries.

Fish cannot be replaced by anything else in the nutritional programme for the poor. Fish resources are well distributed all over the world and so fishery products are geographically within the reach of most consumers. Given the good nutrient properties of fish, its widespread availability means that it has a better potential for meeting special nutrient needs than other nutrient distribution systems, such as vitamin pills or fruitified foods. Also, a relatively small increase in total protein intake obtained by

adding a few grammes of fish protein to a cereal-based diet, greatly enhances the nutritional quality of the cereal protein.

The government has to demarcate the areas of small fishermen and industrial fisheries very clearly. Malnutrition problems can in no way be solved except by providing fish at prices which the poor can afford. This can be done by the small-scale fisheries sector who have the capacity to keep their overhead costs low, provided they do not have to compete with hawlers. Any good fisheries programme should be able to pass five major tests as devised by Galhug contributing more protein to the most needy, leading to better standard of living for fishermen, contributing to more egalitarian social structures, strengthening the ecological balance and protect aquatic life.

To give the fisherfolk a hope for the future, it must be remembered that the crux of the fisheries policy is their welfare and not the short-term maximisation of foreign exchange; to protect aquatic life and the life of the fisherfolk, instead of short-term appeasement measures, which in some cases actually create cleavages between the better-off fishermen and their less privileged brethren, a clean break with the past is imperative, and a new beginning.

To fight for their right for existence the traditional fisherfolk had organised a nationwide fisheries bandh on February 4, 1994. No fishing vessel ventured into the sea and the whole sale and retail markets remained closed. In June 1994, the representatives from the nine coastal states met in Kochi and formed the National Fisheries Action Committee against joint ventures under the chairmanship of Thomas Kocherry. The Committee has demanded cancellation of all licences issued to joint ventures. As per the decision taken by the committee, July 20 was observed as Black Day in all the coastal states. The committee had decided to launch an indefinite all-India fisheries strike from November 23, 1994. Foreign fishing vessels were not permitted to come to the ports for refuelling.

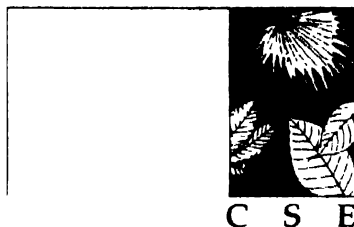
In their memorandum addressed to the prime minister, the National Fisheries Action Committee has given a clear statement of their opposition against the new deep sea fishing policy. Their reasons are the following: The policy is destructive since it would mean loss of control over the nation's resources. The government will have no way of knowing the size and the nature of the catch and catch values. It will be thus difficult to monitor the depletion of marine resources. The foreign vessels are likely to overfish and a large number of species will be wiped out. Moreover, since foreign fleets have highly specialised technology, the skilled jobs will be occupied by foreigners. Only a few menial tasks like those of a deck-hand and cook will be available for India labour. There will be no need for shore-based jobs

since processing, grading and packaging of products will be done on board the ship.

Since these fishing activities are 100 per cent export-oriented, the Indian people will be denied fish for domestic consumption. Fish provide 29 per cent of the animal protein eaten in Asia. Pressure from foreign fleets and export-driven policies will mean that even as the catch increases, there is lesser supply of fish for domestic consumption. Many varieties of fish included in the Indian diets are exported to make fish meal and animal feed. There are now cases of Vitamin A deficiency even among children in fishing villages. This problem would not have occurred if fish was available for domestic consumption.

The National Fishworkers' Forum has therefore urged the government to reconsider

its deep sea fishing policy. They are in favour of a new policy which would give more importance to the small-scale fishermen for the harvesting of the deep sea resources. Incentives in the form of subsidies and credit should be provided for the fishermen. The government should also ensure supply of fish for domestic consumption. All round efforts should be taken to maintain India's marine wealth at sustainable levels. Overfishing should be avoided and there should be no depletion of our marine resources. Will the government pay heed to the just demands of the fishermen? Is there hope for our seas? Should we wait till things become unmanageable and then pronounce that it is now necessary to have a total ban on all fishing for some years?



The Centre for Science and Environment an established research institute is now developing its library and information services unit into a more vibrant outreach centre. The Centre needs to augment its senior team to manage this unit.

ASSOCIATE DIRECTOR (INFORMATION SERVICES)

Will be overall incharge of the development and management of the environmental resources unit; must be a professional in information sciences; have at least 5 years experience in senior position combining administrative as well as documentation skills. Candidates with exposure to electronic mail, and in dissemination of information services will be given preference.

DOCUMENTATION COORDINATOR

Must also be a professional in information sciences with at least 3 years experience in senior position.

DOCUMENTATION COORDINATOR (AUDIO VISUAL RESOURCES)

Will be incharge of development and management of the audio-visual resources; slides, photographs, video etc. Candidates with experience with multi-media documentation will be given preference.

Salaries and benefits will match the best in industry. Apply with full details to:
Deputy Director,
Centre for Science and Environment,
41, Tughlakabad Institutional Area,
New Delhi - 110 062.

January 1995

China's Tryst with Globalisation
Nirmal Kumar Chandra

Transnationalisation of Third World State
and Undoing of Green Revolution
Meera Nanda

Expectations, Macrofoundations, Policy Ineffectiveness
and Culture. A Methodological Detour
Abhay Pethe

Nature of Capitalist Transformation: Continuing
Relevance of Marxism
James Petras
Chronis Polychroniou

Reconsidering Postmodernism: What Is
New in the Old Lamp
Gurpreet Mahajan

REVIEW OF POLITICAL ECONOMY

China's Tryst with Globalisation

Nirmal Kumar Chandra

This paper attempts to show how, rejecting neoliberal diagnoses on many occasions, China has created a transitional economic system that combines in a most original way seemingly contradictory elements of central and local planning, the domestic market and a relatively small window looking out into the world outside. If the mix was very much of their own concoction, the Chinese have learnt copiously from their own past and from the USSR as well as their own neighbours such as Japan, South Korea and Taiwan. The author's objective is not so much to chronicle the story, but to look for policy recipes for others, both developed and developing countries, underscoring the counter-productive nature of the neoliberal dogma.

CHINA is the latest, *fin de siècle* economic miracle from east Asia to have dazzled the world. Between 1965 and 1990 her national income (net material product) at constant 1985 prices increased six-fold. In 1980-92 the per capita GNP galloped at 7.6 per cent per annum, surpassed only by South Korea's 8.5 per cent. China's export in \$ billion jumped from 2.6 in 1965 to 91.8 in 1993, while imports soared from 2.1 to 104 over the same period. The object of this essay is not so much to chronicle the story, as to look for policy recipes for others. However, policies at one point of time cannot be examined in isolation from what happened before, unless one is a faithful member of the neoliberal fraternity for whom there is only one standard set of prescriptions to cure all ailments irrespective of historical time and geographic space. On several occasions in the following pages I take issue with neoliberal diagnoses on China, showing why these were rejected, and in the process was created a transitional economic system that combines in a most original way seemingly contradictory elements of central and local planning, the domestic market, and a relatively small window looking out into the world outside. If the mix was very much of their own concoction, the Chinese learnt copiously from their own past, and from the USSR as well as neighbours like Japan, South Korea and Taiwan.

The paper is divided into two parts. Part A scrutinises in some detail the external transactions of China since 1982 to the present. Section I shows how the country has of late become very important for the rest of the world in providing opportunities for investment, hogging the attention of western media. Sections II to VII examine at length the components of China's balance of payments (BOP), and it is shown that China had basically followed a strategy of balanced trade, equilibrium in current account, and parity between the inflows and outflows of capital. The question of capital flight from China is taken up in Section VIII.

Part B of the paper seeks to piece together the contours of the transitional economic system. After underlining the continuity and change between the cultural revolution

and the present phase of Reform in Section IX, current policies in respect of import, foreign investment, local enterprises and local planning, and central planning and state-owned enterprises, are analysed in the next four sections; parallels with contemporary India are drawn on a number of occasions to highlight the contrasts. Section XIV explores China's tactics in the

ongoing negotiations on her entry into the GATT

The concluding section begins by noting the dark clouds looming over the horizon which may erupt in a social turmoil. Finally, I draw a few lessons from China's experience, for both developing and developed countries, underscoring the counter-productive nature of the neoliberal dogma.

PART A: EXTERNAL TRANSACTIONS

I

Lure of China

That China has been importing capital on a large scale since the early 80s is a story familiar to all. Data from the world bank's *World Development Report (WDR) 1994* are reproduced in Table 1. The absolute size of China's total debt in 1992 was smaller than that of a number of countries including India, but the increase in 1980-92 by nearly \$ 65 billion overshadows that for every other country barring Russia, which is a special case insofar as it inherited all debts and assets of the erstwhile Soviet Union. As for long-term debts, the outstandings at the end of 1992 were again somewhat lower in China than in a number of others, but the rise over 1980-92 is the highest, leaving aside Russia.

Turning to aggregate resource inflows in 1992, including grants, loans and foreign direct investment (FDI), China occupies the pre-eminent position (Table 1A). As much as \$ 22.6 billion were pumped into China, or 50 per cent more than into Russia, over 100 per cent *vis-a-vis* Mexico (in anticipation of the NAFTA), and so on. China's share in the total inflow into all non-OECD countries (\$ 139.4 billion) was about one-sixth. In respect of FDI, China dwarfed everyone else by a bigger margin, with \$ 11.2 billion coming in, she was way ahead of Mexico, Argentina and Thailand, and accounted for nearly 28 per cent of the total for non-OECD countries.

During 1993 the inflow into China shot up to dizzy heights. According to the Chinese minister of planning (*Beijing Review*, April 11, 1994), 'foreign capital used' jumped to \$ 36.8 billion, or a 91.5 per cent increase over the previous year. The implicit figure for 1992 in \$ 19.2

billion which is less than that in Table 1A by \$ 3.4 billion, suggesting a lack of full compatibility between the two sources. But the underlying trend is unmistakable. FDI into China amounted in \$ billion to 25.8 in 1993 and 11.2 in 1992, according to the Chinese estimates, the latter coincides with the figure in Table 1A. While data for other countries are awaited, there is little doubt that China accounted for much larger shares in 1993 over those in 1992, of both aggregate resource inflow and FDI.

According to a Chinese official, actual FDI during the first half of 1994 was \$ 14.7 billion or 55 per cent above that in 1993, but 'foreign investment contracted' was \$ 4.4 billion or down by 25 per cent. The fall was attributed mainly to the real estate sector accounting for 38 per cent of the 1993 contracts. Of late, the government disallowed tax-free import of cars by joint ventures (up to 10 per cent in some regions) which had no foreign capital at all (*Reuter* report in *Business Standard*, August 8, 1994). In some special Economic Zones, according to *The Economist* (August 6, 1994, p 57), one could earlier pledge just \$ 3,00,000, deliver a bare 5 per cent of this sum, and import duty-free cars. One joint venture in printing brought in equipment worth \$ 50,000, but declared its value at \$ 2.5 million. Besides, 'a good part' of inward FDI was really from domestic investors who persuaded officials to attribute it to various Hong Kong holding companies (see below). Hence the fall in the value of contracts may not signify much. The latest figures show FDI in January-September 1994 at \$ 22.7 billion, or 49 per cent above that in the corresponding months last year. China is already the world's second-most important destination of FDI, eclipsed by the US with \$ 32 billion in 1993; soon China is expected to emerge

at the top (*Reuter report in The Economic Times*, November 28, 1994, p 2).

One way of assessing the importance of FDI is to compare the annual inflow to gross fixed capital formation (GFCF) in the country. This percentage, according to the UNCTAD's *World Investment Report 1994* (Annex Table 5), was insignificant during 1981-85, averaged 2.1 during 1986-90, and rose to 3.1 in 1991. The same *Report* (Annex Table 3) also indicated the stock of FDI at \$ 29.7 billion at end-1992. As shown later, estimating the stock from the cumulative inflows into China is apt to be misleading; so is the ratio of inward FDI to GFCF for China. It would be equally wrong to infer that 'foreign' saving through FDI contributed 3.1 per cent of total savings in the early 1990s; for, China's outward FDI was also very large, and the net foreign contribution was probably negligible, if at all positive. Despite this caveat there is no gainsaying the fact that inward FDI plays a major role in China from a qualitative rather than a quantitative perspective.

II BOP and Reserves

If a country is a net importer of capital over a period, accounting rules suggest that it should have, (a) a deficit in the current account of the BOP, usually with a trade deficit as well, and (b) a surplus in the capital account to neutralise the last. The cumulative totals, as shown in Table 2, tell a different story. In presenting the data, I have used the sub-periods, 1982-84, 1985-89, and 1990-92, taking into account the signs of the current account balance; the latter was consistently positive for each of the years during the first and the last sub-periods. Except for a small surplus in 1987, there was a deficit in all other years during 1985-89. The trade deficit over the whole period, 1982-92, amounted to just \$ 5.5 billion, while the current account, inclusive of 'unrequited transfers' of \$ 5.3 billion, showed a surplus of \$ 18.2 billion; during 1990-92 the current account surplus was astonishingly high at \$ 31.7 billion. Evidently, the trade balance is less reliable than the current account balance in assessing the 'need' for foreign capital inflows. Thus a developing country with substantial inflows from tourism or migrant workers remitting a part of their earnings abroad, can live with trade deficits without getting into the external debt-trap.

What does the capital account in Table 2 show? Excluding foreign exchange reserves (Reserves), the capital account was positive at almost \$ 44 billion in 1982-92; including Reserves, the surplus dwindles to a mere \$ 4.2 billion, as the former went up by \$ 39.7 billion. The major (net) capital inflow took place in 1985-89 when the current account had a massive deficit of \$ 26.3 billion, the

capital account, excluding Reserves, had a surplus of \$ 31.8 billion, and Reserves went up by \$ 2.2 billion; these appear to be quite plausible. A dramatic change took place in the three years, 1990-92, when the corresponding figures in \$ billion were all positive at 31.7, 11 and 24.5 respectively. Thus in this last triennium China had an exceptionally large current account surplus, a moderate one in respect of capital account (less Reserves), and a huge build-up in Reserves. In fact, the Reserves stood at nearly \$ 44 billion at the end of 1991, and were run down by only \$ 2.1 billion during 1992. Actually, from July 1992 the foreign exchange holdings of the Bank of China were no longer considered part of the Reserves which dropped to just \$ 20.6 billion at the end of the year (*IFS Yearbook 1993*). It can be estimated that in 1991 the reserves with the central bank, People's Bank of China, were \$ 22.7 (= 20.6 + 2.1) billion, and hence those of the Bank of China totalled \$ 21 (= 43.7 - 22.7) billion.

What happened to the assets of the Bank of China? Obviously, these funds have been deployed abroad. Once these were taken out of the Reserves, the BOP should have reflected a corresponding increase in China's foreign assets on some other head in 1992; but it does not. Apparently, this enormous sum was simply taken out of the sight of all but the Chinese authorities. But not for the US Treasury which still puts China's current Reserves at \$ 49.9 billion. As expected, the Chinese authorities have dismissed the claim and stick to the lower figure cited earlier (*Beijing Review*, August 22, 1994, p 5). A glance at the Reserves of different countries shows that only Germany, US, Japan and probably Taiwan, held larger sums than China in 1991, and the same would be true for 1992 if the latter's 'hidden assets' were reckoned with (*IFS*, November 1993).

Three further points may be noted. Firstly, over 20 per cent of Hong Kong's currency notes are actually circulating in south China, while a total of about US \$ 6 billion is held as deposits in Hong Kong banks by Chinese banks, though the Hong Kong Monetary Authority does not consider these funds to be controlled by the Chinese government (*Financial Times* report in *Business Standard*, July 23, 1994). Secondly, the Bank of China and its affiliates in the territory constitute the second largest banking group in Hong Kong; the bank was authorised earlier this year to print notes worth HK \$ 3 billion, or 4 per cent of the total in circulation (*Beijing Review*, May 9, 1994, p 6). Thirdly, China's Reserves are likely to go up substantially once Hong Kong ceases to be a British colony. The fiscal surplus, according to Hong Kong's budget forecast, will amount to HK \$ 141 billion in March 1998, while land sales will add another HK \$ 128 billion;

or a total of about US \$ 37 billion will accrue to China (*FEER*, March 17, 1994, p 18).

While I have so far utilised the BOP current account data, the US government believes that the export figure of \$ 69.6 billion for 1992 understates the 'true' magnitude, estimated from partner countries' imports, by as much as \$ 9 billion or by nearly 13 per cent (*Reuter report, Business Standard*, July 23, 1994). As argued later, this may not be the appropriate procedure for China.

III Loan Capital

To what extent does the BOP capital account explain the rise in China's long-term external debt as estimated by the World Bank and shown in Table 3? The debts increased between 1981 and 1992 by \$ 52.7 billion. Regarding the capital account of the BOP (Table 2), I consider the following long-term debt inflows: drawings and repayments on other loans received by resident official sector (65 and 66), drawings and repayments on other loans received from deposit money banks (74 and 75); drawings and repayments in respect of suppliers' credit obtained by China (81 and 82); and portfolio investments (53 and 58). The figures in parentheses refer to the IMF code or line numbers. For different periods these BOP totals (in \$ million) are compared to the World Bank estimate of long-term debt flows as follows.

	BOP	World Bank	Difference
	(1)	(2)	(1-2)
			(3)
1982-84	2,560	905	1,655
1985-89	26,028	30,864	-4,836
1990-92	4,973	21,432	-16,459
1982-92	33,561	53,201	-19,640

The average annual gap between the two estimates was moderate at \$ 550 million in 1982-84, turned negative at almost \$ 1 billion in 1985-89, and rose steeply to \$ 5.3 billion in 1990-92. What does the gap represent for the years since 1985? The BOP data on loans received by the official sector have corresponding entries on official loans extended by China; similarly, those on suppliers' credit from abroad are matched by export credit from China. I suspect that figures on long-term banking capital do not correspond to the common sense meaning of the items, and may include transactions of banks owned by China, but incorporated abroad, especially in Hong Kong. Loans from bank branches in the mainland to the head offices in Hong Kong would appear with a negative sign in the capital account, and could hence be set off against loans received by China from foreign banks based in OECD countries. Only the latter, but not

the former, are reported in the *World Debt Tables (WDT)* or in the publications of the Bank for International Settlement (BIS) and the OECD. This is admittedly a crude guess, and the exact mechanism may be quite different.

If one is to trust both the World Bank debt statistics and the Chinese BOP, the gap can only represent the 'hidden' long-term foreign assets built up by China, totalling nearly \$ 20 billion during 1982-92; the overwhelming bulk of the outflow took place in 1990-92.

Long-term loans extended (net of repayment) by China are shown in rows (4ai) of Table 2. The net outflows on these heads in \$ billion were 1.4 in 1982-84, 2.1 in 1985-89, 3.5 in 1990-92, and 7 in 1982-94. Thus in respect of long-term loans, against China's liabilities at the end of 1992 of \$ 58.5 billion, the assets should have been around \$ 27 billion, i.e. the sum of 'hidden' outflows and the declared volume of net loans to foreign countries.

Regarding short-term capital, the World Bank reports China's debt at nil for the years up to 1982, which rises in \$ billion to 5.6 in 1984, 6.9 in 1989, and 10.8 in 1992; barring a couple of years, there is a moderate, but steady, increase over the period. From the BOP figures in Table 2, it is not possible to unscramble the inflows as recorded by the World Bank, from the outflows; the overall net outflows in \$ billion were 2.1 in 1982-84, 1.3 in 1985-89, and 3.7 in 1990-92, totalling 7.1 over 1982-92. It follows that the cumulative outflow (gross outflow less repayments) of short-term capital from China was \$ 17.9 (= 7.1 + 10.8) billion, which was partly offset by outstanding liabilities to foreign-owned banks, etc., to the tune of \$ 10.8 billion at the end of 1992. As with long-term capital, most of the short-term outflows were concentrated in 1990-92.

Combining the long- and short-term outflows in the form of loans, 'hidden' or otherwise, China's foreign assets under these two heads amounted to nearly \$ 45 (= 27+18) billion at the end of 1992. I looked at the

BIS-OECD estimates of China's total debt over the years 1983-88; the former exceeded the World Bank's by a significant margin. Thus in 1988 the former put total debt in \$ billion at 49.7, including 16.5 of short-term debt; the corresponding World Bank estimates were 42.4 and 8.8 respectively. The major discrepancy lies in the size of short-term debt. If the gap persisted till 1992, the higher estimates would imply that China had a bigger stock of both foreign assets as well as liabilities. If the OECD estimates are preferred, China's foreign assets would well exceed \$ 45 billion in 1992.

IV

Investment Incomes

Next, consider the income flows in the current account due to investments, long-term as well as short-term, but excluding inward or outward FDI. The World Bank's *WDT* indicate interest payments by the borrowing countries separately for long-term debts, IMF charges, and short-term debts. But the BOP provides a different classification from which these items cannot be segregated; hence only the overall investment (non-FDI) income outflows can be compared to the World Bank's.

The BOP outflows were generally smaller than the World Bank estimates till 1989. In \$ million the former totalled 1,859 in 1982-84, and 7,188 in 1985-89 against the latter's 2,641 and 9,458 respectively. In 1990-92 the BOP estimate was slightly higher at \$ 10.8 billion against \$ 10.3 billion of the World Bank.

What is remarkable is that the inflows of income from non-FDI investments in the BOP generally exceed the outflows noted above, barring, just 4 years, viz. 1986-89. If one takes the sub-periods as before, the net inflow amounted in \$ billion to 2.6 in 1982-84, 0.25 in 1985-89, 1.9 in 1990-92, and 4.7 in 1982-92. If the BOP data on outflows were replaced by those of the World Bank, there would still be a net inflow in \$ billion of 1.8 in 1982-84, -2.0 in 1985-89,

2.7 in 1990-92, and 2.5 in 1982-92. In other words, in most of the intervals China earned more than she paid out. There are very few, if any, developing countries in a similar situation. It implies either that China's foreign loan assets have generally exceeded her debts, or that the former earned significantly higher rates of return than the latter.

Neither hypothesis can be dismissed lightly. It is evident from the earlier sections that a good part of China's loan assets abroad are 'hidden' and another sizeable part consists of funds that are unlikely to have been deployed in low-yield but risk-free Treasury bills, etc., of OECD countries. Assuming that all her Reserves of \$ 20.6 billion were tied up in this way, the latter would constitute no more than 20-25 per cent of her total non-FDI assets.

As for China's own debts, the overwhelming bulk of these were contracted at market rates, the share of concessional loans, i.e. bilateral development assistance and aid from multilateral agencies, in the total being rather small. According to the World Bank, this percentage rose from 8.3 to 15.2 during 1983-89, and further to 16.5 in 1992. It is worth noting that the share of 'official' creditors (i.e. inter-governmental and multilateral loans) in the total was somewhat higher than that of concessional loans and ranged between 21.1 per cent and 24.4 per cent during 1983-89 (*WDT*, and *WDR*, various issues.) Not all official loans were on concessional terms.

The upshot of the discussion is that the rates of return on China's loan assets abroad could not far exceed those on her own debts. Considering that the net income flows on this score were generally positive, especially since 1990, it is unlikely that China's assets were much lower than debts for most of the period.

V

Inward FDI

China, as seen before, has the largest inflow of FDI. As the BOP inflows are net of capital

TABLE 1 DEBTS OF SELECTED HIGHLY INDEBTED COUNTRIES

(\$ million)

	Stock of Debt		Increment in Debt	
	Total 1992	Long-Term 1992	Total 1980-92	Long-Term 1980-92
Argentina	67,569	49,079	40,412	32,305
Brazil	121,110	99,247	50,098	41,781
China	69,321	58,475	64,817	53,971
Egypt	40,018	36,425	19,103	19,948
India	76,983	69,226	56,401	50,546
Indonesia	84,385	66,180	63,441	48,011
Malaysia	37,193	28,975	7,848	15,180
Mexico	113,378	82,894	56,000	41,679
Poland	48,521	43,169	39,627	36,575
Russia	78,568	64,703	76,328	62,463
Thailand	39,424	24,697	31,127	19,051

Source: World Bank

TABLE 1A AGGREGATE NET INFLOW OF RESOURCES (ANIR), INCLUDING NET FOREIGN DIRECT INVESTMENT (FDI), SELECTED COUNTRIES, 1992

(\$ million)

	ANIR	FDI
Argentina	5,019	4,179
Brazil	7,151	1,454
China	22,628	11,156
Egypt	459	2,979
India	4,460	151
Indonesia	7,711	1,774
Malaysia	5,297	4,118
Mexico	10,309	5,366
Poland	933	678
Russia	14,401	
Thailand	3,836	2,116

Source: As above.

repatriation, the cumulative total at the end of 1992 was \$ 33.8 billion. In 1993 there was a quantum jump by \$ 25.8 billion, signifying a 2.3-fold rise over the 1992 inflow or a 57 per cent rise in the stock in the course of the year. China has also a very sizeable outflow, totalling \$ 9.4 billion in 1982-92, of which \$ 4 billion went out in 1992 alone.

As against the BOP figure, the Chinese minister for foreign trade and economic co-operation put the amount of foreign investment at \$ 60 billion in early 1994 (*FEER*, May 2, 1994, p 6). The chief economist at the Research Institute of Japan's leading securities firm, Nomura, Chen (1994), put an even higher value of about \$ 75 billion; "since 1979 direct investment in China from Hong Kong, including foreign investment routed through the territory, has amounted to around US \$ 50 billion on an implementation basis – more than 60 per cent of China's foreign investment [emphasis added] My presumption is that the Chinese minister as well as Chen were not referring to FDI in the strict sense, but rather loosely, lumping together equity and loan capital for the foreign-funded projects, moreover the figures just cited may include Chinese contribution to the joint ventures

The accounting system of China in respect of FDI is very different from that of other countries. The current account items (IMF line codes 11 and 12) on 'reinvested earnings' in the BOP are uniformly blank; those on 'other direct investment income' (codes 13 and 14) are paltry at \$ 125 million for outflows and \$ 75 million for inflows over the whole period, 1982-92. Dividend inflows in 1990-92 were nil, and the outflows in 1992 was just \$ 22 million, i.e., a return of 0.1 per cent on the accumulated stock at the end of 1991. None of these figures is plausible. It suggests that returns to FDI in China take a somewhat 'devious' route, which needs a deeper probe.

The very fact that there is almost an avalanche of FDI into China rules out the possibility that the profit rates have been low. According to one estimate, 'the rate of success of corporate ventures' (defined as meeting the original profitability forecasts) in Shanghai is 94 per cent, and as many as 28 of the 100 largest global firms are carrying on business in that city. A survey by the US China Business Council found that 46 per cent of American businesses in the whole country earned higher than expected profits against a mere 7 per cent that were disappointed (*FEER*, June 23, 1994, p 55).

How were the profits repatriated? In the absence of disclosure by the Chinese authorities or foreign investors, one can only make informed guesses. In his context, one may refer to two recent reports. (a) A 1993-survey by the Federation of Hong Kong Industries which counts some of the colony's

biggest manufacturers among its 2,000-odd members, found that despite rampant corruption and chaos in China's regulatory framework, 90 per cent of its member companies put up factories in Guangdong province with an investment of \$ 2.2 billion, and a workforce of 7,25,000. The report adds, "Hong Kong's cumulative investment in Guangdong totals US \$ 17 billion or about 80 per cent of all foreign investment there" (*FEER*, September 23, 1993, p 78). (b) According to another report, out of 7,000 joint ventures in Guangdong, many exist only on paper; the same owners simply form new companies every time the two-year tax holiday runs out" (*FEER*, November 25, 1993, p 52).

As for (a), what was the value of net investments by the Hong Kong companies – \$ 2.2 billion or \$ 17 billion? The implicit value of investment per worker would be either \$ 3,034 or \$ 23,448. According to Lardy (1992), the mean capital per worker in the five export sectors of China, viz., apparels, textiles, miscellaneous manufactures, telecommunication and sound recording equipment, amounted to 13,991 yuan in the early 1990s; converted into dollars at the prevailing exchange rate, Lardy's estimate gives credence to the lower figure on Hong Kong's investment in Guangdong.

It follows that although inward FDI in the BOP (Table 2) or *WDR* is presented as 'net

inflow', it would be misleading to consider the cumulative inflows over the years as the end-period stock. After all, the Hong Kong firms just cited accounted for more than one-half of the cumulative inflow of \$ 33.8 billion into the whole of China till 1992. One reason behind the liquidation of 'old' FDI, which is never reflected in the BOP, is cited in (b) above

Certain other practices reinforce this conjecture. Many foreign companies in China have complained about the fuzzy regulations to discourage profit repatriation. Further, Japanese firms which greatly expanded their investment in China from under \$ 400 million in 1991 to over \$ 1,000 million in 1993, reported that they faced demand for 'foreign exchange balance' from the Chinese side (*FEER*, September 9, 1993, p 46).

I guess that the (implicit) income flows related to FDI are incorporated in merchandise trade figures with tacit support from the Chinese authorities. Indeed, foreign ventures, wholly or partly owned by foreigner, account for a significant and increasing part of China's overall trade. According to Kueh (1992), the three types of 'sanzi', viz., equity and contractual joint ventures, and wholly foreign-owned firms, had combined percentage shares of 5.2, 9.2, 12.6 and 16.8 in China's total exports from 1988 to 1991; the corresponding figures for import were 14.3, 19.7, 23.6 and 26.6,

TABLE 2 CHINA'S BALANCE OF PAYMENTS, 1982-92

	(\$ million)			
	1982-84	1985-89	1990-92	1982-92
I Current A/C	11380	-27916	29410	12874
1 Trade balance	6253	-34859	23091	-5515
a Exports, fob	65737	169872	180006	415615
b Imports, fob	-59484	-204731	-156915	-421130
2 Investment income net	2609	230	1856	4695
a Receipts ^a	4469	7464	12694	24627
b Payments ^a	-1860	-7234	-10838	-19932
3 Other invisibles, net	2520	6713	4463	13696
4 Transfers	1439	1646	2260	5345
II Capital A/C	1097	31772	11037	43906
1 FDI: outward	-271	-3354	-5743	-9368
2 FDI: inward	2323	12435	19009	33767
3 Portfolio ^d	144	6342	-63	6423
a Public sector bonds	0	1423	-1021	402
b Other bonds	144	4919	958	6021
4 Long-term capital				
a Office sect, net	1073	14258	1880	17211
i Net loans given ^e	-1163	-658	-3515	-5336
ii Net loans taken ^f	2236	14916	5395	22547
b Banks ^g	-468	4033	-1683	1882
c Other sectors ^h	387	-687	1379	1079
5 Short-term capital				
a Official sect	-857	713	25	-119
b Banks	12	-699	237	-450
c Other sectors	-1245	-1269	-404	-6518
III Reserves	-12969	-2190	-24524	-39683
IV E and O	-947	-3312	-18183	-22442

Notes: a IMF codes, 13, 15, 17 and 19; b Codes 14, 16, 18, and 20, c Codes 3-10, 27, 28, 31 and 32; d see the text; e Codes 62 and 63; f Codes 66 and 67; g Codes 74 and 75; h Codes 77, 78, 81 and 82

Source: IMF, *Balance of Payments Yearbook*, various issues

respectively. Lardy's (1992) table on exports through joint ventures tells a similar story: the value in \$ billion rose 1.2 in 1987, to 4.9 in 1989, and 12.1 in 1991, the percentage vis-a-vis total export (Table 2) being 3.4, 11.3 and 20.5 in the same years. Ash and Kueh (1993, p 725) have shown that total export from Guangdong province increased in \$ billion from 8.2 in 1989 to 13.7 in 1991, the percentage shares of FDI-related export being 36 and 45, respectively, the corresponding totals for import were 4.8 and 8.5, with the percentage shares at 40 and 53, respectively.

Furthermore, decisions on export, import, FDI, etc. are highly decentralised in China; the power of the central authorities may well be weaker than in most countries. Not individual enterprises, state-owned or private, but rather local authorities from the provinces down to the townships have acquired enormous power of late (Section XII below).

I visualise the scenario as follows. In the export of textiles, garments and a host of light engineering products, overseas Chinese firms play a major role. Consider a Hong Kong capitalist entering into 'co-production' or 'joint venture' with a Chinese partner over a finite period; the equipment are imported into China as inward FDI in the capital account, and merchandise import in the current account, but the agreement does not typically provide for capital repatriation at the end of the contract period. The Hong Kong capitalist could realise profits by overcharging for the machinery supplied to

the joint venture, and under-invoicing exports. In the early 1980s, many joint ventures had a life-span of 10 years with no provision for automatic renewal (*FEER*, September 1, 1994, p 53). Out of a total of 145 Taiwanese investment in Xiamen province in 1988-89, Luo and Howe (1993, p 757) found that 'life terms' of FDI ranged from 10-19 years for 45 firms, 20-29 years for 35 firms and over 30 years for 45 firms. The average term was shorter in the earlier period. Further, some 60 per cent of China's export to the US is routed through Hong Kong (*FEER*, March 17, 1994, p 18), enabling Hong Kong businessmen to add on a profit margin.

What about other types of joint ventures of a long-term nature? so long as these are engaged in export, profits can be earned as before through appropriate pricing of the initial import of goods and recurrent exports. The scenario should be no different for import-substitution activities, e.g. foreign firms in soft drinks, automobiles, steel, etc. Since these firms typically import raw materials and/or components from year to year, the authorities may allow them to overcharge in lieu of profits for their operations within China, or, they may be compelled to earn their profit through counter-trade.

If the story just painted broadly conforms to the Chinese reality, then there is no need for separate BOP entries on dividend outflow and reinvested earnings. Does it also imply that the BOP values of export (import)

significantly understate (overstate) the 'real' values, in the sense that the same goods would fetch (cost) much more (less) if trade took place with unrelated firms from abroad? Apparently, that is the case: the extent of distortion is measured in some studies by examining trade data from partner countries, as noted below. But then Chinese firms may have lacked access to OECD markets; without a margin for, say, the Hong Kong partners, such exports may not have taken place at all. As for 'overvalued' imports, the loss on this score have to be balanced against the alternative of dividend outflow and capital repatriation. The desirability or otherwise of the current practice from China's standpoint can hardly be established in the absence of more information which may never be available. If one recalls that FDI in developing countries generally lead to a huge drain of resources, the merits of the Chinese system is all too apparent, especially in the context of decentralised decision-making. Since foreign exchange balance is stipulated for each project, it obviates the need for cumbersome monitoring by Beijing of repatriation of dividend or capital. It is not surprising that foreign investors and their home governments are voluble critics of this stipulation.

VI Outward FDI

On the other hand, the actual stock of Chinese FDI abroad may well exceed by a

TABLE 2A. CHINA'S ANNUAL BALANCE OF PAYMENTS, 1982-92

(\$ million)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
I Current A/C	5822	4487	2509	-11417	-7034	300	-3802	-4317	11997	13272	6401
1 Trade balance	4249	1989	14	-13123	-9140	1661	5315	-5620	9165	8743	5183
a Exports, fob	21125	20707	23905	25108	25756	34734	41054	43220	51519	58919	69568
b Imports, fob	-16876	-18717	-23891	-38231	-34896	36395	-46369	-48840	-42354	-50176	-64385
2 Investment income net	255	1017	1338	708	59	-161	-301	43	923	771	162
a Receipts	1054	1466	1950	1517	1116	1180	1606	2045	3124	3834	5736
b Payments	-799	-449	-612	-809	-1175	-1341	-1907	2002	-2201	-3063	-5574
3 Other invisibles net	836	968	716	755	1786	1898	1395	879	1635	2927	-99
4 Transfers	486	511	442	243	379	224	419	381	274	831	1155
II Capital A/C	209	650	239	8971	5944	6001	7133	3723	3255	8032	-250
1 FDI outward	-4000	-44	-93	-134	-629	-450	-645	-850	-780	-830	-913
2 FDI inward	429	636	1258	1659	1875	2314	3194	3393	3487	4366	11156
3 Portfolio	41	20	83	3027	1568	1051	876	-180	-241	235	-57
a Public sector bonds	0		0	2263	-40	-140	-340	-320	-241	-330	-450
b Other bonds liab	41	20	83	764	1608	1191	1216	140	0	565	393
4 Long-term capital											
a office sect net	41	398	634	1115	4090	1309	3166	4578	3013	2236	-3369
i Net loans given	-473	-388	-302	-104	145	151	-729	-121	-116	-48	-3351
ii Net loans taken	513	786	937	1219	3945	1158	3895	4699	3129	2284	-18
b Banks	-546	32	46	2171	1605	1665	671	-2079	447	1097	-3227
c Other sectors	487	179	-279	-642	449	95	0	309	577	649	153
5 Short-term capital											
a Official sect	-162	-220	-475	68	509	-112	198	50	-115	0	140
b Banks	44	-24	-8	2517	-3290	219	437	-582	-2762	558	2441
c Other sectors	-82	-278	-886	-315	486	105	-559	-986	-321	-196	-3487
III Reserves	-6325	-4787	-1857	2440	2408	-4783	-2374	479	-12047	-14537	2060
IV E and O	294	-350	-891	6	-958	-1518	-957	115	-3205	-6767	-8211

Sources and explanations: See Table 2

big margin in the cumulative outflows revealed by the BOP. The chief economist of Japan's Nomura Research Institute, Chen (1994) estimated China's 'existing direct investment' in Hong Kong at \$ 20 billion at the end of 1993 or double the level reached three years earlier. According to Merrill Lynch, another leading investment banker from the US, six Chinese firms that got listed at the Hong Kong Stock Exchange (SE), had a market capitalisation of about \$ 2.2 billion at end-1993; 22 pipeline cases may raise a further \$ 6 billion from the market. Among the backdoor listings (below) the most important was CITIC Pacific with a 1993 turnover of \$ 2.4 billion ('The 1994 Guide to World Markets', *Euromoney*, June 1994, pp 45-47). According to another recent study by Edward Chen of Hong Kong University, Chinese investments in Hong Kong "was more or less the same as that of Hong Kong investment in China. The British colony accounts for 65 per cent of total [foreign] investment in China" (*Reuter* report in *The Economic Times*, October 28, 1994, p 2).

The *modus operandi* of Chinese enterprises raising funds through the Hong Kong SE since October 1992 when nine of them were first listed, is described in an interesting report by Sender (*FEER*, February 10, 1994, p 50). Out of the nine, in early 1994 six shares were traded at a substantial premium over the initial issue price. Hong Kong has become the world's sixth largest exchange 'thanks partly to inflows of overseas orders', according to the SE's chief executive. Investors, however, face a risk. Disputes may arise when the "issuers come from a country that has no capitalist law and list in a place with a well-defined legal structure". Who exactly is the 'state' when it comes to the majority of newly created joint companies? One legal expert in Hong Kong confessed ignorance about 'who actually controls' the shares in China. The problem is compounded by the fact that relatively dormant 'shell companies' listed in the SE, are bought up by Chinese firms who thus gain backdoor entry into the SE. At the same time, there was widespread insider trading. Thus, for no apparent reason, the share price of Conic Investment shares soared 1.6 times on February 9, 1994 to a little over HK \$ 1; on April 28, against the prevailing market price of HK \$ 2.70, China Aerospace offered just HK \$ 1.4 per share, acquired the Shell company, and in the next couple of weeks its price shot up to a peak of HK \$ 7, Hong Kong regulators suspect that managers of mainland firms personally buy substantial stakes before the parent firm starts bidding. Since premiums of US \$ 12.8 million were common, the gain from insider trading was considerable. A vexed issue pertains to land-use rights in China; Chinese firms, it is widely suspected, grossly overvalue it in order to command large premiums in the SE.

Besides, land-use rights in China are quite complex. Can the Hong Kong regulators afford to maintain objective standards, losing in the bargain major clients to other SEs? Since September 1992 New York began listing Chinese firms without raising awkward questions faced by applicants from the US or elsewhere. The dilemma is all the greater if the Chinese firm is headed by a person with strong political connections. For instance, four major companies listed in Hong Kong, namely, China Asset Holdings, Poly Investments, China Venture Capital, and Concord Grand Holdings, are headed respectively by two sons-in-law, one daughter, and one son of Deng Xiaoping, and each major company had one or more affiliates in Hong Kong.

Another big name, Shougang Corporation, is China's steel-making giant and in the charge of Zhou Guanwu who had served under Deng way back in the 1930s. Its Hong Kong arm is headed by Zhou's son, Zhou Beitang, and controls six listed companies with a total market capitalisation of \$ 1.7 billion, and half-yearly sales in 1993 of about \$ 350 million. In some of its deals, Shougang allied with Deng Xiaoping's son, Deng Zhifang. The young Deng is an aspiring property developer who has teamed up with firms in Hong Kong sponsored by the People's Liberation Army, to build luxury villas. Shougang plans to build six shopping centres in China at a cost of \$ 250 million in a 50:50 partnership with one of Deng Zhifang's privately owned companies in Hong Kong. Shougang also plans a \$ 6 billion steel mill in China's Shandong province, of which 45 per cent will come from foreign investors (C Goldstein, *FEER*, February 10, 1994, p 54).

Another major player is China Resources Enterprise, it is listed in Hong Kong, had a turnover of \$ 6.5 billion in 1992, and acquired a 50 per cent stake in Hong Kong Chinese Bank in 1993. Closely linked to the Chinese ministry of foreign economic

relations and trade, it benefited from an injection of \$ 410 million from the parent over the years (*FEER*, June 16, 1994, p 61).

China International Trust and Investment Corporation, better known by its acronym, CITIC, occupies the pride of place among China's transnationals with total assets spread over US, Canada, Europe, Australia and Hong Kong, exceeding 80 billion yuan or about \$ 10 billion; it has a workforce of 30,000. It was founded 15 years ago by Rong Yiren who was already a well known capitalist in pre-liberation China, and has been a deputy of the National People's Congress for the last 40 years, including shorter spells as the Mayor of Shanghai and a central minister. A favourite of Zhou Enlai, Rong was specially requested by Deng Xiaoping in January 1979, to 'set aside other work and concentrate on economic construction centred on opening to the outside world, foreign exchange earning and exploring some new [a]venues for economic progress. Deng made it clear [that] China could make use of some useful capitalistic practices. He also appointed Gu Mu, then vice premier, to maintain direct contact with Rong to make sure things went smoothly. Whenever he met difficulties, Rong wrote letter to Deng, who always fully supported him by answering his letters with detailed instructions, and asking concerned departments to give Rong the green light.' In 1984 Deng presented an inscription to the CITIC, calling it 'a window of China's opening up to the outside world'. As for Rong's own philosophy, he once told his wife, "for me, the state always come first, the company second, and my family third." He has ceased to head CITIC, and became China's vice-president in 1993 (Wei, *Beijing Review*, August 29, 1994). The CITIC Pacific mentioned earlier, is a CITIC subsidiary, and holds 12.5 per cent of the equity in Cathay Pacific airlines, one of the world's largest; besides, it has a 46.2 per cent stake in Dragon Airways which is regional in

TABLE 3 CHINA'S EXTERNAL DEBTS AND INTEREST PAYMENTS
(\$ million and percentages)

	Total Debt	Long-Term Debt		Short-Term Debt	Interest Paid, All Debt
		Total	Concessional (Per Cent)		
	(1)	(2)	(3)	(4)	(5)
1980	4503	4503		0	" 318
1981	5797	5274		0	
1982	8359	5221	5.0	2300	823
1983	9609	5301	8.3	3984	821
1984	12082	6179	10.5	5600	997
1985	16722	9963	13.5	6419	1182
1986	23746	16598	14.6	6076	1063
1987	35034	25927	14.2	8221	1815
1988	42406	32588	14.7	8806	2195
1989	44812	36998	21.2	6907	3198
1990	52554	45319	21.4	6766	3142
1991	60851	50551	21.3	10300	3677
1992	69321	58475	19.6	10846	3520

character. In 1993 CITIC Pacific along with Swire Pacific, the major shareholder in Cathay Pacific, put in a \$ 2.2 billion bid for a real estate on the Kowloon island of Hong Kong (*FEER*, January 27, 1994).

Over the last decade or so, the Chinese military have set up at least 20,000 business ventures, primarily within the country, but also abroad. The earnings from this source is reported unofficially at 43 billion yuan, matching the country's defence budget. Poly Group Corporation is the main arms exporter for the People's Liberation Army (PLA). The latter's General Logistic Department (GLD) is the umbrella organisation. China Xinxing Corporation, a sprawling conglomerate under GLD, signed investment contracts worth \$ 1.2 billion in July 1993 at a Hong Kong exhibition. Firms under GLD earned over 6 billion yuan (over \$ 1 billion) in 1992, but many under-reported their income in order to evade payment to GLD; the audit report for the same year put unreported income at one-sixth of the total. The GLD firms have a large presence in Guangdong, and above all, in the Special Economic Zone of Shenzhen, next to Hong Kong. While few details of foreign operations have surfaced, the PLA has started many companies in Hong Kong, some of which are engaged in hi-tech activities. Ostensibly a CITIC subsidiary, Poly Group Corporation, actually belongs to GLD and is a major Chinese transnational with a revenue of \$ 1 billion in 1992; it has around 100 subsidiaries, and acquired in 1993 full control over two important Hong Kong companies in trading and shipping respectively. The president of Poly is a son-in-law of Deng Xiaoping, and another director is the son-in-law of Yang Shangkun, the former president of China (*FEER*, October 14, 1993, pp 64 ff).

"As foreign investment pours in, Chinese capital is flooding back out. Entrepreneurs and public sector managers seem in no hurry to repatriate offshore balances accumulated in the trade boom of past several years" (*FEER*, July 15, 1993, p 72). Other reports corroborate that China has accelerated the purchase of foreign assets, frequently paying above the market price. "Many Chinese companies are cash rich and can fund such acquisitions from their own working capital." Some like Sinochem and Sinopec have even bought real estate abroad (*FEER*, October 14, 1993, p 74). Prompted by the keen interest shown by the SEs in Hong Kong and New York, the Chinese companies are entering into the fray with a gusto. After all, the US alone has 50 million individual and 1,000 institutional investors (*FEER*, August 4, 1994, p 58).

Large amounts of hard currency funds are now at the disposal of Chinese firms which are set to acquire more. It is by no means clear how this will, if at all, be reflected in

China's BOP. Chinese firms can now raise funds abroad either on own account or through overseas subsidiaries. If these are not brought into China, and utilised, for instance, to expand the foreign asset base or promote China's export, these will not appear in the BOP at all. The funds would become inward FDI in the BOP if the proximate source was a firm incorporated abroad, e.g. a subsidiary in Hong Kong; or these may be shown as loans to the parent Chinese company, i.e. 'portfolio capital inflow'.

VII

Errors and Omissions in BOP

If all foreign exchange transactions are accurately recorded, then the sum of current account deficit (surplus) and of capital account surplus (deficit), inclusive of changes in Reserves, must equal zero. But this is too stringent a requirement; in practice, the sum is non-zero and is called 'errors and omissions' (E and O). Under 'normal' circumstances, E and O over a number of years ought to have opposite signs with a mean close to zero, analogous to the error term in regression analysis. So long as the E and O over a period is rather small in relation to the size of foreign exchange transactions, one can ignore it. An E and O of, say, \$ 5 billion, would be insignificant for the US, but not for a developing country. For many Latin American countries in the 1970s and 1980s the E and O was consistently negative and large, which was taken as an indication of capital flight.

In the case of China one reason why the E and O may not be negligible is that exports as well as imports are valued by the customs authorities on an f.o.b. basis, and not according to the payments and receipts recorded with the central bank. For instance, two sets of Indian official merchandise trade figures are available from the customs authorities and the Reserve Bank of India respectively. The difference is explained by leads and lags in physical shipments as against payments and receipts; some exporters may be fully reimbursed for the shipment only in the next accounting year, and similarly, some importers may have to make advance payment for consignment. Since in India's BOP only the Reserve Bank data on merchandise trade are incorporated, the size of E and O should not be affected by these leads and lags. Not so in China. Hence China should have a relatively larger E and O than India under 'normal' circumstances.

It is well nigh impossible to set a theoretical or *a priori* upper bound for E and O. One rule of thumb is to focus on the ratio of E and O to exports over a period, say, 3-5 years, and rule out 'abnormalities' when the ratio stays below a threshold, say, 2 per cent; if it is negative, and the absolute value exceeds 10 per cent, there is a strong

presumption that capital flight is taking place. Using these thresholds, one finds from Table 2A that China's E and O in \$ million ranged from 294 to -1,518 during 1982-89, rose steeply to -3,215 in 1990 and further to -8,211 in 1992. Over the sub-periods, the cumulative outflows in \$ million were 947 in 1982-84, 3,312 in 1985-89 and 18,183 in 1990-92, the corresponding percentages to total export being 1.4, 1.9 and 10.1, respectively. My tentative conclusion is that, except for an odd year or two, the relative magnitude of E and O was rather insignificant up to 1989, and the flight or export of capital through this route took serious proportions only since 1990.

What explains the extraordinary size of E and O in recent years? With rapidly expanding foreign exchange transactions, the statistical system which had never been too strong, may have been overstretched. This is not a sufficient explanation.

There is a strong presumption that corruption played a major role. According to the deputy Procurator, General Liang Guoqing, corruption "is now worse than at any other period since New China was founded in 1949. It has spread into the party and government administrations and every part of society." In 1992, the Chinese officials spent 17 billion yuan (\$ 2.95 billion) in travel and entertainment, according to the state-owned *China News Service*. In January-May 1993, state units spent over 14 billion yuan on vehicles alone. In the course of a much-publicised anti-corruption drive some 2,00,000 cases were sent for investigation in January-July 1993, yet few prosecutions took place (*FEER*, September 16, 1993, pp 16-17). Next, tax evasion by enterprises is rampant. By early 1993 some 300 tax consultants had entered the scene; shortly after China International Taxation Consulting was set up, some of China's leading companies became its clients, underlining the international dimensions of their activities. Authorities believe that unpaid taxes amounted to a colossal 100 billion yuan (\$ 17.3 billion) in 1992. According to one study, state enterprises did not pay half their dues, and the percentages were much higher at 60 and 80, respectively, for collective and private enterprises. 'High tax rate, many tax breaks, and light tax burden' - that is how an expert described the current system. While widely quoted official statistics indicate that 40-50 per cent of state enterprises are in the red, the actual story may be very different. The local authorities have the power to offer tax privileges, and they exercise it merrily since they are supposed to pass on their entire collection to Beijing. The enterprises in theory can retain no more than 10 per cent of their declared profits, which again encourages them to cheat. For instance, Shanghai Forever was declaring losses year after year, but

suddenly disclosed substantial profits just before listing at the Shanghai Stock Exchange. There was another firm which parked its earnings carefully in subsidiaries and went on expanding its businesses while the parent company's finances were in a poor shape (H Sender, *FEER*, November 25, 1993). The State Asset Management Bureau admitted that during the three years, 1991-93, 500 billion yuan (i.e., well over \$ 60 billion at the present exchange rate, or at least five times as much at the purchasing power parity of the two currencies) of state assets were channelled improperly into private hands (*FEER*, May 5, 1994, p 77). By comparison, India's stock exchange scam of 1992 pales into insignificance. No wonder that the moral fabric of Chinese society has been torn asunder. According to one report, the police is no more in control, mafias are spreading their wings, and the popular perception is, 'cops and robbers; they are of the same tribe'. The rich have their private security guards (*FEER*, June 6, 94, pp 22ff). Individuals with huge ill-gotten wealth must have taken a part of their capital abroad, reflected in high E and O.

But that may not be the whole story. Over 100 Chinese institutions were authorised to borrow abroad by 1993. They exercised it in such a hurry that a Japanese banker was reminded of Latin America in the early 1980s. The former also abused the funds so created (*FEER*, July 15, 1993, p 77). Moreover, state-owned enterprises may have also deferred the return flow of earnings abroad from export, etc, for a variety of reasons, including the accumulation of foreign assets. The picture, to say the least, is quite blurred.

VIII Capital Flight?

Capital flight from developing, especially the highly indebted countries, is a widely discussed topic. Although several Latin American countries have been in the limelight in this regard, it was by no means confined to that region. There has been speculation about China as well. The most startling was the allegation made in a Hong Kong newspaper, citing an internal document of the People's Bank of China, that 'mainland bankers had looted China of US \$28 billion' in 18 months till mid-1993. Sender (*FEER*, September 2, 1993, p 65) commented: "Given the amounts allegedly siphoned off, it was both hard to take it seriously - but harder still to dismiss."

F R Gunther of Lehigh University, US, conducted a study with support from the UN as well as China's ministry of foreign trade and economic co-operation on capital flight; his 'broad' estimates ranged \$15-25 billion in 1990 and \$13-28 billion in 1991; it should have risen in 1992 (cited by L Kaye, *FEER*, July 15, 1993, p 72). The range of the

estimates corresponds to two different measures of capital flight, of which one is followed by the World Bank and will be discussed shortly. A subsequent study by Gunther put capital flight at \$ 40 billion in 1993, "some of which may have roundtripped as part of the \$ 20 billion FDI into China" (*FEER*, March 1994).

The World Bank has estimated capital flight from as many as 84 countries outside the OECD. China comes at the very top with an annual outflow of about \$ 4.4 billion (read from a bar chart) between 1981 and 1991, followed by around \$ 3 billion each from Argentina, Mexico and Venezuela, etc [Claessens and Naude 1993]. The World Bank's 'residual' method defines capital flight as the difference between 'sources' and 'uses' of foreign funds. The former includes changes in the 'net external debt' (A) and net inflow of FDI and portfolio corporate equity (B). The 'uses' are BOP current account deficit (C) and increase in Reserves (D). While A is taken from *WDT*, the rest are from the IMF's BOP series; of the above items, B refers to IMF line numbers 45-52 and 59-61, and the others are self-evident.

Before looking at the numbers, it is well to bear in mind the underlying assumptions behind most capital flight estimates. These seek to measure the outflow of capital on private account from countries which do not permit free mobility of capital, and hence the outflows are either illegal or semi-legal. Further, the governments concerned, it is presumed, are not encouraging the accumulation of foreign assets since they lack foreign exchange to finance necessary imports; if this scarcity did not exist, the governments would not have piled up in the first place large external debts.

These premises are generally valid for Latin America, Africa or India, but are of doubtful relevance to China. True, there is massive corruption in that country and private individuals have misappropriated huge amounts of state-owned assets, some of which could have been siphoned off abroad. But large state enterprises also acquired enormous foreign assets, actively encouraged by the government; this can hardly be called capital flight.

Coming to the World Bank's estimate, there appears to be one serious flaw. In calculating the 'sources of funds', FDI inflows are treated as 'net' and hence cumulative; but that is not correct for China. The putative FDI stock, calculated from my

Table 2A, was \$ 22.6 billion at end-1991; the 'actual' or 'existing' stock, extrapolated from the Hong Kong report cited earlier, would fall short of \$ 6 billion. On this score alone the magnitude of 'capital flight' gets reduced by \$ 16 billion over the decade, and the average annual figure comes to \$ 2.8 billion during 1981-91.

Claessens and Naude further note that there are alternative methods to estimate capital flight, they have, however, shown that insofar as the former are derived from BOP statistics, these are methodologically equivalent to the World Bank's. Now, some authors have added leakages from 'misinvoicing' to the estimates of capital flight. 'Misinvoicing' is the difference between say, China's export to the 'world' (rather, 'rest of the world'), and the world's import from China, obtained by adding up imports by all trade partners of China; similarly, for China's import and the world's export. There is a uniform adjustment for 'c i f' and 'f o b', factors, and all data are taken from the IMF's *Direction of Trade Statistics*. In China's case, all of 'misinvoicing' may not indicate capital flight, since a part of it must be attributed to profit repatriation by foreign investors; another part may represent capital export encouraged by the state. But some 'misinvoicing' must have been on private account, i.e., a case of capital flight. There is no way disaggregating the total along these lines.

Finally, if there was, indeed, a massive capital flight, accompanied by a huge inflow of foreign loans and FDI, how does one explain the BOP statistics on investment income flows? The two-way income flows with respect to FDI, inward and outward, are practically nil. Regarding non-FDI investment incomes, receipts generally exceed payments, barring three years, 1986-88, when the deficit totalled a mere \$ 521 million. Over the whole period, 1982-92, there was a large surplus of \$4.7 billion; average annual gross receipts increased markedly in \$ billion from 1.5 in 1982-84 to 4.3 in 1990-92. To my knowledge, none of the Latin American countries exhibited these characteristics. Rather, China's situation is analogous to capital-exporting industrialised countries that tend to earn a growing surplus from investment income flows.

Thus I conclude that though there was some capital flight from China, the bulk of the outflow is better regarded as officially promoted capital export.

PART B: TRANSITIONAL ECONOMIC SYSTEM

IX Continuity and Change

In the west, the 'open door' policy has been hailed as an historical turning point; it enabled China to get out of the Maoist

straitjacket of an inward-looking, slow-moving, 'iron rice bowl' economy into a prosperous, forward-looking and dynamic one. This interpretation is rather dubious. The changes since Deng Xiaoping became the paramount leader at the end of 1978, are

truly breath-taking, but the continuities are hardly less remarkable. The celebration of Mao's centenary in contemporary China is not a charade performed by nostalgic non-agrarian patriarchs.

Was China stagnant during the cultural revolution years of 1965-75? At constant 1985 prices, the GNP in that decade increased at a compound rate of 6.9 per cent per annum which is high by any standard; its acceleration in 1980-92 to 9.1 per cent per annum was no doubt impressive. As for the value of export at current US dollars, it did stagnate at \$ 2.5-2.8 billion during 1965-71. After the visit of the US president Nixon to Beijing in early 1972, export surged by one-third in 1971-72; the compound annual growth rate from 1971 was 29 per cent till 1975, when the cultural revolution ended. The interregnum 1975-78, saw deceleration. From 1978 to 1992, the annual growth rate was an astonishing 16.1 per cent (calculated from *IFS Yearbook 1993*). Surely, export growth did not decelerate because the cultural revolution was abandoned; for any country it would be virtually impossible to sustain a growth rate of almost 30 per cent. Deng and his advisors have every reason to feel proud about their achievement. But the success of the earlier phase is also very striking, refuting the stagnationist view.

There is again a tendency to dub the 'open door policy' as just another name for the liberal prescription of 'export-led' or 'export-oriented' growth. That interpretation apparently holds when one examines just the ratio of export to GNP; with both variables measured at current prices and exchange rates, the ratio shot up more than three-fold from 6.1 per cent in 1980 to 18.5 per cent in 1992. However, this increase can be almost wholly attributed to the repeated devaluations from 1.50 yuan per \$ in 1980 to 5.51 in 1992 (*IFS Yearbook 1993*). This was far in excess of the differential rates of annual inflation over the same years, amounting to 6.5 per cent in China, and 4.3 per cent for all 'high income' countries that were the main trading partners. Recalculating China's GNP in current 1992 yuan, converted into dollars at the 1980 'real' exchange rate (i.e., the nominal 1980 rate adjusted for the higher inflation rate in 1980-92), yields an export/GNP ratio in 1992 of 6.8 per cent, or just a shade above that in 1980. In the same vein, Nayyar (1988, pp 96-98) had earlier shown that at the nominal 1980 exchange rate of the yuan the percentage share in 'national income' (net material product) fluctuated in the range, 4.6 to 6.1 for export, and 4.0 and 9.4 for import, during 1975-85. The upward trend was rather mild. Alternatively, if the GNP in 1992 were estimated at the 'purchasing power parity' of the yuan, the export/GNP ratio would be quite small at 3.8 per cent. A similar conclusion emerges if one looks at China's import which, in the long haul, equalled export. In 1980-92 the current dollar value

of import rose 9.2 per cent per annum; allowing for the inflation rate abroad, the volume of import should not have risen by more than 6 per cent per annum, which is much less than the 9.1 per cent per annum growth rate in 'real' GDP (computed from data in *WDR 1994*). Thus China's growth over these 'miracle' years was propelled primarily by domestic factors, and foreign trade played an extremely crucial supporting role.

By underlining the continuities in some respects, I do not deny that a great deal has, indeed, changed in Chinese society and economy since the days of Mao. The love for lucre has become all pervasive. In earlier sections evidence was collected to show the emergence of what contemporary Russians call 'savage' (*diku*) capitalism, or Marx called 'primitive accumulation'. These have no doubt brought cheer to the ideologues of private capitalism as the only viable form of social and economic organisation; however, China is still some distance from the liberals' idyll.

Not only that the Communist Party is still at the helm, but Deng and his followers have not deviated from one of the basic tenets of old-fashioned communists, namely 'national self-reliance'. Despite all their eagerness for growth and modernisation, the Chinese leaders have remained fiercely independent in the domains of economics, politics and defence, without succumbing to the dictates of the US, the world's sole surviving superpower. In foreign trade, a balance between export and import of goods is still a cardinal principle of policy. The same is true for capital flows. China encouraged the inflow of foreign goods and capital, not as a one-way traffic to modernise her economy (as was tried in the USSR under Brezhnev, Latin America, India, etc.), but only as a *quid pro quo*, simultaneously, the rich countries opened their markets to Chinese goods, and allowed Chinese firms to build up their foreign assets. By avoiding the 'dependency trap', she entered into a relationship, more rewarding and genuine, of interdependence with the rest of the world.

As for the domestic economy, China has abandoned the earlier over-centralised planning system, and embraced a new market philosophy, granting wide-ranging autonomy to enterprises, provinces, and local authorities. Yet, many strategic decisions are made by the central authorities in a flexible and highly effective manner; and the concept of the market is vastly different from that in western textbooks.

X Import Policy

In the matter of imports China, according to the US government, "maintains one of the most protectionist regimes in the world" (*FEER*, August 25, 1994, p 50). Innumerable barriers have been erected by central as well

as local authorities. A recent World Bank study found that "fully 50 per cent of imports [are] subject to some form of non-tariff barriers - licensing requirements, quotas and other types of quantitative controls". As one US trade negotiator put it, China has "a capitalist export regime with socialist import rules" (*FEER*, April 28, 1994). There is a good deal of truth in these assertions. Thus after several years of comfortable trade surplus, China ran into a big deficit of \$ 12.48 billion in 1993. Thanks to prompt corrective measures, viz. recentralisation of power to set prices, closure of futures markets, etc., the deficit was drastically reduced to \$ 0.8 billion during the first half of 1994; export shot up to \$ 48.4 billion (+30 per cent), while imports were pegged at \$ 49.2 billion (+21 per cent); the figures in parentheses are percentage changes over the same period in 1993. (*FEER*, September 1, 1994, p 47). So foreign trade is not left to the vagaries of 'free market forces'.

Import control did not mean that China was minimising import by pruning all 'inessentials'. Since the overall trade balance was maintained, over the years many consumer goods (along with capital goods) were imported in increasing quantities, while domestic production of import-intensive items was encouraged. Has China been foolish? Few will advocate that developing countries should run up large trade surpluses. But indiscriminate imports even over a short span of time. Nayyar (1988, p 111) feared, can easily turn the surplus into an uncontrollable deficit. Vaidyanathan (1988, pp 31-32) voiced the same misgiving. He was further worried about the employment-displacing effect of new technologies *vis-a-vis* traditional ones. In practice, the high labour-intensity of Chinese exports, and the rapid expansion of the home market for consumer goods should have mitigated, if not neutralised, the impact on employment of imported technologies. On the other hand, Vaidyanathan's concern about growing inequalities in post-reform China, strongly associated as both 'cause and effect of 'consumerism', requires a more careful examination.

Returning to the BOP aspect of consumer goods import, thanks to the import control China avoided the external debt-trap. On the other hand, in a period of rapidly rising export, unless the import bill is enlarged, the consequent trade surplus might invite retaliation from trading partners. Indeed, the ever increasing flow of import has greatly strengthened China's lobbying power in those countries and taken the wind out of the sails of critics clamouring for a cut in China's export; the opponents might be human rights activists denouncing the lack of personal freedoms in contemporary China and/or the use of low-cost prison labour in export production, spokesmen of industries unable to compete against imports of low

technology products like textiles, garments, toys, etc

Should China have imported more of capital goods in lieu of consumer goods? (a) True, the USSR under Brezhnev followed that path, increasing crude oil export in return for technology and machinery. Owing to numerous drawbacks in the overall planning system, Soviet industry was unable to assimilate, still less diffuse, the new technologies, and many imported machines were poorly utilised. The capital goods industries in a planned economy (or, indeed, anywhere) have a limited capacity to absorb foreign technology at any point of time, determined by the macro framework, the level of skills at the enterprise level, technology in use in related (forward or backward) enterprises, and so on. None of these can be changed radically overnight. Had China concentrated on the import of capital goods, it might in effect have crippled her own industries in these branches. If, on the other hand, machinery imports are well regulated within the limits of what the domestic industry can assimilate, the latter may emerge healthier in the long run. (b) There could also be a sound macroeconomic reason behind China's import of inessential consumer goods. The investment rate was consistently high in the 1980s at around 30 per cent or more, generating strong inflationary trends, and the import of consumer goods eased the pressure to some extent. If, instead, capital goods were imported in larger quantities, the inflation rate would have been higher, upsetting the already precarious balance between the disposable income of the population and the supply of consumer goods. (c) Technologically, import-substitution is far easier in most consumer goods industries. Whenever the governments were determined, many developing countries succeeded in this respect during the past decades. The GATT today presents an external obstacle to import-substitution policies. But that threat looms large over capital goods industries as well.

XI

Foreign Investments

One main thrust of the 'open door' policy was to attract foreign capital. For export-oriented FDI, there were hardly any restrictions; the Special Economic Zones, in particular, were created to promote such investment. Many other developing countries, including India, did the same, though China reaped greater benefits than most others. For FDI catering to the home market, China followed a case-by-case approach like other developing countries pursuing an import-substitution strategy. It is worth examining her policy in five sectors of special interest as much to transnationals as to China; transnationals from developed countries are often believed to have a

monopoly of know-how in all these areas. Two of the sectors belong to 'infrastructure', and the theme song of *WDR 1994* is about what the developing countries must do to attract transnationals in these areas. India's contrasting approach is also briefly described.

(a) *Power*. By 1992 China had attracted over \$ 10 billion into her power generating industry through international borrowing, i.e., 'loans to replenish the 1/3 shortage of manufacturing and investment capability in the existing energy establishment. It was announced that China welcomes foreign investors to construct or upgrade its power industry by way of joint equity and co-operative ventures, or other forms of investment.' And China hopes to add every year 15 000 MW of capacity, "doubling the scale of power production by the end of the century" (Song Jian, *Beijing Review*, August 22, 1994). Yet, China sets down the terms of entry. Thus in early 1994 China cancelled a contract worth \$ 180 million for a joint venture in which the foreign partner was to have a 30 per cent stake; the venture would take over some existing power plants in Shandong province, and also set up new units. Apparently, a daughter of Deng Xiaoping listened to Goldman Sachs's oral presentation before potential investors who were promised a 20 per cent rate of return (ROR). The central authorities in China objected both to the high foreign equity ratio, and ROR. Against a ceiling of 12 per cent imposed by Beijing, some large cities are actually offering just 10 per cent ROR. Moreover, local authorities have since 1993 been forbidden to provide guarantees to power projects. Yet Shandong officials are still offering guarantee 'on the private'. And Goldman Sachs did not withdraw from the scene, but repackaged the deal now worth \$ 2 billion to be raised from the capital markets in New York and Hong Kong (*FEER*, April 14, 1994, p 74). When China slapped a ceiling on ROR for all foreign-funded infrastructural projects, it annoyed greatly Gordon Wu, a big Hong Kong capitalist who has financed innumerable projects in Guangdong and maintains close links with provincial leaders. Wu has threatened to put no more funds into China's power sector (*The Economist*, August 6, 1994, p 57). Earlier, Wu's power projects used to be guaranteed by Guangdong International Trust and Investment Co (GITIC). 'China is no longer the favourite' for Wu who has been scouring for projects in Indonesia and elsewhere (*FEER*, April 14, 1994). Foreign capital will henceforth seek greener pastures, forsaking China, warns *The Economist* (August 27, 1994, p 49), oblivious of the persistent crisis faced by global suppliers of power generating equipment. For quite sometime they are looking above all to Africa to fill their order books (A. Baxter, *Financial Times*, April 7, 1993, p 5). As the *Business Week* (reproduced in *The Economic Times*,

August 21, 1994, p 8) reiterated, power demand will rise by just 1 per cent per year in North America in the next 25 years, power projects in the US earn a meagre 10-11 per cent ROR, and the main hope for the equipment suppliers lies in Asia followed by Latin America. Despite the stiffening of her stance, there is no dearth of foreign proposals to fund power projects.

Quite illuminating is an interview by the minister of power industry, Shi Dazhen (*Beijing Review*, November 21, 1994). (a) Out of 63 foreign funded projects with a capacity of 40 GW (1 GW = 1000 MW) since the open door policy was adopted, 31 projects with an aggregate capacity of 20 GW were operational by 1993, for the 63 projects, foreign funds totalled \$ 14.3 billion, of which 70 per cent came as loans from the World Bank and industrial countries. Current negotiations with the US cover projects with a capacity of 30 GW, and total investment of \$ 17 billion. (b) While welcoming foreign capital, China adheres 'to the principle that the grid system should be placed under unified state management and that sales of fixed assets are prohibited: the only financing areas open to foreign investors are operational aspects relating to the power industry. The foreign share in various strategic power plants is limited to 30 per cent. At the same time, we must comply with the fact that investors deserve profits. Therefore, the Chinese government encourages foreign businessmen to settle profits in terms of Renminbi, and foreign investors agreeing to do so should be granted preferential treatment in investments. China's social system determines that foreign investors are not required to [undertake] risks associated with operating private power plants in other countries. [C]onsidering the comparative advantages, officials from the World Bank say that China offers the best rate of return on investments in the power industry.' (c) China's installed capacity in GW increased from 1.85 in 1949 to over 100 in 1987 and 193 in 1993; against an annual average increase of a little below 12 in 1987-92, the figure for 1993 was 15, and the forecast is 15-17 in 1995-97, and 20 in 1998-2000. (d) As for technology, 'China has basically unified standards for domestically manufactured power generation equipment... [and can] independently undertake the construction of large power projects with an installed capacity ranging from 2 million to 3 million KW, as well as various types of hydropower stations, large dams reservoirs.' The Chinese engineers have built 31 power stations, each with a capacity of 1000 MW. Among those under construction is the Three Gorges Hydropower Station with a capacity of 18,200 MW.

One may draw the following inferences. (1) Assuming that all foreign-funded projects materialised after 1987, their contribution to the overall increase in installed capacity

during 1987-93 was just 22 per cent. It may go up somewhat in the remaining years of this century, but not by very much. (ii) Foreign capital and technology imports do not replace, but supplement, domestic resources in a period of heady growth. While ensuring adequate returns for foreign investors, the Chinese government has so far retained control over the power sector.

The contrast with India is striking. Our public sector firm, BHEL, which has installed about two-thirds of the existing power plants in the country, can annually produce equipment with a capacity of 6,000-7,000 MW; this is well in excess of the current official target of 20,000 MW of fresh capacity up to 1997. Further, BHEL has won 28 out of 31 contracts against global tenders within and outside the country in the past 10-15 years; no transnational has so far matched this record. Pleading a severe fiscal crunch, the Indian government has virtually offered a *carte blanche* to transnationals. But they will bring in only 40 per cent of the project funds, choose their equipment and raw materials (domestic or foreign) without a tender, set power price at twice the present generating costs in the country, and enjoy guaranteed offtake of whatever they can supply and timely payment in foreign exchange, including a minimum of 16 per cent post-tax ROR. These agreements will not only cripple BHEL and lead to a massive haemorrhage of foreign exchange, but also impoverish the public sector power generating authorities that may be obliged to shut down, in case of excess supply, their low-cost plants to fulfil the terms of the contract (NWGPS 1994). Moreover, very little has been done to improve the management of existing power plants which often run at 30-50 per cent of the rated capacity, although actual experience at several sites showed a 100 per cent improvement without the induction of new technology or investment. Nor any serious effort is under way to encourage more efficient use of power by consumers, individuals or firms, that could cut back demand significantly. Lastly, rural power consumers, accounting for a significant part of the total, are heavily subsidised eroding the finances of the public sectors; only now remedial measures are being considered (Kapoor 1994).

(b) *Telecommunications*. China, to the best of my knowledge, does not possess technology comparable to that of India's C-DoT (Centre for the Development of Telematics). Hence 'foreign investment was welcome in telecom equipment, research and education', according to Wu Jiachuan, the minister concerned. The plan envisages over 10 million new telephone lines a year with the stock (in million) increasing from 30 in 1992 to 42 in 1993 (actual) and 140 by 2004. Cumulative foreign investments that stood at \$ 5.7 billion till 1993, will rise

by another \$ 7 billion till 2000. Yet there is 'a ban on direct management or equity ownership of services by foreigners, a policy that reflects national security concerns and - some analysts say - the ministry's strong interest in protecting its lucrative monopoly.' China's overall investment in telecom fixed assets during 1993 was \$ 4.7 billion, while the 1994 budget has gone up to \$ 6.2 billion. (Reuter report in *The Economic Times*, June 22, 1994, p 2) Once again, foreign capital is called upon to supplement, and not replace, domestic resources.

Quite unorthodox in this context is the creation in 1994 of China United Telecommunications Corp (Unicom), backed by the ministries of power industry, electronics industry and railways; the army is still hesitant (for security reasons) about the venture which will break the monopoly of the ministry of posts and telecommunications. Unicom is registered with a capital of about \$ 116 million, including \$ 9.3 million each from the six biggest state-owned companies like CITIC, China Resources Co., China National Chemicals Import and Export Corp, China National Technology Import and Export Corp, etc, which have all extensive foreign assets. Unicom plans to spend \$ 12.5 billion till the end of the century, when it should handle 10 per cent of long-distance calls and 30 per cent of mobile telephone services (Reuter report in *The Economic Times*, July 21, 1994). *The Economist* (August 27, 1994) is hopeful that thanks to Unicom, the present ban on foreign-owned telecom services will be lifted. There is so far no indication of such a policy change.

On the other hand, the Unicom example is very interesting from a theoretical perspective. Although diehard liberals may dismiss it as an instance of spurious, state-managed competition, it resembles strongly state-sponsored rivalry among the giant private conglomerates in post-war Japan which were shielded till recently against foreign competition. One wonders whether the Chinese leaders took a leaf out of Bukharin's writings of the 1920s that were published and seriously discussed in China during the last decade; nearly 70 years ago the Bolshevik leader warned against the 'parasitic' state monopolies in the USSR and sought to promote competition among autonomous socialist enterprises (Chandra 1992).

What is the Indian scenario? Set up in the mid-1980s, the C-DoT designed from the scratch and commercialised within a few years digital electronic switching systems through a large network of domestic licensees. The systems are both 'state of the art' and cheaper than those of the established transnationals. By now over 3 million telephone lines in the country are connected to C-DoT systems, and the annual capacity of the equipment manufacturers exceeds 2

million lines. Owing to the post-1991 liberalisation, transnationals have already set up manufacturing facilities with an annual capacity of 0.5 million lines, pre-empting about half the aggregate market, averaging 1.1 million lines in the past two years to March 1994. Even if actual demand were to reach 2.2 in 1996-97 as the revised official forecast claims, the entire demand could have been met by the C-DoT licensees. Moreover, the government is blindly pursuing the Anglo-American pattern of deregulation, enabling domestic as well as foreign private companies to operate basic telephonic as well as value-added services (Meemamsi 1994, Purkayastha 1994). It goes without saying that few private operators, if any, will opt for indigenous technology, sounding the deathknell of an industry which was among the most conspicuous success stories of hitech industry anywhere in the developing world.

(c) *Civilian aircraft*. China has very little manufacturing capability in this domain, and has bought planes from the ex-USSR as well as western firms. She already possesses 150 Boeings, 15 Airbuses, and 39 MDs (McDonnell Douglas). Since her future requirements are even greater and taking advantage of the recession in the global market for aircraft, China has been negotiating co-production arrangements with various suppliers. While Boeing and Airbus have so far agreed to set up only flight simulators to train pilots (*FEER*, August 25, 1994, p 42), MD has gone further. Shanghai Air Industry Group will manufacture in a joint venture with MD, 20 units of 150-seat commuter planes with advanced avionics. The US company will: provide information on aircraft design, parts and components, aircraft systems, engines and raw materials, send experts to China; and assist them in the domestic production of fuselages (*Beijing Review*, August 8, 1994). The Chinese strategy is a variant of the 'phased manufacturing programme' (PMP) much maligned by liberal orthodoxy today. Strangely, no Indian government, not to speak of the present one, ever gave a thought to it, although the two public sector carriers have a fairly large fleet between them.

(d) *Automobiles*. Here again China did not possess modern technology, but the supply had to be enhanced to 'provide material incentives' in the new post-1978 context. From social considerations of equity or environment, one may question the desirability of encouraging the use of private cars, but one must admit that the policy did not upset the trade balance. A large number of imported fuel-efficient cars was probably better than a duplication of the existing manufacturing plants with outdated technology. On the other hand, a big country cannot depend entirely on the import of automobiles. Besides, the overseas market for China's main exports today (textiles, etc)

is reaching saturation point and is further constrained by the slow rise in income levels in the OECD countries. Hence China adopted the PMP route for joint ventures in the automobile sector in order to maintain the trade balance in the long run. And FDI in the sector has been carefully regulated so that "only those who undertake to help China develop its own auto industry will be allowed to enter the Chinese market, and the technologies they bring in must be of an internationally advanced level. China's long-term target is to cultivate a number of large motor groups with the capability of design, manufacturing and assembling" (*Beijing Review*, August 2, 1994, p 5; *The Economist*, September 10, 1994, p 81). In the immediate future China is focusing on the auto parts, presumably with a view to exporting in large quantities. At this moment no fresh investment proposals from foreigners are entertained, though the ban may be lifted at the end of 1995.

(c) *Chemicals* A report in *The Economist* (September 24, 1994, p 71, reproduced in *The Economic Times*, October 10, 1994, p 21) is worth quoting at some length. It began "WANTED \$ 10 billion of investment and technology." That was the begging message sent by the Chinese government to 300 or so representatives of the world's chemical industry who attended a government approved conference organised by *Chemical Week*, a [US-based] trade paper, in Beijing recently. "Although the chemical industry is the fourth largest in China, it is 'still a tiddler, accounting for a mere 3 per cent of world production'. It is 'so inefficient', the firms are 'overstaffed by 50 per cent, but cannot lay people off'. Despite a low per capita consumption of plastics at 5 per cent of the American level, 'China imports half of its plastics'. In 1993 it spent \$ 11.2 billion of precious foreign currency importing chemicals." Though China 'wants...to invest in new plant and equipment, and become an exporter', the industry has no money, and 'everybody agrees that most companies are making losses'. And the 'industry has a growing environmental problem'. There are 1554 joint ventures in the industry, the average foreign investment being near \$ 10 million. 'Few make money. So far the foreigners have shied clear of government's plan to build six big petrochemical complexes, worth up to \$ 2 billion a piece, by 1997. Foreigners have several criticisms of the government - it has a cavalier attitude towards intellectual-property rights (although it is now cracking down on private firms); it prevents foreign firms from recruiting their own staff; and it levies heavy taxes if they try to take profits out of the country. Moreover, although it is beggar, China can be choosy about the type of investment it welcomes. It recently postponed approving any new joint venture oil refineries until 1995 partly to protect

Sinopec, whose refineries have been losing market share.' Bureaucracy is a major problem for foreigners; W.R. Grace moaned that it took them 15 years 'to progress from negotiations about building a plant to starting production. China is trying to mend its ways. It also looks as if China may, for a while, waive its stipulation that new investors must export'. Foreigners 'still have two fundamental objections. First, the fragmented Chinese chemical industry needs to consolidate before it is worth building new plants. And, second, world's chemical industry is already oversupplied. Firms in western and Japanese chemical markets are just breaking even; new capacity from an exporting China could force them back into losses. Capitalism, as Beijing is discovering, is not an altruistic affair'.

The Economist's litany of grievances should ring a bell familiar to Indian readers. But the report is a curious mixture of facts and wishful thinking. At least one 'fact', namely, that few chemical joint ventures in China make money, is patently false. Had it been true, inflows would have dried up long ago, and global companies would not have thronged the Beijing conference! However much *The Economist* might wish, China never approached the west or Japan with a hat in hand like Gorbachev or Yeltsin, India and other developing countries. World's chemical giants went to Beijing, not to dispense aims, but to seek a respite from the prolonged recession marked by a surfeit of capacity and squeeze on profits. There is no better place for them to go than China, the most powerful engine of growth in the contemporary world with no signs of an impending foreign exchange crisis. The Chinese have no reason to be enchanted by the siren songs of liberals who have managed to mess up nearly every economy that they could thanks to the IMF-World Bank duo; on all counts, China's performance is miles superior.

On the other hand, *The Economist's* apprehension that China may eventually become a net exporter of chemicals after the infusion of western capital and technology, and thus precipitate a gale of (creative?) destruction shaking out some of today's giants, is genuine. China is just trailing the Japanese path. By fencing her home market most assiduously, Japan took advantage of the intense rivalry among western transnationals and obtained technology against payments with practically no restrictions on export. Why are the western and Japanese firms not wiser today? The answer lies in the fact that all transnational firms are heavily dependent on the respective nation states and cannot form global cartels so long as there is a bitter struggle for economic supremacy among the triad of US, Europe and Japan. China's (and earlier, Japan's) international economic strategy is based on this understanding of global

capitalism, formulated in its essence by the American Marxists, Sweezy and Magdoff over 25 years ago.

China's approach to inward FDI may now be summarised: (i) In no case was domestic capability sacrificed to induct foreign technology and capital goods; rather FDI was called in to supplement domestic resources. (ii) In all hitech areas foreigners were required to have joint ventures, usually with state-owned enterprises which were either majority, or at least co-equal, partners. Incidentally, India's Foreign Exchange and Regulation Act, 1973, allowed 100 per cent foreign ownership in hitech sectors, but failed to attract any such FDI. (iii) Foreign firms are generally expected to have a balanced trade, profit repatriation has been linked to foreign exchange earnings. (iv) In the long run, the country hopes to export substantial quantities of value added hi-tech products through joint ventures or own enterprises. Far from being a toothless supplicant, China has set the entry terms for FDI, taking advantage of the huge size of her domestic market expanding at a spectacular rate, and the intense rivalry among global giants in a period of very sluggish demand growth in OECD countries.

XII

Local Enterprises and Planning

A unique feature of the Chinese economy is the institution of 'collective' enterprises. Owned neither by the state nor by private individuals, their juridical status is ill-defined. While post-tax profits of a state or private unit goes respectively to the state or the individual, "this residual ownership right resides with the [collective] enterprise itself" (Rawski 1993, p 1.). According to another legal expert (Lichtenstein 1994, pp 8-9), in urban collective enterprises, "ownership rights...[are] exercised by the workers' assembly, which selects the enterprise management". In rural collective enterprises, "the proprietary rights [are] exercised by the peasants' congress or collective economic organisation representing all peasants". Further, the latter retains 60 per cent of their after-tax profits, the remainder being utilised for "agricultural infrastructure and renewal and development of other enterprises". The autonomy of the collective enterprise is highly circumscribed by the local authorities, urban or rural. The significance of these enterprises is underlined by their spectacular growth since 1980, particularly in the rural areas. Industry as a whole increased its output at a compound rate of 12.6 per cent per year during 1980-90 when rural or 'township and village enterprises' (TVE) expanded twice as fast by 25.7 per cent per year, increasing their share in the national total from 10.4 to 31.8 per cent. (Field 1992.) Without venturing any counter-estimate, Rawski (1993) has produced sufficient evidence that

there is an upward bias in these measures of industrial growth, affecting both large state units and TVEs. Most recently, the State Statistical Bureau has used sample surveys and other statistical tools to knock off as much as 160 billion yuan from the 1993 output of industry, which amounts to over 11 per cent of the total for industry, or more than 5 per cent of the GDP (*Beijing Review*, April 11, 1994, p 21, and April 18, 1994, p 12.) Even then it is doubtful if the long-run growth rate would be drastically reduced for industry as a whole, and the TVEs in particular. These industries have also a most creditable record in export, their contribution in \$ billion jumped from 3.9 in 1985 to 12.5 in 1990 (Lardy 1992, p 711), accounting for 15.5 per cent and 24.3 per cent respectively of the national total. *Ipsso facto* such establishments can hardly be called inefficient as many tend to, inside and outside China

The overwhelming bulk of TVEs belong to the 'collective' sector. These enterprises do operate through the market. The central planners do not directly allocate raw materials to them nor determine their outputs. Indeed, the number of centrally allocated industrial goods, according to a World Bank study, fell drastically from 123 to 66 during 1980-86. Further, greater funds at lower levels and weaker central control, according to a World Bank publication, "have created a foundation for the establishment of local protective quasi-planning systems. These systems provide benefits for enterprises, particularly those established by community governments, so that they can be counted on to turn over taxes, fees, and profits. In a sense a quasi-planning system operates like a traditional planning system: it tries to infiltrate into every link in the operations of the enterprise, from personnel, finances, and materials to production, supply and marketing. But community governments can no longer impose inflexible administrative restraints on enterprises, for, the extent to which they can control or support them is limited by their own capacities" (Byrd and Qinsong 1990, pp 397-98). The same authors (pp 87-91) further observed that: (a) most TVEs of a "substantial size are owned and controlled by community governments at township and village levels"; the governments play a "critical role in strategic decision-making... [like the] headquarters of multinational corporations"; (b) the TVEs have "very strong local roots" and cannot be relocated; and (c) the TVEs do not have any "captive markets"

The *modus operandi* of TVEs is far from transparent, to say the least; it does not fit into the straitjacket of a Soviet-type 'command economy' or of a 'free market'. From the account of Byrd and Qinsong, it appears that the TVEs 'benefit from the local protective systems', without enjoying a captive market. Indeed, they also make a

significant contribution on the export front. This combination of local planning and exposure to market forces, from the local to the international plane, has again few parallels elsewhere.

If the success of rural industries is most glittering today, the idea of self-reliance at the local level was one of the most original Maoist ideas shaped during the Yenan days, and recurred through the years of the Great Leap Forward and the Cultural Revolution (Schran 1975). In the early 1970s, if an area was self-sufficient in raw materials, it would be subject to local, rather than central planning and allocation. Provinces sometimes built factories, disrupting production elsewhere. There is the dramatic case of the Chekiang provincial leader who refused to send raw materials to Shanghai, declaring that "Chekiang is not a colony of Shanghai" (Lardy 1978, p 151.) In the pre-Reform years of 1970-78, the value of output at constant 1970 prices output of brigade and commune industries witnessed a 6-fold rise from 6.4 to 39.0 billion yuan (Ronas 1992, p 21)

The observations of Fei Hsiao Tung (1986, pp 35, 123 and 150-52), an eminent social scientist who made many field trips to rural and semi-urban areas of Jiangsu province from the 1930s to the early 1980s, are quite instructive. By 1966 there were only 280 rural industrial units in Yancheng Municipality in the northern region of the province, and the real take-off can be dated to the mid-1970s. In the town of Xinta, Wujiang County, bordering the suburbs of Shanghai, except for one oil pump factory going back to 1958, all others were post-1975. But in the central region which is industrially more advanced than the north, the first generation of 'simple' industries were set up in the late 1950s, and 'laid the foundation for the later generation' of modern, science and technology-oriented enterprises. Although there was a 'general dissolution' in 1960, the early enthusiasts kept many of the units alive. The second period of development was in the early 1970s, and 'liberated development' began after 1978.

Almost as a corollary to the growth of TVEs, the central government revenues failed to keep pace with the growth of the economy. If in 1979 total revenue amounted to 27.7 per cent of the GNP, it fell to 18.3 per cent in 1991 and 17.5 per cent in 1992 (*IFS Yearbook* 1993). While I have no aggregate data on local authorities' finances, Byrd and Qinsong (1990, p 396) mentioned one city that obtained as much as 71 per cent of its extra-budgetary revenue from local enterprises and administrative departments.

Indeed, planning in China was never quite as centralised as in the USSR. Local governments allocated in 1980 as much as 42 per cent of steel, 46 per cent of coal, 36 per cent of non-ferrous metals, etc. 'The

Chinese system', according to a World Bank economist, Tidrick (1987, p 176), "is an amalgam of hierarchical planning, cellular planning, and markets." It would be one-sided to emphasise the 'cellular' aspect, as Donnithorne (1972) tended to: the Chinese never wanted to set up a 'cellular' economy with each 'cell' growing mainly on its own like 'an independent kingdom' (Chandra 1988, pp 124-29). I have already given several examples on how the central government has been intervening in a decisive manner in areas of 'truly national' importance, and withdrew from those where central co-ordination is not necessary. Guangdong's vice-governor was asked by a visiting US diplomat earlier this year: 'How much control does Beijing have on Guangdong's plans?' The reply was categorical, "None whatsoever" (*FEER*, February 17, 1994, p 45). I believe that the vice-governor may have boasted a little. After all, joint ventures in Guangdong's power sector had to be revised drastically at Beijing's behest

XIII

Central Planning and State Enterprises

As the market forces were increasingly activated, the nature of central planning underwent a major transformation. Those for whom the plan and the market are necessarily antithetical to each other, would conclude that the edifice of planning has all but crumbled in China. But that would be rather simplistic. A good part of the traditional planning system remains very much in place.

First and foremost, the industrial scene is dominated by the state-owned enterprises (SOEs). While commending the extremely rapid, 210-fold expansion (since 1978) in private sector employment to 29.39 million in 1993, the *Beijing Review* (June 20, 1994, p 20) added, "As an increasingly important component of the national economy, private economic establishments, at present, are *only a supplement* to the publicly-owned economy which continues to be the leading factor dominating the lifeline of the overall national economy (emphasis added)." Despite the relatively slower growth, the SOEs still account for about two-thirds of the industrial output, the ratio being even higher in heavy and capital goods industries.

Next, the lion's share of national investments are still flowing into the SOEs. Out of an aggregate fixed investment of 1,183 billion yuan in 1993 for the whole economy, the SOEs and state-owned institutions got 465 billion in fresh investment and another 219 billion for updating technology. The 1994 budget envisages a total investment in the economy of 1,300 billion yuan, including 875 billion yuan for the former, leaving 425 billion for collective enterprises and institutions as well as the private sector (*Beijing Review*, April 11,

1993, pp 22-23). Planning, above all, is about investment; the huge share of the SOEs implies a corresponding role for the planners, unless the SOEs are all autonomous and engaged in 'atomistic competition' between themselves.

Further, the central planners continue to allocate directly a large part of the key raw materials and machinery produced by the SOEs. It is true that production quotas are no longer fixed in a rigid manner. Singh et al (1994) write: "the SOEs also benefited by fixing or reducing production quotas, and freely expanding and disposing of above-quota output. During the 1980s, governments at all levels devolved decision rights, risks and rewards to both state enterprises and TVEs. A recent World Bank survey [found] A plurality of TVE firms were authorised to make decisions in eight out of the 11 areas covered by the survey without consulting the supervisory government agencies. State firms typically enjoyed autonomy in only five of eleven areas. Lacking a formal system of laws, regulations and enforcement proceedings, non-state enterprises often find themselves vulnerable to the caprice of officials, while state enterprises use close links to the government to protect, and where possible, enlarge their turf. Evidently, central planners have a considerable say over the SOEs."

It also follows from the passage just cited that there prevails a plurality of prices for a number of critical goods, the quota output is sold at a lower, state-determined price, while the excess fetches a higher value in the market. In short, the 'law of one price for one commodity', the hallmark of a market-driven or of a Soviet-type overcentralised economy, does not apply to China. The system is not unlike that in Soviet agriculture, once the kolkhoznik fulfilled his work obligation at the kolkhoz, he could devote his spare time to the private plot and sell the products at the kolkhoz market at prices well above those in state shops.

There is a big question mark over the future of SOEs. Officially, some 40 per cent of these enterprises in 1993 were in the red (*Beijing Review*, May 2, 1994, p 5). Elsewhere, even higher percentages are mentioned. However, many of the losing concerns, as noted earlier, may not have lost their financial muscle, having tucked away resources in affiliates and subsidiaries.

In the north-eastern province of Heilongjiang, according to the *Business Week* (reproduced in *The Economic Times*, August 1, 1994, p 9), some 2 million workers lost their jobs in 1993, while in March 1994 about 1,00,000 workers took to the streets protesting against pay cuts; and Han Dongfang, a Chinese labour activist exiled in Hong Kong, claimed that 50 million workers were on the verge of unemployment. If that were true, the workforce in the SOEs would be reduced by about one-half, which

is close to the percentage of loss-making concerns. Had the bankruptcy law discussed in earnest since 1986, were enforced, there would no doubt be a massive retrenchment. But the same report regretted: "the government is backing off from ambitious plans to cut subsidies as it would have caused more job losses". Similarly, moves to privatise unprofitable state enterprises have been "stalled because of government fears that too many state assets will flow into foreign hands". Predictably, *The Economist* (August 27, 1994, p 49) is equally unhappy. "Often unprofitable, always unwieldy, China's big state firms cannot be restructured without foreign help." It rules that "China has tried to limit foreign influence. As officials are keen to protect 'strategic' industries, foreign ownership of companies listed in the mainland" will not exceed 35 per cent.

On the whole I would discount fears of a massive closure or privatisation of the SOEs in the foreseeable future. Undoubtedly, the Chinese economic system is in transition. The ideological commitment to preserve state ownership over the means of production as the 'essence of socialism' or eschew private ownership, may have disappeared; but there is still a strong will to restrict foreign ownership. Once private capital acquires more clout, the SOE managers gain more autonomy, the regional leaders nibble away at central control, and so on, conditions would be ripe for the system itself to be transformed. Not being a crystal gazer, I refrain from further speculation on whether or when such transformation will take place.

XIV The GATT

What is China's stand on the GATT? Beginning with a brief examination of the present agreement, I seek to show how it is at variance with China's plan-market regime, ending in a speculative note about the issues involved.

The GATT Final Act of December 1993 (henceforth just 'GATT'), has several features inimical to developing countries committed to the traditional import-substitution strategy of industrialisation; in most cases there are special provisions allowing them to remove the protective barriers gradually by the year 2005, at a slower pace than for developed countries. The single-most important benefit for the former group would be the abolition of the Multifibres Arrangement (MFA) under which the rich countries have been protecting their textiles and garments industries, by fixing import quotas for developing countries; but these benefits, too, would be staggered, and the last 50 per cent of the barriers will disappear only in the final year of 2005. I wish to focus on the GATT system after 2005, setting aside the transitional

issues. Briefly, the long-run disadvantages for developing countries are as follows.

(a) So far only the developing countries, but not the developed ones, could impose high tariffs and quantitative restrictions on the import of manufactures, if it was thought necessary to promote specific industries, or for a number of other reasons. Now they cannot do so. A developing country firm must from its inception be internationally competitive, or else it cannot come up at all. If one looks at the current industrial scene in China, south Korea, India, Brazil or even Japan, it is doubtful if more than a handful of branches in the heavy and capital goods sectors of China, India or Japan would ever come into being had the present GATT been in force from 1950.

(b) Government subsidies will be severely limited for agriculture, manufacturing or industrial R and D. Many developing countries in the previous decades subsidised the key industries heavily in the initial phase, this would no more be possible. On industrial R and D, giant firms in the rich countries can afford to spend far larger sums of R and D than their counterparts in developing countries. Moreover, in many critical areas, R and D financed through the defence budget (outside the scope of the GATT) are actually carried out by private firms, very often there is a civilian spin-off adding to their competitive advantage. Most new, R and D-intensive sectors will thus be monopolised by the developed countries.

(c) Free trade in agriculture should equalise prices across the countries, it will be reinforced by the requirement that each country must import at least 5 per cent of its domestic demand for these products. Many developing countries were so far able to industrialise by keeping agricultural prices lower than in the world market, thereby enhancing the profitability of domestic manufacturing, it also helped them to export higher value added manufactures rather than agricultural raw materials. Hence, the GATT may lead to a relocation of some agro-based industries from developing to developed countries. Lest this appears far-fetched, let me cite the case of steel exports by Japan and south Korea, both importing iron ore as well as fuel from far-flung sources. By the year 2005 when the MFA expires, technical progress in textile machinery and microelectronics may make developed countries competitive in the production of textiles and garments.

(d) Under the GATT no country discriminate between domestic and foreign-owned enterprises, impose a ceiling on foreign equity stake in a firm, enforce a phased manufacturing programme (PMP), or require foreign firms to balance their foreign exchange inflows and outflows. China, India, South Korea and others used these methods to foster the growth of local firms; and Japan until recently had practically shut out all

foreign firms. Unrestrained freedom for transnationals will adversely affect domestic firms in a wide spectrum of industries with large economies of scale in manufacturing (e.g. chemical processing, cars and computers), advertising, or access to finance (as in soaps/detergents, cigarettes, packaged tea or coffee or other agrofoods, healthcare products, pharmaceuticals). As Soburo Okita remarked during a visit to India in 1992, there would be no Toyota or Nissan if transnationals had a free run in Japan from 1950.

(e) So far the intellectual property rights (IPR) on patenting, copyright, and so forth, were established by each nation separately. Over the last 20 years the system of IPR has been gradually harmonised between the rich countries, though the developing countries generally maintained their own systems. In particular, patenting of pharmaceutical and food products, fertilisers, pesticides and agricultural seeds could not be patented; in India, for instance, only the particular processes were given patent protection. The GATT basically follows the American model of IPR, which is likely to raise consumer prices and dampen the growth of developing country firms in a number of critical sectors. (f) Services, too, have come under the GATT for the first time. Banks, insurance companies, etc. will freely move from one country to another. In view of the large advantages of scale in these areas, there is distinct possibility of developing country firms, public or private, being swamped by the global leaders. This, in turn, will reduce the monetary and financial independence of developing country authorities, leveraged buyout of local firms by global grants in manufacturing may be accelerated.

On all these points, the contemporary economic regime in China is in flagrant contradiction with the GATT articles. One may recall that besides the politics of the cold war, the basic incompatibility between the centrally planned and the market economies was put forward as a key argument to keep the Soviet-type economies out of the GATT. And China still remains a half-way house. To fulfill the GATT requirements, China will have to: (i) forego import control; (ii) stop subventions, overt or covert, to the SOEs as well as sectoral R and D institutions; (iii) scrap the system of centralised allocation of scarce materials to the SOEs, which leads to a multiplicity of prices for the same good; (iv) give up state control over prices of agricultural and industrial commodities, so that the relative prices in China move closer to international levels; (v) dismantle the local planning system, leaving the TVEs at the mercy of global market forces without any local protection; (vi) remove all obstacles against foreign investment in different sectors of manufacturing and services, and (vi) enforce the new IPR regime.

The Chinese leaders cannot be enthusiastic about *The GATT Final Act*, 1993, but had no voice in its drafting. As Taiwan was thrown out of the GATT, China has been assiduously trying to re-enter the GATT since 1986. The US has now been authorised to conduct negotiations with China on behalf of the rest of the GATT signatories, and is dragging her feet over it. China, too, has been setting her own conditions.

While the German Chancellor Kohl, according to the *Beijing Review* (July 18, 1994, p. 4), "pledged all-out support" for China's entry into the GATT during Premier Li Peng's visit to Germany, Li Peng declared on the German TV. "One of the major preconditions which will enable Germany to tap the full potential of the Chinese market is that [Germany] expands imports of Chinese products." Another Chinese minister stated that China wants to be treated as a developing country in the GATT, although "it cannot be ruled out that China will carry out some duties reserved for developed countries." On the foreign trade regime, the minister admitted that China is shifting from an administrative to a legal system. Significantly, she added: "Regulations help the GATT contracting parties to understand China" (*Beijing Review*, May 23, 1994, pp. 5-6). As *The Economist* (August 6, 1994) rightly noted, China's desire for a developing country status is to gain a longer breathing space before adapting her rules on foreign investment, IPR, etc. Further, in 1992 GATT members agreed to readmit China letting in Taiwan.

The officials from the US which suffered a trade deficit of \$ 23 billion with China in 1993, bemoan the fact that China has not even published her import quotas for manufactures, further, the customs regime is strange – there are different rules in force at different ports (*The Economist*, August 6, 1994). The spate of US-inspired studies on misinvoicing in China's foreign trade is meant to prove that the country has been enjoying a larger trade surplus than reported in its customs data; this would strengthen the case for declaring China as a developed country.

On at least one point, namely, the IPR, China has been repeatedly telling the world that she is honestly implementing the provisions (*Beijing Review*, June 20, 1994, p. 8ff). Thus a Chinese firm selling fake Ray-ban glasses was fined 3,00,000 yuan and had its goods and equipment worth 5,40,000 yuan seized by the authorities (*Beijing Review*, July 11, 1994, p. 16). On the other hand, after two years of legal battle, a Chinese court fined a Shenzhen company just \$ 250 in December 1993 for pirating Microsoft software; the amount was later enhanced to \$ 2,500 (*FEER*, May 19, 1994, p. 55). According to the International Intellectual Property Alliance, Washington, American

firms estimated their overall loss in 1993 from 'piracy' at \$ 800 million, including \$ 322 million due to software alone, from China. The corresponding figure in \$ million for other countries were: 952 and 854 from Japan, 423 and 371 from South Korea, 192 and 95 from Indonesia, 191 and 81 from India, 155 and 38 from Thailand, 150 and 106 from Taiwan, and so on. Japan's total excludes the loss from piracy of 'records and music' for which no data are available (*FEER*, May 19, 1994, p. 55).

This last piece of 'evidence' is quite revealing. Apparently, Japan, South Korea and China are by far the worse offenders, and yet none of these countries were vocal opponents of the IPR. Japan, in particular, has been widely accused of excessive protectionism to minimise import of manufactures, which led to mammoth trade surpluses over the years, especially against the US. More than one US president have threatened to retaliate, and did obtain significant concessions by way of 'targeted imports' (in violation of GATT principles) of US manufacturers. Yet the problem persists. For, the US has lost her economic hegemony, and a full-scale trade war with Japan may cost her dearly.

The same applies *mutatis mutandis* to China. What makes China so different from other developing countries, is the sheer size of the economy and its impressive growth in GDP and foreign trade. She has emerged as a major importer of goods worth \$ 100 billion in 1993. During 1992 and 1993 China's import rose by over 25 per cent per annum, and an increasing proportion of the total came from the Pacific region. "*China has become the principal engine of growth*" in the Asia-Pacific region, according to *Pacific Economic Outlook*, a report for the inter-governmental Pacific Economic Co-operation Council (better known as APEC) for 1994 (*FEER*, June 23, 1994, p. 59; emphasis added). The leaders of G-7 countries are making a bee-line to Beijing in search of multi-billion-dollar contracts. In the US alone, several hundred thousand skilled jobs in hi-tech areas apparently depend on Chinese orders. After a great deal of noise about human rights in China, president Clinton was compelled to renew the MFN treaty with China in mid-1994. Above all, the OECD is going through its worst ever economic crisis with stagnating GNP and massive unemployment. They are just incapable of pressurising the Chinese leaders to adopt the GATT system at a faster pace than the latter are wont to.

Nor is it clear that the west really wants China to hasten greatly the pace of adjustment. Notwithstanding the self-righteousness of the mandarins at the World Bank and the IMF, 'the big bang' approach to transition from central planning to marketisation and privatisation in the ex-

USSR and Poland has been a fiasco. While production has collapsed and social misery accentuated manifold in these countries, the west has gained very little by way of trade or investment opportunities. By any criterion other than that of free market ideology, the big bang approach has been a 'deadweight loss' for all concerned. On the other hand, the west or Japan did not have much of a stake in the USSR or East Europe by way of trade or investment; hence the tragedy did not pinch their pockets, except in the special case of East Germany. But China is a different story altogether. Alexander Haig, the former US secretary of state, is now lobbying for China, promoting in particular US investments in Guangdong, recently he said that he "welcomes China's entry into the GATT", but did not want to "exaggerate the benefits to China of membership" (*Beijing Review*, July 4, 1994, p 12) (emphasis added).

This last statement could as well come from the Chinese leaders. Why should they abandon their half-way house and embrace the *laissez-faire* philosophy enshrined in the GATT? Quite apart from the ideological 'overhang' of communism, there is no objective reason for them to make a *volte face*. Against the last few decades of relative stagnation under the old regime in the USSR and east Europe, China's performance has been sparkling. I can think of no nation in the world that opted for a systemic transformation in a period of unprecedented prosperity. How can China privatise her SOEs in the next 10 years unless she is willing to let foreigners take a grip over the commanding heights of the economy? Can whatever remains of central planning be given up in favour of atomistic competition through the market alone - without disrupting the chain of production? Even if there were no ideological opposition, restructuring through the induction of foreign and domestic private capital into the SOEs would certainly lead to a massive fall in output and employment; no leadership can countenance the economic and social turmoil that would ensue.

Then there is the question of local authorities. Decentralisation of political and economic power in contemporary China has gone very far with deep historical roots. These organs are in some ways like quasi-states, far more powerful than the state governments in India or the US. Even if the central leaders are willing, the local authorities may not give up their planning role and take directives from the market alone. They also shoulder a special responsibility not borne by the states in India or the US. Despite the phenomenal increase in employment in rural enterprises to more than 100 million in 1992 (*Beijing Review*, October 24, 1994, p 12), the problem of surplus labour in rural China is extremely acute. At least 20 million of them are roaming around from place to place in search of jobs. Estimates of surplus rural labour reach up

to 100 million (*Reuter report in The Economic Times*, October 28, 1994, p 2). Since the local authorities are directly responsible for the well-being of the local population with little assistance from the centre except during emergencies, and derive a large part of their incomes from the operation of enterprises within their territories, it would be suicidal on their part to leave the fate of the TVEs to the impersonal market.

My own reading is that China is likely to join the GATT, and hopes to emulate Japan, infringe upon many of the GATT stipulations even after 2005, but keep tinkering all the time with her economic system at the margin. At the November 1994 meeting of the APEC forum in Indonesia, China refused to commit herself to regional free trade as late as the year 2020; Japan took the same position (*The Economic Times*, November 4, 1994, p 25). In view of the opaqueness in the structure of the SOEs and TVEs ('multiple mothers-in-law'), a legal system very different from the Euro-American one, the over-arching role of the Communist Party in all spheres of life, and so on, it would be wellnigh impossible for an international body like the GATT (or its successor, WTO) to police the economic transactions between authorities at various levels and the firms in their charge. When glaring anomalies are brought to light, China will make appropriate concessions as Japan has been doing.

XV Conclusion

For all the economic successes of the past 15 years, the Chinese leaders are haunted by the spectre of social upheaval. Vice-premier Zhu Rongji admitted that coastal areas of the country have developed faster, though in "recent years... some inland areas have also experienced rapid development". He hopes that the distribution of income "will be regulated" by reforming the income tax system, and "perfecting" the social security system, "thus maintaining the social stability" (*Beijing Review*, July 11, 1994, p 8ff).

What went wrong? With its monetarist obsession, the western press is obsessed by the menace of inflation, now running at 20-30 per cent per annum in the major cities. The Chinese do not underplay it, but an all-out fight against inflation is neither necessary nor desirable. An opinion poll conducted in October 1993 by the market research firm, Horizon, found that 75 per cent of 1,539 respondents from Beijing, Shanghai and Tianjin felt that 'inflation was outstripping their income growth'; yet for 64 per cent of the total, inflation was 'bearable', and more than one-half dismissed the possibility of widespread hoarding of food as in 1988 (*FEER*, March 3, 1994, p 53). Subsequent reports paint a similar picture. The inflation, in any case, is not disrupting production or investment.

Houghton

A second source of latent tension is the absence of trade unions to defend workers' legitimate interests and the prevalence of appalling working conditions in innumerable enterprises. Officially, out of 1,70,000 foreign-funded joint ventures employing in 1993 over 10 million workers, trade unions covered barely 12 per cent of workers. In 4,00,000 township enterprises employing 25 million workers, just 8 per cent are unionised (*Beijing Review*, July 11, 1994, p 7). Creating trade unions may not be enough. As the *Business Week* (reproduced in *The Economic Times*, August 1, 1994, p 9) remarked, the All-China Federation of Labour is just a pliant tool of the government, and not much can be expected without strict vigilance by the government. Working hours are often excessive, causing a large number of accidents. Guangdong alone officially reported 45,000 industrial accidents in 1993, claiming more than 8,700 lives. The situation is grave as foreign ventures now employ millions of workers in the whole of China. Although the official media have targeted firms with Hong Kong capital, others believe that mainland Chinese investors running joint ventures inside the country through Shell companies in Hong Kong, are among the worse offenders. In my view, the Chinese leaders may take corrective measures to stamp out overexploitation of labour without jeopardising growth prospects. In South Korea, Taiwan, etc, conditions were no less deplorable initially; a gradual amelioration did not cause a rupture in the dynamics of these economies.

More intractable is the question of unemployment. According to official data, urban unemployment is on the wane, the number in million declining from 5.4 in 1980 to 3.6 in 1992 (*Beijing Review*, October 24, 1994, p 22). In the absence of substantial unemployment benefits, these numbers may not mean much. The real threat comes from rural areas on which some figures were given in the previous section. It can become explosive unless ways are found quickly enough to create productive jobs in cities and villages and stem (through economic measures) the inflow of surplus rural labour into urban areas. Despite the great achievement of the TVEs, I am sceptical if 'full employment' even at comparatively low wages can be attained in the foreseeable future. Hence the accent may shift to welfare schemes to contain antagonism as between social classes.

As for the distribution of incomes, there is a silver lining. The number of the poor (annual) income per capita in 1993 of less than 360 yuan in official headcount, dropped sharply from 250 million in 1978 to over 80 million in 1993. Yet the disparities are still striking. Children at prominent schools in Beijing and Chengdu spend annually up to 10,000 yuan on tuition, but many in Shuichung County, Guizhou province,

cannot attend schools charging 60 yuan per month in fees (*Beijing Review*, May 16, 1994, pp 7-9)

Progressive taxation to reduce inequalities is still at its infancy. Currently, a Chinese citizen earning more than 800 yuan per month has to pay income tax, the threshold is higher at 4,000 yuan for foreigners, and the maximum tax rate is 45 per cent for all individuals. Capital gains on trading in stocks (shares) are tax-exempt. The total collection of personal income taxes from citizens and foreigners amounted to just 1.3 billion yuan in the first quarter of 1994 (*Beijing Review*, April 26, 1994, p 96). How good was the tax effort? A recent official survey estimated the number of Chinese households with an annual income exceeding 50,000 yuan at 5 million, of which over 20 per cent earned more than 1,00,000 yuan per family (*Beijing Review*, September 19, 1994, p 29). From the latter set of figures, I make the following guesstimate, the average annual income in yuan was 75,000 for the first 4 million households, and 1,20,000 for the remaining 1 million households, hence the two groups had a combined quarterly income of 1,03,000 ($= 18,250 \times 4 + 30 \times 1$) million yuan. Since lower income groups (9,600-50,000) were also taxable, the income tax collected from the rich (50,000+) groups in January-March 1994 was just above 1 per cent of their income. This simple exercise reveals that the 'threat' of income tax is a paper tiger in China today, notwithstanding the pious wishes of the leadership. One gets an idea of disparities when one looks at the earnings of Shenzhen workers, currently putting in 12-13 hours a day for one yuan (12 US cents) per hour (*FEER*, June 16, 1994, p 35). In real terms that is not higher than the daily wages of an unskilled labourer in Calcutta. Average annual wages in 1992 of 'employees' in all sectors stood at 2,713 yuan, while those in agriculture and industry were respectively 1,725 and 2,774 (*Beijing Review*, October 24, 1994, p 19).

I can think of two reasons why the authorities are so half-hearted in the matter of income taxation. First, like their counterparts elsewhere, the Chinese rich are reluctant to part with 'hard earned' wealth by way of taxes. Being well connected to the political apparatus, most of them escape the tax net. More important perhaps is the belief of Deng Xiaoping and his followers in the notorious 'trickledown theory', let some people get rich today, and gradually wealth will spread to the rest of the society. It could be a legitimate reaction to the 'iron ricebowl' dogma of earlier years when there was little correlation between an individual's effort and his earning so that workers had little incentive to contribute to the social output to the best of their ability. But that contradiction persists to this day in a new form. With so many opportunities for speculation, corruption, and so on, there is

till no correlation between effort and earnings, which gives rise to popular hostility against the *nouveaux riches*. This revulsion, in turn, springs to a large extent from the socialist, egalitarian ethos which struck deep roots among the people.

There are no decisive arguments, theoretical or empirical, vindicating either egalitarianism or its opposite. If the post-1978 acceleration in China's growth is attributed to the introduction of the market and a flexible incomes policy, invoking the logic of *post hoc ergo propter hoc*, the same factors must also be held responsible for what Ellman (1994) appositely calls *katastroika* (catastrophe in the wake of perestroika) in the ex-USSR. Moreover, according to president Clinton's economic advisors, in the 1960s the marginal income tax peaked at 80 per cent as against 30 per cent in the post-Reagan era when economic growth slowed down considerably. On a more 'practical' plane, one might reckon that 'homegrown' capitalists are needed to deal effectively with the international bourgeoisie. Should influential persons be helped to steal state property (see above) in the process? *Beijing Review* (July 11, 1994, p 6) complained that many local authorities are selling off assets to private firms, domestic as well as foreign, 'soon' there will be a law to prevent the disposal of state property worth \$ 352 billion. Was it essential for Chinese managers to book profits running into millions of dollars, through insider trading before their companies were listed on the Hong Kong Stock Exchange? Scores of Soviet professionals since the 1920s had commanded the respect of western industrialists and bankers for their business acumen, without having amassed personal fortunes. The same is probably true of a large number of contemporary Chinese specialists, including the present vice-president Rong Yiren. The 'pragmatic' logic is just as fragile as others.

If I remain sceptical about the 'need' for millionaires in a developing economy, I would not go to the other extreme and assert that China during the Cultural Revolution had a 'socially optimal' distribution of income. That the latter was socially left to be more fair, is beyond dispute, and that constitutes a major source of social tension. No one swearing by democracy can honestly ignore such sentiments unless there is sufficient evidence that these are in conflict with the 'transcendental' goal of a more rapid growth, such evidence does not exist.

Western media have carried news about peasant unrest in China for the past couple of years. 'The problem of relieving the burden on peasants is not only an economic problem, but also a political problem', *The People's Daily* recently admitted in a front-page commentary. *The Associated Press* further reported that local authorities were milking peasants for road construction, irrigation

facilities, etc. Against rampant exactions, the Centre fixed a ceiling of 5 per cent tax on peasants' incomes, and banned the levy of dozens of fees toward 'social stabilisation', 'toilet management', etc (*The Telegraph*, November 6, 1994, p 3). In 1993, China's *Economic Daily* published a survey report indicating that peasants paid local taxes and fees amounting to under 25 per cent of their incomes. *The Economist* (May 8, 1993, p 29) correspondent interviewed some working peasants in Sichuan who claimed to have shelled out as much as 35-40 per cent of their income. There is little doubt that the levies on peasants far exceed the maximum stipulated by the centre, which may be contrasted with less than 1 per cent income tax collected from the urban rich.

Despite much popular discontent, the flashpoint may not be reached if the trajectory of economic growth does not falter in its course. Leaving aside a couple of hundred million persons living below or just above the absolute poverty line, the overwhelming majority, especially in coastal areas, have experienced a dramatic rise in disposable income and consumption. Per capita consumption in peasant households increased in real terms by 7.85 per cent per annum in 1978-90, though the rate had dropped sharply to a mere 0.2 per cent in 1988-90 (Islam and Hien 1992). The urban levels of living should have expanded even faster. This majority of workers and peasants, not to speak of the *nouveaux riches* and the Communist Party, have a stake in the status quo. But upheavals can take place even in the midst of plenty, as witnessed in the mighty wave of youth and student protest in France, Germany, Italy and US during the 'swinging' 1960s.

What lessons, if any, can be drawn from China's experience? The foundations of China's growth, I may recapitulate, were internal in nature and access to foreign markets provided a vital outlet, helping the country to tide over numerous internal bottlenecks. The access was predicated upon China's informal political alliance with the US. Nixon's visit to China in 1972 took place just as the Vietnam war was hoisting up much to America's discomfiture, and Deng's voyage to America in early 1979 coincided with the Soviet invasion of Afghanistan. Like Japan, Taiwan and South Korea in the previous decades, China's privileged entry into the US market cannot be explained in isolation from the Soviet-American cold war. After the collapse of the USSR, no country is likely to obtain political and economic favours on a similar scale. In any case, the prolonged recession in the G-7 countries is likely to turn them even more protectionist, notwithstanding the GATT. Hence another miracle cannot be expected round the corner.

Above all, China's experience illustrates most vividly the contemporary relevance of 'economic self-reliance' as the motor of

growth in a developing country. Barring shorter or longer spells, other east Asian countries like Japan, South Korea and Taiwan had followed the same path. Self-reliance does not refer to a closed, autarkic economy as alleged in neoliberal caricatures of the idea; it implies simply a balanced two-way flow of goods, services and capital with the rest of the world. Concretely, developing countries that had a plan frame, can avoid the pitfalls of *katastroika* and learn from China the following: (a) In encouraging domestic market forces, a proper sequencing of measures is crucial for the plan frame to remain effective and yet more flexible. (b) Any new policy that may disrupt domestic production, investment and employment even in the short run, should be avoided unless the long-run benefits in all three respects are clearly demonstrated. (c) A long-run equilibrium in the BOP current account ought to have a binding constraint so that imports and foreign capital flows are regulated accordingly. Developing countries that never had a plan frame should create one, not by administrative fiat, but by evolving a national consensus. On the other hand, small countries in Asia, Africa or Latin America, cannot have meaningful plans unless they form large regional blocs, independent of the global triad. All these prospects are dim so long as the vast majority of developing countries remain under the surveillance of the Fund-Bank duo.

It is ironic that influential government and business circles in India have been hankering after a berth in the NAFTA, EC, APEC, and even ASEAN, without any positive response from the other side. Curiously, when the Chinese Ambassador to India recently mooted the idea of a Sino-Indian trade bloc, our officials were nonplussed. Only a handful of forward-looking Indian businessmen are expanding contacts with China through trade as well as joint ventures.

The story of China has no less relevance for the rich countries. Guided by the myopic and narrow business interests of their own transnationals, the so-called 'national champions', these governments have become prisoners of monetarism; they seek to overcome domestic demand deficiency by 'prying open' the markets of dependent countries in different corners of the world. In the short run, their exports and investments abroad may go up; but insofar as domestic resources in the importing countries are replaced by imports and 'devaloured' in the process, their growth rate must come down. In subsequent rounds, their capacity to absorb imports from the rich countries will also diminish, accentuating recession on a global scale. China which refused to embrace neoliberal theory, offers the almost perfect counter-example. Her balanced two-way trade and investment with the G-7 countries created over time far greater business

opportunities than the latter's dealings with a whole host of indebted developing countries taken together. The attitude of the governments is no different from that of Harvard students attending the class of Robert Reich, the present US secretary of labour; they preferred both America and Japan to grow at 1 per cent a year, rather than Japan leapfrogging at 3 per cent against 2 per cent for the US (*The Economist*, reproduced in *The Economic Times*, November 4, 1994, p 7). To get over their own recession and clear the frightening backlog of 35 million unemployed in the OECD region, the rich nations have to abandon their basically neomercantilist, beggar-thy-neighbour approach masquerading as liberalism, and appreciate that a prosperous, rather than an impoverished, third world creates more propitious conditions for their own progress in the long run. Policy instruments have to be drastically redesigned to enable an ever-increasing proportion of mankind to participate in the process of development without sacrificing their independence and dignity. But, alas, the political prerequisites for such rethinking do not exist in the citadels of global power.

[I benefited from discussions with Sushil Khanna, research assistance by A K Singha, and financial support from the CMDS, IIMC.]

References

- Ash, R F and Y Y Kueh (1993) 'Economic Integration within Greater China: Trade and Investment Flows between China, Hong Kong and Taiwan', *The China Quarterly*, December.
- Byrd, W A and L Qinsong (1990) *China's Rural Industry: Structure, Development and Reform*, The World Bank and Oxford University Press, New York.
- Chen, K K (1994), 'China and Hong Kong's Zigzag Path', *Euromoney*, June.
- Chandra, N K (1988) 'National and Local Level Planning: China, the USSR and India' in A Mitra (ed) (1988).
- (1992) 'Bukharin's Alternative to Stalin: Industrialisation without Forced Collectivisation', *Journal of Peasant Studies*, October.
- Claessens, S and D Naude (1993) 'Recent Estimates of Capital Flight', Working Paper No WPS 1186, The World Bank, Washington, September.
- Direction of Trade Statistics*, International Monetary Fund, Washington, various years.
- Donnithorne, A (1972) 'China's Cellular Economy: Some Economic Trends since the Cultural Revolution', *The China Quarterly*, October.
- Ellman, M (1994) 'The Increase in Death and Disease under 'Katastroika'', *Cambridge Journal of Economics*, August, Vol 18/4.
- FEER: Far Eastern Economic Review*, Hong Kong, various issues.
- Field, R M (1992) 'China's Industrial Performance since 1978', *The China Quarterly*, September.
- IFS: International Financial Statistics*, International Monetary Fund, Washington, various years.
- Islam, R and J Heu (1992) *Rural Industrialisation: An Engine of Prosperity in Post-Reform Rural China*, ILO-ARTEP, New Delhi, December.
- Kapoor, D V (1994) 'Power Crisis and Solutions', *Business Standard*, September 24.
- Kueh, Y Y (1992) 'Foreign Investment and Economic Change in China', *The China Quarterly*, September.
- Lardy, N R (1978) *Economic Growth and Distribution in China*, Cambridge University Press, Cambridge.
- (1992) 'China's Foreign Trade', *The China Quarterly*, September.
- Lichtenstein, N (1994) 'Enterprise Reform in China: The Evolving Legal Framework', Working Paper, WPS 1198, World Bank, September.
- Luo Q and C Howe (1993) 'Direct Investment and Economic Integration in the Asia Pacific: The Case of Taiwanese Investment in Xiamen', *The China Quarterly*, December.
- Meemans, G B (1994) 'A Decade of C-DoT', *Business Standard*, August 27.
- Mitra, A (ed) (1988), *China: Issues in Development*, Tulika, New Delhi.
- Nayyar, D (1988) 'The External Sector in Chinese Economic Development' in A Mitra (ed) (1988).
- NWGPS (1994) 'A Letter to Hon'ble Members of Parliament Regarding the New Power Policy of the Government of India', National Working Group on Power Sector, New Delhi, March.
- Purkayastha, P (1994) 'New Telecom Policy: Rushing in Where Angels Fear to Tread', *Economic and Political Weekly*, August 13.
- Rawski, T (1993) 'How Fast Has Chinese Industry Grown?', Working Paper, WPS 1194, World Bank, Washington, September.
- Richman, B (1969) *Industrial Society in Communist China*, Vintage Books, New York.
- Ronas, P (1992) *The Second Leg: Patterns and Determinants of Rural Industrialisation in Pre-Reform China*, ILO-ARTEP, New Delhi, February.
- Schran, P (1975) 'On the Yenan Origins of Current Economic Policies' in D H Perkins (ed), *China's Modern Economy in Historical Perspective*, Stanford University Press, Stanford.
- Singh, I J, G Jefferson and T Rawski (1994) 'Competition Is the Key', *The Economic Times*, August 1.
- Tidrick, G (1987) 'Planning and Supply' in G Tidrick and Chen Jiyuan (eds), *China's Industrial Reform*, The World Bank and the Oxford University Press, New York.
- Tung, F H and others (1986) *Small Towns in China - Functions, Problems and Prospects*, New World Press, Beijing.
- Vaidyanathan, A (1988) 'Economic Reform in China: Some Observations' in A Mitra (ed) (1988).
- WDR: World Development Report*, The World Bank, Washington, various years.
- WDT: World Debt Tables*, The World Bank, Washington, various years.
- World Investment Report 1994*, UNCTAD, New York.

Transnationalisation of Third World State and Undoing of Green Revolution

Meera Nanda

The current internationalisation of capital has the effect of transforming the state into a 'transnational state' in which domestic, social and political relations are increasingly shaped by global capital circuits. In contrast to the green revolution period, the current phase of internationalisation of agribusiness impedes the ability of third world states to formulate self-sustaining and pro-poor agricultural policies.

I Introduction

STUDIES of science and technology policy presuppose a pivotal role for sovereign nation-states in generation and advancement of new knowledge. It is true that it has never been possible to contain scientific ideas and technological advances within the boundaries of nation-states: new ideas tend to spill over beyond their place of origin into distant lands through relatively peaceful (eg, trade, licensing) or coercive (eg, colonialism) means of technology transfer. Yet, the original impetus for scientific research and innovations has been assumed to originate from individual nation-states, each responding to its internal balance of class power and social needs. Radical and liberal chroniclers/critics of science and technology alike tend to give pride of place to the state, both as a source of new innovations and as a source of checks and balances on the use of these innovations.

But recent and ongoing changes in the global economy suggest that states can no longer be assumed to be autonomous "national communities of fate", that govern themselves and determine their own future [Held 1991: 142]. The current internationalisation of capital has the effect of transforming the state into a "transnational state" in which domestic, social and political relations are increasingly shaped by global capital circuits. The resulting redefinition of the state, in which "policy choices and regulatory frameworks are increasingly governed by needs for global competitiveness, rather than national coherence" [McMichael 1992: 344], calls into question the prevailing conceptions of the state in the state-centred paradigm of science and technology policy studies.

Even though transnational states continue to claim the same formal political sovereignty over decisions related to 'national' economy and growth as enjoyed by the classic nation-states, their actual autonomy in policy-making and national regulation has been severely eroded by the structures of the global economy. This disjuncture between formal political sovereignty and actual autonomy over policies that affect local/domestic affairs is especially troublesome for third world states, which have historically been

subordinated to the industrially developed core countries through colonialism and imperialism. Transnationalisation makes these countries' policy-making apparatuses increasingly subject to the vagaries of international economic and technological forces.² Under these circumstances, national governments are forced to curtail their traditional – and in the developmentalist states of the third world, essential – functions of protecting national markets in money, labour and commodities. This retrenchment of the state is simultaneously a result of, and a cause of, (further) subordination of national priorities to the international market dynamic. In third world countries, this implies a gradual undermining of goals of development and need-satisfaction.

This paper aims to examine the impact of the current phase of internationalisation of agribusiness on the ability of third world states to formulate self-sustaining and pro-poor agricultural policies. It is argued here that compared to the earlier period of agricultural modernisation – the so-called 'green revolution' – the current phase does not allow agricultural innovation policies to be guided by national development priorities. Public institutions which shaped the green revolution policies, both at the level of national governments and in international agricultural research organisations, are shrinking in importance and are in the process of being replaced by unregulated, transnational market forces.

In order to make this case, the paper first describes the contours of the emerging food regime in which transnational capital is dictating, and even replacing, national policies. Here, the emergence of the so-called 'new agricultural countries' (NACs) will be discussed. The 'new agriculture' of selected third world NACs (notably Mexico, Brazil and Chile in Latin America, Thailand and increasingly India in Asia) is 'new' only insofar as it replaces colonial commodities (bananas, sugar, cotton, etc) with new exports (fresh fruits and vegetables, flowers and poultry and meat products). The new agriculture, it is argued, serves to articulate local production relations in the NACs to the world economy more closely than colonial agriculture ever could, and thus causes an even deeper disarticulation of agriculture from the needs and lives of the local

populations. The emergence of NACs is discussed in the context of the larger changes in the world economy.³ The next section tries to provide a theoretical understanding of the process of transnationalisation of the state, including the policy-making options open to the state. The final section examines in detail three policy arenas which are in effect unravelling the national development policies encoded in the green revolution. These policy arenas include state support for agriculture, contract farming as a substitute for state-supported extension services, and the changing division of labour in agricultural research. The paper concludes with some thoughts on the implications of these policies for the idea of development.

Although this paper does not directly set out to understand the changes in Indian agriculture, it is hoped that an analysis of the older, well-established NACs in Latin America (especially Mexico and Brazil) will help understand the entry recently of Pepsi and other transnational agribusinesses in India.

II Transnationalisation of Agricultural Production

Any mention of the 'global economy' generally evokes an image of a global assembly line, churning out manufactured goods from garments to cars. It is not fully appreciated that changes in the world economy have globalised agricultural production as well. Internationalisation of the agro-food industry works roughly on these lines: selected third world 'Newly Agricultural Countries' or NACs⁴ specialise in exports of labour-intensive 'luxury' crops – off-season and exotic fruits and vegetables, frozen juices and fresh cut flowers – in addition to export of animal feed, beef, poultry and fish, etc, while the industrialised countries of the north specialise in export of 'basic' wage-foods, e.g., wheat.

This configuration is fundamentally asymmetrical, for as McMichael and Myhre point out, "while the South's agro-food production is reoriented to higher value markets overseas, the North exports (indeed dumps) its domestic surpluses. The former compromises or pre-empt[s] a coherent national agricultural sector, while the latter expresses

the highly protected agricultural sector of the metropolitan nations" [1990: 67]. This is what leads to the paradoxical – and cruel situation exemplified by Mexico which has become a major agricultural exporter of 'luxury' commodities but has to depend on import of foodgrains to meet local food needs [Barkin 1987]. Agricultural policies in these NACs have become "denationalised" [McMichael 1992:354], which is to say, they have become disconnected from the idea of national self-sufficiency in food. The ability to satisfy the food requirements of the population through local production was the motivating idea behind the green revolution. Clearly, the rules of the old "food regime" do not work anymore.

But while this asymmetry and import-dependence of the third world is not new, something qualitatively different from all earlier stages of capitalist agriculture is happening to world agriculture. This new element has been described by William Friedland as a movement from 'polyglot local farming practices to concentrated corporate-capitalist agricultural production, [a] movement from rural farming to industrial agriculture" (1991:3). All earlier agricultural practices, from family (or peasant) farms to the 'Fordist' extension of chemical and mechanical agriculture (the typical green revolution agriculture) are giving way to a highly industrialised and capitalised food sector which utilises generic foods cultivated anywhere in the world for the production of processed foods, or simply as commodity links for production of beef and other animal-based food items. This basic change is well described by Friedland

The present situation is one in which the connotations of 'farming' in particular rurality and community, but also other categories that are limited to national economies, nation-states and national societies – are giving way to vertically and horizontally integrated production, processing and distribution of generic inputs for mass marketable foodstuffs (1991:3-4).

Before we examine the changing nature of state policy-making that has allowed the new food regime to emerge, it will be useful to take a closer look at (a) NACs and how they are articulated to transnational agribusiness; (b) how food production in NACs has become disarticulated from the needs of the populace for food; and (c) the historical evolution of NACs.

NEW AGRICULTURAL COUNTRIES (NACs)

These countries have emerged as exporters of the so-called 'non-traditional' food, feed and horticultural commodities sold under major transnational brand names to the world market, including markets in North America, Europe and Japan (and increasingly Hong Kong as well). Luxury food production accounted for a quarter of the third world's total processed food output in 1980, making

it one of fastest areas of industrial growth [McMichael and Myhre 1990]. As in manufacturing, not all third world countries are equally incorporated in this circuit: sourcing is limited to a handful of middle-income third world countries, and based upon their 'comparative advantage' in climate and labour costs, different countries are emerging as specialised sources for particular items.

Latin American countries, for instance, satisfy the growing taste of North Americans for year-round fresh tomatoes, lettuce and table grapes and for more exotic fruits and vegetables. In 1990, the US imported more than \$1.6 billion worth of fresh and processed vegetables from Mexico alone. Mexico now provides nearly half of all fresh tomatoes consumed in the US along with temperate crops such as asparagus, broccoli, cauliflower, etc. Chile is a major off-season exporter of fresh fruits during the northern hemisphere's winter months. Table grapes, apples and pears account for roughly 90 per cent of Chile's total export volume, though it is diversifying into specialty fruits such as apricots, cherries, nectarines, kiwi fruit and avocado. Brazil is the world's largest frozen orange juice exporter. Frozen juice makes up Brazil's third most important agricultural export after coffee and soybean. The Caribbean countries, especially Costa Rica, the Dominican Republic and Guatemala have become the major exporters of fresh and frozen vegetables and juice to the US. In addition, Colombia has emerged as the world's second largest exporter of fresh cut flowers (after Holland), with nearly 80 per cent of its flowers headed to the US [Llambi 1993].

Similarly, African and Asian countries are beginning to supply luxury food markets in Europe, Asia (mostly Japan and Hong Kong) and the oil-rich Middle East countries. Kenya, Zimbabwe and South Africa are big fresh produce and flower exporters to England, France and western Europe. Malaysia and Thailand are emerging as agro-exporters for Japan and Hong Kong. Thailand is increasingly seen as 'Asia's supermarket' and is beginning to supply not just fresh produce but also animal feed and broilers to Japan and other countries [McMichael and Myhre 1991]. Other third world countries are joining the ranks of NACs. The government of India, for instance, entered an agreement with Pepsi Company in 1988 to let it set up two industrial facilities for processing fruits and vegetables to be specially grown for processing in Punjab, the largest grain producing state in the country. Pepsi will not only process the produce, but also organise the production through contracting the local farmers [Chakravarty 1989].⁶ (More on contract farming below.)

The important point to note is that non-traditional food exports in all NACs are vertically integrated into major transnational

agribusinesses. Being perishable, fruit and vegetables (and of course fresh-cut flowers) require capital-intensive 'cool chains' which maintain chilled temperatures from the point of origin to the point of sale. Major and well known TNCs, including household names in North America like Dole and Chiquita, have been able to provide the infrastructure and co-ordination needed for this business. Some of these TNCs, like Chiquita, Del Monte, and Dole, started out in banana (and pineapple) production in the Caribbean and South America and have only recently diversified into fresh fruit and vegetables.⁷ Some new agribusinesses like the Polly Peck and Albert Fisher Group (both UK-based) corporations have no previous experience in traditional third world food exports.

Another highly transnationalised and non-traditional food export from the third world includes feed for livestock production. Livestock production in the industrial countries has changed from being a national sector to a transnational big business linked through corporations to farms and feedlots all across the world.⁸ Through aggressive state policies, encouraged by multilateral banks, Brazil and Mexico in the Americas and Thailand in Asia have become major exporters of animal feed. Along with traditional animal feeds like soybeans, Brazil has established a big market in pulp from the frozen orange juice industry and Thailand is expanding production of tapioca for animal feed [Friedmann 1993].

DISARTICULATION FROM NATIONAL FOOD SELF-SUFFICIENCY

Even a cursory examination of the new agriculture reveals that it is less a vehicle of national agricultural modernisation rooted in a maturing home market, and more a profitable component of internationalised circuits of consumption and production. The food sector is no longer seen as a part of basic need satisfaction but has instead become a source of inputs for transnationalised agro-industry. It has meant pre-empting national food sufficiency and indeed, national food entitlement policies in many NACs.

One evidence for this 'denationalisation' of food policy comes from Mexico where:

The bulk of Mexican exports is accounted by coffee, fresh fruits and vegetables and livestock, while the majority of imports are basic foodgrains, followed by feed grains and oilseeds. In other words, Mexico exports non-essential commodities and imports essential ones [Raynolds 1993:110].

Mexico achieved self-sufficiency in food by the early 1960s. But by the early 1980s, the country had again become dependent on imported corn to satisfy the food needs of its people. During 1982-86, according to David Barkin, agriculture grew faster than the economy as a whole, but the country was forced to import large volumes of corn to meet domestic needs. Overall, the per capita

food consumption declined, even as the agricultural sector as a whole boomed. Part of the reason for this disjuncture lay in the fact that Mexican farmers were planting sorghum for animal feed instead of corn for human consumption. These changes are evident from the data on harvested land in Mexico: the area under food crops (especially maize) declined precipitously between 1965 and 1982, while sorghum production exploded, becoming the country's most extensive research crop [Barkin 1987:278].

Internationalisation is a big part of the reason for this shift. According to Barkin, by moving to sorghum Mexican farmers were only responding to the price signals in the national markets. The crucial twist to this scenario is that in the absence of support prices set by the Mexican government, the national prices reflected prices in international futures markets. Barkin ascribes the end of food self-sufficiency in Mexico to the fact the Mexican state has allowed international price signals to dictate agricultural policy and the allocation of resources.

But reliance on food imports is only one indicator of integration into transnational circuits of capital. Equally important is the manner in which this integration takes place at the level of production. According to Steven Sanderson, another well known critic of internationalisation of Latin American agriculture, the vertical integration of peasants into agribusiness through contract farming "denationalised production by shifting the locus of producer control away from the farm toward the agro-industrial enterprise [which] in turn, is likely to employ technologies of production emanating from TNCs at the international level" [Sanderson 1985:53]. This process completely destabilises the traditional farmers either by forcing them to shift away from subsistence production (or basic food production for the market) into producing inputs for agro-industry, or by simply marginalising them with respect to the economy at large.

Furthermore, at the level of the consumer market, the productive apparatus of TNC agribusiness tends to be geared toward global markets at the expense of domestic consumers. As many analysts have pointed out, export promotion of special food products – frozen orange juice from Brazil, modern poultry industry in Mexico and Brazil, frozen strawberries from Mexico, to cite some examples – serve mass markets in more affluent countries and the more affluent, upscale consumer markets internally.

HISTORICAL EVOLUTION OF NACs

One way to understand the emergence of the 'new' agriculture described above is to see it as the end of the import-substitution model of agricultural modernisation associated with the green revolution and the adoption of export-led development by a growing number of third world countries.⁹

One advantage of this perspective is that it explains changes in agriculture as a subset of the larger changes in global economy that have encouraged an export-led, market-oriented growth in all parts of the world. In other words, the same global changes that have led to globalisation of industrial production in NICs are responsible for NACs.

These larger economic forces can be broadly characterised as 'internationalisation of capital', which is leading to a more integrated world economy [Jenkins 1987].¹⁰ This thesis tries to explain the growth of transnational corporations as an aspect of 'self-expansion of capital' (both banking and industrial capital) beyond national boundaries. A big push for internationalisation of capital came in the late 1960s and through the 1970s as the US faced increasing competition from Japan, Europe and lower-wage, newly industrialising countries. Alongside with productive capital, this period also witnessed the centralisation of banking capital on a world scale, a phenomenon which took its toll on the third world through the debt crisis.

Major transnational banks, flush with petrodollar deposits from the Arab countries, advanced huge sums of money to selected third world countries through the 1970s to help them finance their import substitution industrialisation. But following Reagan's 1979 monetary policy in the US, which raised the interest rates for the debtor nations, and the general global recession, major third world debtors had to borrow simply in order to pay the interest. Debt acquired crisis proportions in 1982 when Mexico nearly defaulted. Although the creditors have devised case-by-case strategies to allow the debtor countries to pay back the debt, the entire process had forced a major structural change in third world countries, especially the debtors in Latin America and Africa. Two major consequences that are relevant to our purpose include. (a) an end to import substitution industrialisation and the beginning of a more outward-oriented, export-based growth, and (b) a larger overseeing role for multilateral financial institutions (especially the IMF and the World Bank) in the economic policies of the third world [Gilpin 1987: 317-28].

Against this background, it becomes possible to see the green revolution as part of the earlier import substitution mode of modernisation in which nation-states formulated policies aimed at national self-sufficiency.¹¹ In other words, the green revolution belongs to a world order in which the economy was still not a 'world economy' but an international economy and national regulation of economies was possible. NACs represent an undoing of this "national coherence" [McMichael 1993]. The 'new agriculture' is instead subordinated to international price signals and "national development becomes international and local

economies become a part of the global market" [Barkin 1987:275].

The integration of third world (and the formerly communist countries of the eastern bloc) in the international economy, however, is influenced by a historically determined unevenness in wages and technological abilities. Indeed, seen historically third world food and agricultural policies have been deeply influenced by the domestic farm policies of major food exporting countries, especially the US. The food regime analysis by Harriet Friedmann provides some interesting insights into this structural imbalance (1990, 1993). Very briefly, the source of third world dependence (and US dominance) lay in the wheat surpluses the US government held from 1947 to early 1972. These surpluses were the result of the price support the US government began to offer to American farmers as a part of the New Deal in 1930.¹² Immediately after the second world war, the US government used Marshall Aid funds to buy surplus commodities for subsidised sale in Europe. After the reconstruction of Europe, the surpluses were directed to the third world as part of PL 480 food aid. This provided third world governments a way to keep their food prices (and consequently, industrial wages) low without having to improve their domestic food production. The American food surpluses abruptly ended with the gigantic grain deals the US made with the USSR in 1972 and later. By then, a select handful of NACs (notably Brazil) began to compete as exporters of feed grains to Japan and other countries. But many other third world countries, their economies dependent on American surpluses, were forced to buy grain on world markets. The point to note is that the dependence of some NACs on imported foodgrains is a historical legacy of US farm policies.¹³

Apart from the larger economic changes in the world economy, technological substitution of traditional exports of third world countries has played an important role in the emergence of NACs. Industrial "substitutionism" [Goodman 1991:38] has long been a strategy of the food industry to get around the biological constraints (including locational and seasonal specificities) of agricultural production. Wherever possible, the food industry has tried to develop (a) industrial substitutes for plant-derived products, and (b) generic raw materials substitutable for one another.¹⁴ Replacement of sugar with industrially produced high-fructose corn syrup (which now accounts for nearly 40 per cent of sweeteners used in the industrialised countries), and replacement of palm and coconut oils with soy oil (an industrial by-product of soymeal animal feed) are familiar examples of how substitutionism has reduced the world demand for traditional tropical exports. Some other high-value traditional

exports, e.g. vanilla, might be facing a similar fate with the development of tissue culture technologies [Buttel 1990]. As markets for traditional exports dried up, third world countries were forced to diversify into other high-value crops including flowers, fruits and vegetables.

III Transnationalisation of National Policy-Making

As described in the previous section, transition to a world economy tends to replace national regulation with price signals from the world market. But this transition does not mean a diminution of state power, rather it has the effect of transforming the national state into a 'transnational state'. Robert Cox provides a very succinct definition:

The internationalising of the state is the global process whereby national policies and practices have become adjusted to the exigencies of the world economy of international production. Through this process, the nation-state became part of a larger and more complex political structure that is the counterpart to international production. [as a result] *the internal structures of states are adjusted so that each can best transform the global consensus into national policy and practice* [Cox 1987: 253-54; emphasis added]

That the nature of national governments – and consequently, the nature of politics itself – changes in the process of internationalisation of production is an important insight. Very often, analysts and/or critics of the world economy tend to portray the changes in world economy as a zero-sum game between autonomous nation states, with the third world generally at the losing end.¹⁵ Even those science policy analysts who are trying to bring policy-making in tune with the fact of globalisation often fail to see the structural changes that have taken place in the interests and constraints on governments' ability to make policy decisions.¹⁶ Rather than simply trying to reconcile the national interest with the international, it is important to identify the ways in which the international has become national.

This idea of transnationalisation of the state is only now beginning to be theorised in social science literature. It has recently received extensive treatment from prominent political theorists including David Held (1991) and Robert Cox (1987). The concept has been used to understand the changing nature of agricultural production by a group of rural sociologists at Cornell University, including the prolific Philip McMichael (1990, 1992, 1993, 1994). In this section we will use the insights these authors offer to update and revise our understanding of the role of the state in policy-making.

The two most important actors in policy-making include the government and businesses. Knowledge generation and diffusion is seen as a part of government's job to create resources for the nation. Businesses, on the other hand, do not have any such national mandate. While they make vital decisions about investment in, and production of, technologies with which we live, business decisions remain outside of the democratic mechanisms for public accountability. This is the idea behind Charles Lindblom's (1977) notion of the "privileged position of business" which explores how businesses take over many essential (and "momentous") functions of the state in polyarchies, and thus exclude them from popular control.¹⁷

Even though liberal political theorists like Lindblom are critical of the fact that the profit margin of private businesses is allowed to decide matters of great consequence to society, they do not despair of the market. Lindblom is indeed quite emphatic about the superior ability of the market (as compared to bureaucratic planning) to express popular demand for goods and services – and to maintain a higher degree of accountability within the authority structures. His idea of a "hybrid form of popular control" (1977: 156) aims to bring markets under larger polyarchal (government) control without, however, curbing their dynamism with excessive governmental interference. For this purpose, Lindblom proposes to turn the privileged state of businesses into an opportunity for popularly controlled governments to demand social accountability from markets. If businesses need inducement from governments (in the shape of tax breaks, subsidies in the form of basic research and development and the like), then the government should, in return, direct them to conform to certain socially acceptable norms, including the choice of technologies, the pace of their development and sensitivity to the environment.¹⁸

This idea of hybrid control rests squarely on the assumption that the business operating within the jurisdiction of a government can serve the needs of the citizens of that society. Or as David Held puts it, there is an assumption of a "symmetrical and congruent relationship between political decision-makers and the recipients of political decisions" (1991: 139). But this assumption can hold only as long as markets respond to the efficient prices set by the demand-and-supply internal to a society. Once the production and investment decisions of private businesses begin to be shaped by signals from the world (rather than the local/national) markets, state inducements and other regulations can no longer be simply assumed to serve the larger national welfare. The state in market economies, in other words, cannot simply justify the inducements it offers

businesses as serving the welfare of the whole society. The very possibility of a national economic policy is, accordingly, reduced.

Marxist explanations of the role of the state in policy-making are equally handicapped by taking the existence of sovereign nation-states for granted. Without going into the details of Marxist theory of the state – a subject too vast to be addressed here – we can get a good idea of its limitations through Jack Kloppenberg's analysis of the development of the seed industry in the US [Kloppenber 1988]. The state in a capitalist society is "charged with providing the conditions for profitable accumulation [of capital]" (1988: 13). In the agricultural sector in the US through the 19th and early 20th centuries, it meant destruction of all those relations of production which were not fully integrated with the market and the subordination of all use value to the logic of profitability. To serve that end, the US government supported a massive research effort to make better seeds and other farm supplies available to the farmers, science in this instance was "incorporated into the historical processes of primitive accumulation and commodification" (1988: 10). But as this science-based commodification of the rural sector progressed, public sector involvement became an obstacle to profit-making for private seed companies. Again, in order to serve the needs of capital accumulation, the public sector was forced to withdraw from actually making improved seeds available to the farmers. Thus the state is basically a tool for capital accumulation for the owning classes and changes its priorities, policies and laws in order to serve that overarching goal.

Apart from denying the state any autonomy at all, this account of the state is too tied to the class interests embodied in the domestic economy – state policies help national capital expand into sectors of the national economy, while any international component of these policies (collection of germplasm from the third world, in Kloppenberg's case), is simply meant to aid the process of capital accumulation at the national level. The limitations of this perspective become clear in view of the fact that in third world countries today, peasants engaged in subsistence farming are being directly integrated into global agribusiness through contract farming. Capital accumulation, even primitive accumulation, is hardly a national matter anymore.

The common problem with both the Marxist and liberal theories of democratic (or more exactly, polyarchal) states has been succinctly summarised by Held (1991: 139).

The underlying premises of democratic theory – in its liberal and radical guises – have, in short, been, that democracies can be treated as essentially self-contained units; that democracies are clearly demarcated one

from another; that change within democracies can be understood largely with reference to the internal structures and dynamics of national polities and that democratic politics is itself ultimately an expression of the interplay between forces operating within the nation-state.

Held traces the root of these problems to the two assumptions all 19th and 20th century social theory makes. First, that formally sovereign nation-states are autonomous states. That is, a state which has the undisputed right to determine rules, regulations and policies within a given territory can actually execute this right autonomously without constraints from any other nation-state or a system of states. Second, democratic theory assumes the processes and institutions of democracy to evolve from and function within the framework of individual nations. That is, a government ruled by the consent of the majority of its own citizens and is accountable only to them.

Both these assumptions are no longer valid in today's world which is marked by a high degree of internationalisation of production, consumption and finance (all of which are undergirded by advanced technologies of communication and transport). In this world, formally sovereign states cannot be assumed to be autonomous states. Globalisation of economic relationships has altered the possibility of deploying whole ranges of economic policy. As we discussed above in the context of Lindblom's idea of hybrid control, as the key economic factors such as the levels of investment, revenue and employment within a country become dependent on the decisions of transnational corporations and/or banks, governments can no longer intervene and manage their economies. Thus, as David Held puts it, "with the increase in global interconnectedness, the number of political instruments available to governments and effectiveness of particular instruments shows a marked tendency to decline". This is attributed to the loss of a wide range of border controls which served to restrict transactions in goods and services, production factors (including capital and technology), ideas and cultural interchange.¹⁹

The obverse side of this shirking of policy options at the national level is the growth of international policy-making options. The traditional domains of state activity – the very basic functions of economic management for capital accumulation – cannot be fulfilled without resort to international forms of collaboration. The rapid growth of transnational links is evidenced in the vast array of international regimes and organisations which have been established to manage whole areas of transnational activity (trade, space, the oceans, and so on).²⁰ Some of these organisations serve largely technical interests (e.g., the Universal Postal Union, the International Tele-

communications Union, etc). But other international bodies like the International Monetary Fund (IMF), the World Bank (WB) and many development agencies of the UN are involved in more contentious issues of allocation of resources and setting the rules of the global order. Participation of nation-states in these international organisations has brought with it new constraints on the autonomy of formally sovereign states. Indeed, as David Held proposes, the idea of sovereignty itself has to be conceived today as divided among a number of agencies – national, regional and international. Overall, there is no doubt that.

Global processes have moved politics a long way from activity which simply crystallises first and foremost around state and interstate concerns. [They are] blurring the boundaries of domestic politics, transforming the conditions of political decision-making; changing the institutional and organisational context of national politics; altering the legal framework and administrative practices of governments; and obscuring the lines of responsibility and accountability of national states themselves. From these processes alone one can say that *the operation of states in an ever more complex international system both limits their autonomy and infringes ever more upon their sovereignty* [Held 1991:157; emphasis in original].

Accordingly, the meaning and place of democracy – the second assumption of democratic theory – has to be rethought. For instance, in a world where the actions of a national government affect not only its own citizens but citizens of the other parts of the world as well, what should be the nation-states' relevant constituency for consent and accountability? Should the constituency be local, national, regional or international? Generally, territorial boundaries are insufficient grounds for inclusion and exclusion of individuals in participation in decisions affecting their lives. Indeed, globalisation raises profound questions not just about participation but about all key ideas of democratic thought: the nature of a constituency, the meaning of accountability, the proper form and scope of political participation, etc.

But here we are more concerned with specifics of how transnationalisation actually affects state policy-making powers and abilities, especially as these policies affect the agricultural sectors in third world countries. Two general statements about this phenomenon will suffice for now.

First, the mechanism and manner of transnationalisation – and the potential for destabilisation it entails – is not the same for all states but varies with the differential power the states have in the world economy. As Cox points out, the transnationalising of the third world state is "more openly induced by external pressures than the internationalising of the advanced capitalist state is" (1987:265),

and thus provokes more awareness and resentment (e.g., against the US and the IMF and the World Bank which are assumed to be acting on the US' behest). In the advanced countries, on the other hand, internationalisation has the appearance of being the result of ineluctable impersonal forces. Thus, there are bigger chances that this process will generate deeper opposition and political upheaval in third world countries than in the more advanced capitalist economies.

Second, the powers that transnational financial structures acquired in response to the debt crisis have diminished the autonomy of third world states severely. External debt has been singled out by political theorists as the most pervasive pressure on third world states to expand exports to earn foreign exchange. IMF and World Bank adjustment lending programmes not only curtail public investment in local production, but also change the very policy-making apparatus in third world countries – representatives of the multilateral and trade institutions (IMF, World Bank and lately, institutions like Inter-American Development Bank) actually sit in the state policy-making bodies [McMichael and Myhre 1991].

In conclusion, the nation-state seems to be yielding its primacy of place as a political mediator and an agent of capital accumulation. In its stead, the institutions and mechanisms of the global regime are setting the terms of economic policy. The state acts more as a facilitator of the requirements of global, rather than the national, capital.

IV

Transnationalisation of Third World States and Undoing of Green Revolution

Earlier in this paper the green revolution is presented as belonging to an era of economic nationalism, and it is suggested that the NACs represent an undoing of that era. It is time now to examine how this undoing has come about. Specifically, this section aims to examine the changes in the agricultural policies of selected NACs which have restructured their agricultural sectors from the goal of national self-sufficiency in food production to the goal of increasing export earnings.

But before we examine the content of specific policies, it will be useful to place the green revolution in the ideological and institutional context of its time. The idea behind the green revolution – deliberate and planned state involvement, with help from international agencies, in the creation of national and international institutions capable of doing research and providing extension services to farmers – was fairly novel when it was first seriously considered in the post-second world war years.²¹ The newly constituted Food and Agriculture Organisation (FAO) did not see any need to

sponsor additional research in high yielding seeds adapted to the local conditions of developing countries. The conventional wisdom at that time was that lagging agricultural development in the newly-independent developing countries could be corrected by a diffusion of already existing technologies from the industrially advanced countries [Hayami and Ruttan 1985: 264].

This view changed by the late 1950s as the limitations of the diffusion model became evident and serious food crises developed in many parts of Asia, especially India. Also, around that time, the agricultural science programmes of the Ford Foundation (in the Philippines) and Rockefeller Foundation (in Mexico), aimed at training local scientists in breeding high yielding varieties of food crops, began to show promise. The two foundations, along with the 'host' governments, set up the International Rice Research Institute in Manila in 1959, and the International Centre for the Improvement of Maize and Wheat (CIMMYT) in Mexico in 1963. In early 1950, the government of India formally requested the Rockefeller Foundation for help in developing hybrid corn in India. It was these developments that led the FAO and other international organisations (including the World Bank, the UN Development Programme) and nine national governments (led by the US) to organise the Consultative Group on International Agriculture (CGIAR) in 1971. By 1984, CGIAR was spending \$180 million annually on 10 International Agricultural Research Centres (IARCs) and three research-related programmes [see Hayami and Ruttan, ch 9 for a history of IARCs].

While legions of radical critics of the green revolution have endlessly laid bare the self-interest (control of indigenous germplasm and access to third world markets in seeds and farm chemicals)²² that motivated the US government and foundations to take a lead in the green revolution, these critics have paid very little attention to the other significant partners in this phase of agricultural modernisation – the third world governments themselves. In order to get a fuller idea of the developmentalist and nation-state centred ideas about modernisation prevalent at that time, it is important to open the black box of national agricultural policies.

That is precisely what a 1989 paper by Uma Lele and Arthur Goldsmith does for the green revolution in India. Their study of the internal documents of the Rockefeller Foundation and key ministries of the government of India reveals the extent to which the green revolution was a part of the overall project of nation-building. Nearly a decade before India was forced by a major food crisis (the 1965 drought) to appeal to the Rockefeller Foundation and the US government for technical assistance in trying out high yielding varieties of wheat and rice, the Indian government had been working

with US scientists and educators in reorganising its agricultural research and education systems. The Indian government's emphasis, which was shared by its American collaborators,²³ was on building institutional infrastructure for research suited for local crops and local farming conditions. According to Lele and Goldsmith, India fared a lot better (as compared to other third world states, especially in Africa) in becoming self-sufficient in food, because in India agricultural modernisation was a part of larger "nationally determined goals of development as opposed to *ad hoc* projects formulated on an individual basis" (1989:323).

This is precisely the point. For a brief period beginning at the end of second world war and ending with the onset of the debt crisis,²⁴ the idea of 'national development' was conceivable. The ideal conditions for development were those elaborated within the framework of the states, which were supposed to be accountable to both their people and to the institutions of the world economy created at Bretton Woods [Cox 1987:255]. The justification for such an arrangement was provided by Keynesian economics, which showed how national regulation of demand and supply could work.

Moreover, the very idea of development was quite novel. Historically, international trade – be it in raw material and slaves as under colonialism, or in cheaper goods made by poorly paid workers today – has been based upon comparative advantage in supposedly immutable factors such as climate, natural endowments, abundance of labour, etc. The idea of development meant a belief that these 'endowments' were not fixed by nature but were instead 'arbitrary' [Gilpin 1987:223] and could be changed by appropriate national policies. Thus the green revolution was an implicit statement of a belief that the third world could reverse its 'comparative advantage' as a producer of raw materials and luxury foods (tea, coffee, cocoa, etc) for the advanced nations, and could again become self-sufficient in food production (as it was in pre-colonial times).

The 'undoing' of the green revolution, a phenomenon this paper has tried to describe and explain, has come about as a result of an exhaustion of the twin ideas of national development and the arbitrary – and alterable – nature of comparative advantage of nations.²⁵ The assumption underlying Bretton Woods – that nation-states could be accountable to both international financial institutions and to their citizens without any conflict of interest – has proven to be unworkable. Changes in the world economy (described in Section II) have led to a return to the doctrine of free trade based on the old notions of comparative advantage. The GATT treaty represents a triumph of these ideas.

In many third world countries, especially those with bigger debt burdens, global rather than national economic regulation is

becoming the norm and is increasingly enforced by international financial institutions like the IMF and the World Bank. Thus McMichael (1992a) reports that structural adjustment loans to third world debtors has forced a diminution of programme-oriented ministries (social services, agriculture, education, etc) as compared to trade and finance ministries. These ministries treat agriculture as one more source of increasing export earnings rather than as a source of need satisfaction of the populace. The new agricultural policies being promoted by the more export oriented states are devoid of a broader rural development – and equity – agenda that used to be a part of the official rhetoric of the green revolution.

This new institutional and ideological arrangement has led to three kinds of policy changes: (a) economic subsidies to food exports, (b) substitution of contract farming for extension services, and (c) increased involvement of the private sector in development and deployment of agricultural technologies. We now proceed to examine these in detail.

STATE SUPPORT FOR EXPORT AGRICULTURE

Like their counterparts in the advanced capitalist countries, governments in the third world have traditionally used price support to farmers and subsidies for infrastructure (irrigation, roads, farm chemicals, etc) as a means of encouraging the use of new seeds and farm technologies. These policies paid rich dividends through the green revolution years, but are now under threat from the IMF's structural adjustment policies and the free trade policies written into the GATT.

Mexico is a striking example of this unravelling. As David Barkin (1987) tells it, until the mid-1960s, there appeared to be a happy coincidence between the two criteria of needs and profitability in rural Mexico. The first advances of the green revolution (which had its origin in Mexico in the mid-1940s), coupled with land reform, led to spectacular gains in yields in wheat and maize in irrigated areas. Starting in the mid-1960s, the US markets for Mexican exports of cattle, cattle feed and fresh fruit and vegetables began to grow. Mexico also saw a growing domestic market for 'durable foods' catering to more upscale consumers. Both Barkin and McMichael (1993) conclude that the Mexican government tailored its economic policies (especially investments in irrigation and farm chemicals) to encourage crops destined for export markets. Those farmers who could find the resources to modify their operations stopped producing foodgrains and other traditional crops and instead planted on the basis of profitability alone. Consequently, sorghum, virtually unknown in Mexico in the 1950s, became the country's number one cash crop less than two years later. The state could have made food production equally or more profitable,

but it failed to increase the support prices for small-scale agriculture, the primary producer of traditional products. Indeed, in order to keep down the consumer price of food, the procurement price of food fell lower, making commercial farming for nonfood products even more attractive. The government made up the shortfall in food through imports, leading to the absurd situation reported by Barkin – the country was exporting increasing amounts of agricultural products, and at the same time, using those export dollars to buy food. Even though in this pre-debt crisis phase the Mexican government favoured large-scale and export-oriented sectors over the more traditional farm sectors, it maintained its legitimacy among the impoverished by large-scale subsidies for basic food items for the urban population and loans and marketing support for small farmers.

For a short span of time (between 1980 and 1982) Mexico tried to reverse its dependence on imported food – and gave a real world example of what economic policies work for self-sufficiency. Discontent among small holders in rural Mexico, coupled with a drought in 1979, led the government to formulate a plan to recover its lost self-sufficiency in food. Two programmes were launched in quick succession, the Sistema Alimentario Mexicano (SAM) from 1980 to 1982 and the Programa Nacional de Alimentación (PRONAL), which replaced SAM in 1983. Both aimed at increasing production in small-scale dryland agriculture, increasing rural employment and improving nutrition [see Barkin 1987 for details].

The remarkable success of SAM gave a clear example of what the state could potentially do to improve the economic status of small farmers. Funded generously through petroleum money, SAM increased the producer prices for basic food, extended low-interest credits for food production and subsidised farm inputs (especially cheap seeds and fertilisers). The results were striking and immediate, in the three-year period from 1980 to 1982, agriculture grew at 5.2 per cent as compared to 2.8 per cent during the 1977-79 period. Grain output increased significantly through the reincorporation of land into cultivation and through subsidised inputs. Staple foods – corn, beans and rice – all showed a marked increase. A significant improvement in availability of food to the rural poor was also reported. SAM ended in 1982 (due to a change in the administration, apart from other problems) and was followed by PRONAL, which sought to improve the infrastructure for dryland farming [Barkin 1987].

But the deepening debt crisis of 1982 brought these programmes to an abrupt halt. In 1986, the World Bank began negotiating with the Mexican government to develop a structural adjustment loan that was conditional on the elimination of food

subsidies, privatisation of state agencies, domestic agricultural price liberalisation (i.e., withdrawal of price supports), input price liberalisation (i.e., end to subsidies) and streamlining of the agricultural ministry through mass dismissal of employees. As one indication of the state's withdrawal from the countryside, state investment in 1986 was 47 per cent less than it was during 1981 (when SAM was at its peak) [Raynolds et al 1993].

Thus, as compared to the green revolution years (roughly, from the late 1940s through the middle 1960s) and even the early phases of Mexico's integration into global agro-industry, the current agricultural policies – the 'new' agriculture, as this paper has described it – have seen a diminution of the national development component in favour of global markets. As Raynolds et al (1993) aptly put it, "the state's policies have shifted from building a domestic agro-food complex with a strong export component into exploiting agriculture for generalised fiscal stability". The real losers in this shift are the peasants and small commercial farmers who have been left to fend for themselves in a volatile world market. Indeed, the roots of the Indian rebellion in the state of Chiapas earlier this year can be traced to the social instability and inequity caused by the operation of the unregulated market [Burbach 1994].

This shift is not unique to Mexico. The Dominican Republic has undergone almost identical changes as described for Mexico, with the essential difference that the latter has always been more closely integrated into the world economy. The Dominican Republic's economy has been dominated for centuries by the production of sugar, and to a lesser extent, coffee, cocoa and tobacco, for sale in European and North American markets. Collapse of the sugar export market (in large part due to technological substitution, see Section II) has forced country to aggressively promote non-traditional markets²⁶ as it seeks to make structural adjustments under the supervision of multilateral financial institutions. Like its counterpart in Mexico, the national government has been forced to withdraw state support for local food production. But the Dominican Republic has gone much farther in explicitly supporting the new exports of fresh produce – the state has made nearly 10,000 hectares of state-owned land available to foreign agribusiness (including the US-based TNCs, Chiquita and Dole) on a concessional basis to cultivate pineapples for export. This land lease is supported and funded by the US Agency for International Development through the sugar diversification programme [Raynolds 1994]. Moreover, the multilateral agencies (including the Inter-American Development Bank) also have made structural adjustment loans available to the government to provide tax

cuts and state-subsidised credits to non-traditional agricultural exporters. The 'free' market ideology that underpins the export-led growth of the Dominican Republic (and other NACs) does not by any means imply substitution of the state by market mechanisms, but actually the deployment of state policies to serve the international market.

Similar restructuring of policies is occurring in many other countries, including Ghana in Africa [Tripps 1993] and India [Gill 1988, 1990].²⁷ These changes may differ in details but they share the logic described here for Mexico and the Dominican Republic.

CONTRACT FARMING

Most successful experiments in the green revolution seem to be the result of two national policies: (a) development of crop varieties consonant with local environmental conditions, social tastes and resources, and (b) provision of financial and technical support to the growers through extension services [Lele and Goldsmith 1989 for India, and Tripp 1993 for Ghana]. With the growing market orientation of agriculture, the governments in the NACs are ceding these crucial policy arenas to internationalised agro-industry, which is bringing the practice of contract farming to the countryside in third world countries. In this mode of production, the contracting firm provides all those services and inputs – seeds and farm chemicals, financing and marketing – that the state-run agencies used to provide at a subsidised price.

Contract farming is a way to integrate independent growers into new production complexes. It is a form of social organisation in which

plants and animals are produced on land in relation to the complex and changing profit conditions of global competition – it is a means to introduce distinctive work routines, new on-farm technologies and labour processes, a further concentration of capital in agro-food systems and not least, *to deepen the form of appropriation by which rural production processes are converted into industrial products by agro-industrial capital* [Watts 1990: 149, emphasis added].

Lately, contract farming has been heavily promoted by multilateral financial bodies and major international aid agencies, including USAID and the British Commonwealth Development Corporation. The latter, in conjunction with the World Bank, has pioneered palm oil, cocoa and rubber contracting across Asia, Africa and Latin America. USAID, as we saw in the case of Dominican Republic, has supported TNC-managed contract farming. But such operations are not limited to private contractors – state-run agencies can and do serve as contractors as well, as in the case of tea production in Kenya, tobacco and livestock in Thailand, rubber in Malaysia and palm oil in the Philippines (all examples are from Watts 1990). Third world govern-

ments, Watts claims, are very attracted to contract farming for it helps them retreat from the countryside, while at the same time, maintain the nationalistic rhetoric of 'putting peasants first'

Contract farming involving transnational capital is most advanced in Central and Latin America. The import substitution policies of Latin American countries in effect invited TNCs to invest in these countries (in order to avoid tariff barriers), and the agribusiness investment has grown through integrating the producers into their operations through contract farming. In Mexico, for instance, Pillsbury, Campbell Soup, General Foods and other North American TNCs have been contracting for strawberries, tobacco, tomatoes and cocoa since the 1950s. Many others (Chiquita and Dole) operated banana and sugar cane plantations [Friedland 1994]. With the intensification of agricultural exports in recent years, production relations modelled after the old fashioned plantations system have re-emerged – in the Dominican Republic, for instance, large TNCs hire workers to cultivate land managed by the company (and leased from the state for a percentage of the profits). This arrangement leaves the corporation in complete control of the production and supply of produce. Other forms of contract farming resemble the old 'putting out' system of industrial production in which businesses contract a large number of peasant growers to produce the desired crop. In this model, too, businesses control the quantity, quality, credit, inputs, production method and market access.

Arrangements like these are not uncommon in other parts of the third world. Small peasants contracting with local merchants of joint ventures between local and foreign merchants and exporters is becoming a common phenomenon. There are well-established networks of local peasants in Kenya who produce sugar, tea, tobacco and fresh fruit and vegetables under contract to state and private contractors, with only 100 Kenyan buyers-processors exporting carnations and specialty vegetables to London, and green beans to Paris. Senegal, too, is an exporter of fresh produce. According to Watts, the majority of Kenyan contract farmers are women. In Asia, Thailand's food exports are largely based on rural small holders under contract to the agro-food processors [McMichael and Myhre 1991]. India has recently allowed a joint venture between PepsiCo and two Indian corporations (one state-run and another privately owned) to begin contracting peasants in the state of Punjab to grow vegetables for processing [Chakravarty 1989].

Contract farming in Sanderson's (1985) opinion "denationalises" production by shifting the locus of control away from the farm toward the agro-industrial enterprise. Crucial decisions about what to produce and how much are settled by fluctuations of

world commodity markets, rather than by either national plans or domestic markets. Not surprisingly, regulation of food quality – food safety, pesticide residues, physical appearance, processing qualities, etc – also passes out of the hands of local government agencies. There are many cases of produce not being allowed into the importing countries because of failure to meet those countries' environmental standards. In such situations, the contracting firms simply suspend purchase, leaving the farmers with their stock of perishable produce [see Raynolds 1994 and Watts 1990 for examples].

Apart from these disarticulations of production and regulation from the local base, contract farming has serious implications for technology choices. Evidence shows that it is quite likely that contract farming will simply become a conduit for new technologies which will be outside any meaningful government control. Most, though not all, contracts allow the contractor to lay down specifics of production practices. These companies are allowed to supply the farmers with their own seeds and inputs. For instance, PepsiCo in India declared the local tomato varieties to be unsuited for its processing operation. It was allowed to distribute imported germplasm to 107 local farmers who cultivated 1,600 hectares of land with it [Gill 1990]. Pepsi, moreover, has plans to set up a plant research centre to develop new varieties better suited to the local climate – and to its own specifications.

Provision of seeds, chemicals, and technical advice to farmers about how to use them – all these functions that agribusiness is permitted under contract farming – have been the traditional mainstay of adaptive research and extension services. Although general opinion has swung against the public sector's involvement in agricultural research, the fact remains that extension services have many success stories. Even the harshest critics of national and international research centres set up during the green revolution have come to accept that they have been responsive to local ecological conditions and food needs. Patient and long-term involvement of extension services has led to widespread adoption of green revolution seeds and inputs even by small farmers [Tripp 1993]. Although it cannot be denied that richer farmers tend to monopolise the government-run credit and extension services, the fact remains that these services were mandated to help all farmers, regardless of the size of holding. Contract farming operates under no such mandate. Contractors are free to select only the more viable, generally richer and already well-established farmers [Watts 1990]. The poorer farmers can make no claims on these private sector services. As a result, there is a real danger that as national governments let the market take care of extension services, there may be nothing left of them for the farmers who need them the most.

CHANGING DIVISION OF LABOUR IN PLANT BIOTECHNOLOGY RESEARCH

Breakthroughs in agricultural biotechnology have intensified the struggle between private and public sector research institutions over the division of labour between so-called basic and applied research. According to Kloppenberg's political economy of the development of the private hybrid seed industry in the US [Kloppenber 1988], at those historical junctures when new technical innovations make commodification of seeds easier, private industry has sought to limit the activities of scientists in public research centres to doing 'basic' research only. The first phase of marginalisation of public sector scientists (in land grant universities) came in the 1930s when it became possible to hybridise corn, and the second big push to sideline – or co-opt – research in public institutions has been in progress since advances in biotechnology made genetically engineered seeds a possibility.

A similar redefinition of the division of labour has also begun internationally. As Buttel and his colleagues expressed the problem:

the technological pivot of international agriculture and rural development is in the process of being superseded by new technical forms that will significantly change the context within which technological change in the Third World is conceptualised and planned. The cluster of emergent techniques generically known as 'biotechnology' will be to the Green Revolution what the Green Revolution was to traditional plant varieties and practices [Buttel et al 1985: 32].

As suggested at the beginning of this section, the green revolution was set in motion through a collaboration between international research institutions and national governments which set up their own research centres and extension services. Whatever shape this collaboration took in different countries, the defining feature of the green revolution was that it was in the public domain. This is not to say that private interests, particularly agrochemical transnationals, did not benefit from the spread of the green revolution, for clearly they did. But private corporations did not themselves spearhead the green revolution or have a determinate role in the shaping of research priorities. Indeed, it is fair to assert that the dislocations stimulated by the inequitable deployment of green revolution technologies could have been worse had IARCs not been committed to a mission-oriented ideology of 'public interest'.

Moreover, the main technology used in the green revolution – plant breeding – was developed by public sector institutions in the west and successfully adapted by national research institutions in several third world countries. Buttel summarises the situation:

Due to foreign aid, training and research efforts from multilateral institutions such as

the United Nations' FAO and International Agricultural Research Centres (IARCs) and Third World government investments in personnel training, facilities and research programmes, a significant number of countries (especially India, Brazil, Mexico and China) developed the capacity to undertake some basic research and virtually all the types of applied agricultural research then being undertaken in the advanced countries. Tens of others had sufficient capacity to modify and transfer new technologies developed by IARCs or developed country research in states. Even some of the poor countries of the so-called Fourth World (e.g., Bangladesh) were able to make use of public-domain technologies developed elsewhere, with a modest amount of technical assistance from more favoured nations and multilateral research institutes [Buttel 1990:164].

The private sector largely stayed out of the development of green revolution seed varieties because it was not very profitable. Despite many attempts, the major seeds of the green revolution – wheat and rice, the staple foods in most of the third world – could not be successfully hybridised. Lack of hybridisation meant that these seeds could not be sold as proprietary brands which would have to be bought afresh every year.

All that is now changing. Biotechnology has provided the private sector with a powerful tool to commercialise seeds. This has already led to a big move of agricultural research "from the campus to the corporation" [Kloppenbergh 1988:220] in the industrialised countries. The growth of plant biotechnology has seen big takeovers of private seed companies by giant chemical and pharmaceutical companies (which see seeds as delivery systems for their herbicides and other chemicals) and an attempt to co-opt university scientists through offers of research grants and/or shares in biotechnology firms. In the US there are many state- and business-sponsored initiatives, like the one based on the Winrock Report, which seek to limit the land grant universities and other publicly funded research centres to basic research, which can be used by the private sector to produce marketable farm inputs [Kloppenbergh 1988].

A parallel process is under way in international agricultural research. IARCs, the institutes that spearheaded the green revolution, are being left out of the impending bio-revolution. They are no longer as generously funded as they used to be. According to Buttel and his colleagues (1985), funding for IARCs fell short of inflation by 6 per cent and virtually all 13 IARCs were forced to cut back their programmes. Indeed, recent evidence suggests that international aid agencies have started funding major private sector biotechnology firms to train third world scientists and to develop products for third world markets – functions which

used to be performed by IARCs. For instance, *Business Week* (1992) recently reported that at the behest of foreign aid donors, western companies, including Monsanto, Britain's Imperial Chemical Industries (ICI) and New Jersey-based DNA Plant Technology, have started programmes to train scientists from third world nations. Furthermore, USAID has given contracts to the US unit of Britain's ICI to develop insect-resistant corn for Indonesia and to DNA Plant Technology to train Costa Rican and Indonesian biotechnology companies in high volume cloning of tropical crops. Both efforts include US training for scientists from those countries. The US companies, moreover, retain rights or royalties to any commercial products that may come out of this collaboration.

At the national level in many third world countries, the public sector is in the process of being sidelined out of plant biotechnology. In countries such as India which have the capital and scientific personnel to undertake research in this area, there is a proliferation of local biotechnology firms operating alone or in joint ventures with foreign companies. In poorer and less well-equipped third world countries, the national governments, under pressure from foreign aid donors, are retrenching from publicly funded research centres and favouring the non-profit sector.

Recent news reports from India suggest that the social division of labour between private and public research institutions has already tilted toward the former. One major growth industry is tissue culture of commercially profitable plants, including exotic flowers, high yielding varieties of bananas and export products like cardamom [McDonnell 1993]. Big names in Indian industry are teaming up with foreign corporations (e.g., India's Tata industrial group with Tera Nigra, a cut-flower company from the Netherlands) to propagate large numbers of plantlets from tissue culture. India already supplies 10 per cent of the world's tissue-culture capability.

In a process reminiscent of privatisation of seed research in the US described by Kloppenbergh, the Indian government has begun to play the role of facilitator of private research initiatives. Instead of directly funding research, the government-run department of biotechnology helps states to initiate programmes to attract biotechnology entrepreneurs. Under DBT's guidance, one state (Kerala) has already set up the country's first 'biotech park', where the state provides the land, water, electricity and institutional back-up for entrepreneurs who have the skills but not the resources to set up a biotechnology firm [Abreu 1994]. Again, in a process that bears a striking similarity to that described by Kloppenbergh for the US, Indian-owned and joint venture biotechnology firms are beginning to use the public universities and research institutions as sources of trained

personnel for the many new growth areas in biotechnology, including, apart from tissue culture, enzyme production, production of bio-pesticides and bio-fertilisers, and diagnostics. While the budgetary figures are not available, it appears that as part of an overall market-orientation, the Indian government is steadily moving away from commitment to public research institutions.

Other third world countries are under increasing pressure from foreign donors and lending institutions to retract from nationally funded research. Tripp (1993) describes how the government of Ghana, facing budgetary pressures, has been forced to abandon a fairly successful state-run programme for popularising high-yielding corn to the peasants. Ghana's foreign donors and debtors have instead encouraged the growth of non-governmental organisations which are often not as efficient or as patient as have been the government programmes. In both cases, the result is an unravelling of national efforts to build research and development capabilities in favour of less equitable arrangements and – that does not bode well for the poor.

V

Conclusions

The main thrust of this paper is to argue for a reconceptualisation of the role of the state in policy-making in the context of the growing transnationalisation of the economy. It is further argued here that because of their relative lack of power in the world economy, third world states face an additional set of constraints on policy-making, namely, the pressure from multilateral financial institutions to retrench from protecting domestic markets, and to stop taking an active role in development projects that support the poorer sections of society. The reigning ideology propagated by multilateral banks and foreign donors, and embraced quite actively by third world elites, is to integrate more fully into the world market through more exports and more foreign investment. The only concern of the state which is not considered illegitimate, it seems, is to intervene on the behalf of the private enterprise, foreign and domestic, often in joint ventures.

This 'post-developmental' state is actively dismantling the institutions and capabilities that the third world had built up under the green revolution during the heyday of developmentalism. This paper describes the emergence of the 'new agriculture' which is export-based and vertically integrated with transnational agro-food industry. An attempt was made to delineate three policy arenas which have contributed to the new export-orientation at the cost of larger development goals which were part of the green revolution.

While there were problems with the green revolution, at least during the early phases

when the smaller peasants were left out, it was still a programme within the public domain and was mandated to be accessible to all. The green revolution, furthermore, was linked to developing the institutional capacity to provide for local food needs. What is replacing this project is not a more democratic, more participatory agricultural policy but the impersonal, faceless corporations which span the whole world. Any sense of tradition or local community has no chance of surviving the onslaught of transnational capital which is beginning to penetrate peasant-based farming.

This paper has only described and analysed a very grim situation. What are the solutions? Apart from suggesting that the public sphere needs to be strengthened and democratised, this paper has no concrete answers. The problem is simply too complex and overwhelming to be resolved here. Another paper, some other day, will perhaps have some more hopeful answers.

Notes

- 1 The term 'third world' is loaded with ideological and hierarchical connotations. In this paper it is used merely as a shorthand for countries that gained independence from colonial domination in the middle of this century and embarked upon programmes of economic development on the national level.
- 2 Third world states are not alone in feeling the impact of globalisation. The recent obsession of US businesses and government with 'national competitiveness' is a result of changes in the world economy, in which the US is becoming only one among many big players. For a critique of making competitiveness "the organising principle of a new national economic strategy", see *The 21st Century Project* (1993).
- 3 Debates on farm policies of industrialised countries dominated the recent General Agreement on Tariffs and Trade (GATT) negotiations. Despite its obvious importance, this paper will refer to GATT only insofar as it helps to illuminate the larger phenomenon of transnationalisation of policy-making. One reason for this relative neglect in this paper is that GATT applies more directly to exchange and trade relations and not so much to actual production itself. How changes in national policies shape relations of production themselves is the major focus of this paper.
- 4 Popularised (and perhaps coined) by Harnett Friedmann (1993), the label 'New Agricultural Countries' is supposed to be a counterpart of the NICs, the 'New Industrialised Countries'. 'New Agriculture' refers to the fact that it is geared to a world market in high-value foods and feed grains. New also means 'non-traditional' exports as compared to the primary exports under colonialism (e.g. sugar, cotton, coffee, bananas).
- 5 Food regime implies a "rule governed structure of production and consumption of food on a world scale" [Friedmann 1993: 30].
- 6 It is not clear, however, if Pepsi's operation is aimed at export. Under the agreement Pepsi

signed with the Indian government, it is required to bring in \$ 5 in exports for every dollar it makes through selling Pepsi Cola in India. This may well encourage the sale of processed vegetables abroad, but the huge middle class market in India is an attractive option as well.

- 7 By 1990, Chiquita had established more than 240 subsidiaries in fruit and vegetable markets in 14 countries while Dole had some 37 subsidiaries in 15 countries. Both were involved in actual production of these products through contract farming and joint ventures with either private capital or with the state in third world countries [Friedland 1993].
- 8 This phenomenon is described by Jeremy Rifkin (1992) as creation of the 'world steer', a bovine analogue of the 'world car'. The idea is to create a single world market for beef. To satisfy the market, "multinationals are beginning to assemble cattle the way they assemble cars, bringing together inputs: seeds, grains, pharmaceuticals, cattle embryos, cattle automated slaughtering, wholesale marketing and retail distribution - from various countries into a single co-ordinated operation" (p. 148).
- 9 Suggested by McMichael (1993: 351). But he does not use this idea to develop a historical explanation of how the green revolution is being undermined by internationalisation. This paper seeks to provide such an explanation.
- 10 World economy in contrast to an international economy: "where the international economy model focuses on exchange, the world economy model focuses on production. It consists of transnational production organisations whose component elements are located in different territorial jurisdictions" [Cox 1987: 244].
- 11 This is not to deny that there was a substantial international involvement of international foundations and even transnational capital (especially in fertiliser and pesticide markets). But, as will be discussed in more detail later, public sector institutions retained control of the overall direction and pace of the green revolution.
- 12 The New Deal farm support policies are an instance of macro-economic policy as a tool for science and technology policy. By providing an assured income to the farmers, farm policies created a market for (and encouraged further research in) technical innovations ranging from tractors and hybridised maize to chemical inputs, all of which made their debut between 1910 and 1930. Thus "the farmer became a productive consumer of industrial inputs that came from the factories and laboratories of Fordism" [simultaneously] all farm production outputs became commodified as inputs into other Fordist industries" [Kenny et al 1991: 184-85].
- 13 Otherwise fairly persuasive, Friedmann fails to explain why the US should have supported the green revolution in third world countries at a time when PL480 was at a peak. Modernisation of third world agriculture would have only closed this outlet for US grain reserves.
- 14 As Friedmann (1991) describes it, "what is wanted is not sugar, but sweeteners; not flour or cornstarch, but thickeners, not palm oil or butter, but fats, not beef or cod, but protein".

15 Most of those belonging to the 'New International Division of Labour' especially as applied to industrial production, fall in this camp, as do many third world critics of modernisation (For a notably virulent example, see Shiva). Even judicious critics of the green revolution like Kloppenborg (1988) treat individual national governments as autonomous agents of capital accumulation, which relate to international issues only to strike the best deals for the elite interests in their own nations.

16 Thus we find the Carnegie Commission recommending that science and policies should "integrate national and international views" [Carnegie Commission 1992]. In a similar vein, the authors of the 21st Century Project report exhort scientists to "think of themselves as global citizens", with a responsibility toward the new global community (p. 2). These recommendations are not wrong *per se*, but only superficial and trite. They fail to recognise the extent to which the 'national' has already become 'international'. Thus to think globally is not a choice but an imperative.

17 In order not to dignify the existing systems of governments in market-oriented societies as democracies (which assume an active and deliberative public participation), Lindblom calls them 'polyarchies', signifying only that the "social machinery for the control of authority", in these societies is run by 'many' who follow "a set of authoritative rules" (1977: 132).

Lindblom describes the involvement of businesses in policy making as follows: "... in any private system, a large category of major decisions is turned over to businessmen, both small and large. They are taken off the agenda of the government. Businessmen thus become a kind of public official and exercise what on the broad view of their role, are public functions. The significant logical consequence of this for polyarchy is that a broad area of public decision-making is removed from polyarchal control" (p. 172).

18 "Governments might take on the meticulous task of designing a highly discriminating mixture of financial inducements to business with governmental controls over them. It is a particular way of creating a hybrid form of market and polyarchal control. The key strategy is, in effect, to pay businesses to waive some of their privileges" [Lindblom 1977: 349].

19 One of the reasons why Keynesian policies do not work today is that it is much harder for individual governments to intervene and manage their economies faced with global divisions of labour and monetary system. For example, a tax break to consumers with an idea of creating a market for a certain product can no longer ensure that the demand for locally made products will go up and create more jobs, or that research and development of a product at home may not end up benefiting other countries (through production investments of TNCs).

20 Sol Picciotto (1990) describes a mushrooming of international organisations. In 1914 about 50 formal intergovernmental organisations had been created, in 1939 there were perhaps 80, and by 1980 over 600. Picciotto suggests that these institutions have

played a major part in ensuring a minimum degree of state co-ordination needed to permit international reproduction of capital

- 21 State involvement in agricultural development and even centralised seed research is not new, though. In the west, Germany first started publicly supported agricultural research in 1852 with an explicit plan for "catching up" with Britain. The German concept of socialised agricultural research was transplanted to the US. In the east, China and Japan have traditions of deliberate, centralised seed improvement schemes dating back a few centuries [see Hayami and Ruttan 1985, ch 8]. But international collaboration through establishment of research centres was a new innovation
- 22 These critiques are too numerous. To mention only two: Kloppenberg (1988) suggests that the Rockefeller Foundation had an interest in creating a market for hybrid seeds in Latin America. "By 1946, Rockefeller interests had conducted a survey of the market potential for hybrid maize seed in Brazil and later that year their International Basic Economy Corporation invested heavily in the only hybrid-seed-producing firm in that country" (p 158). Another critic of the green revolution, Vandana Shiva, makes numerous unsubstantiated charges regarding American firms making profits selling seeds and farm chemicals to third world farmers
- 23 The Rockefeller Foundation for help with the development of the national research system, USAID for investment in land-grant type agricultural universities and the Ford Foundation for assistance with farm extension services [Lee and Goldsmith 1989]
- 24 This period coincides with the so-called Pax Americana, the period of US hegemony in the world which declined with the end of the Bretton Woods system of fixed exchange in 1973
- 25 Even though institutions like the IMF and World Bank continue to talk of development, they are closer to what Gilpin describes as a liberal position on comparative advantage, namely, that nations should design macro-economic policies to foster the basic factors for production (eg, technology, infrastructure, etc) and to leave commercial development to the market, including the world market
- 26 Mostly in tropical fruits, particularly melons, pineapples and avocados, fresh vegetables and horticultural crops, particularly peppers, tomatoes, green beans, etc, and tropical root crops like yucca and yams [Raynolds 1994]
- 27 In the case of India, PepsiCo will be involved in the cultivation and processing of fresh fruits and vegetables. Reversing the environmental problems created by a mono-culture of wheat and paddy and creation of an agro-industrial base in Punjab is the official rationale for diversification. The involvement of PepsiCo reflects more a general opening up of the Indian markets to foreign investors rather than an export-orientation of the food sector *per se* [Gill 1990]

References

- Abreu, Robin (1994) 'It's All in the Genes', *India Today*, November 30
- Barkin David (1987) 'The End to Food Self-Sufficiency in Mexico', *Latin American Perspectives*, Vol 14, No 3, pp 271-97
- Burbach, Roger (1994) 'Roots of the Postmodern Rebellion in Chiapas', *New Left Review*, No 205, pp 113-24
- Business Week, 'Can Biotech put Food on Third World Tables?', December 14
- Buttel, Frederick (1990) 'Biotechnology and Agricultural Development in the Third World' in H Bernstein, B Crow, M Mackintosh and C Martin (eds) *The Food Question: Profits versus People?*, Monthly Review Press, New York
- Buttel, Frederick, M Kenney and J Kloppenberg (1985) 'From Green Revolution to Biorevolution: Some Observations on the Changing Technological Bases of Economic Transformation in the Third World', *Economic Development and Cultural Change*, Vol 34, No 1, pp 31-55
- Carnegie Commission on Science, Technology and Government (1992) *Enabling the Future: Linking Science and Technology to Societal Goals*, Carnegie Commission, New York
- Chakravarty, Subrata (1989) 'How Pepsi Broke into India', *Forbes*, November 27, pp 43-44
- Cox, Robert (1987) *Production, Power and World Order: Social Forces in the Making of History*, Columbia University Press, New York
- Friedland, William (1994) 'The Global Fresh Fruit and Vegetable System: An Industrial Organisation Analysis', in P McMichael (ed), *The Global Restructuring of Agro-Food Systems*, Cornell University Press, Ithaca
- Friedmann, Harriet (1990) 'The Origins of Third World Food Dependence' in H Bernstein, B Crow, M Mackintosh and C Martin (eds), *The Food Question: Profits versus People?*, Monthly Review Press, New York
- (1993) 'The Political Economy of Food: A Global Crisis', *New Left Review*, No 197, pp 29-57
- Gill, Kanwaljit and Sucha S Gill (1990) 'Agricultural Development and Industrialisation of Punjab: Some Issues Related to the Pepsi Model', *Economic and Political Weekly*, November 10
- Gill, Sucha S (1988) 'Contradictions of Punjab Model of Growth and Search for an Alternative', *Economic and Political Weekly*, October 15
- Gilpin, Robert (1987) *The Political Economy of International Relations*, Princeton University Press, Princeton
- Goodman, David (1991) 'Some Recent Tendencies in the Industrial Reorganisation of the Agri-Food System' in WH Friedland, L Busch, FH Buttel and A Rudy (eds), *Towards a New Political Economy of Agriculture*, Westview Press, Boulder
- Hayami, Yujiro and Vernon Ruttan (1985) *Agricultural Development: An International Perspective*, Johns Hopkins Press, Baltimore
- Held, David (1991) 'Democracy, the Nation-State and the Global System', *Economy and Society*, Vol 20, No 2, pp 138-72
- Jenkins, Rhys (1987) *Transnational Corporations and Uneven Development: The Internationalisation of Capital and the Third World*, Methuen, London
- Kenny, Martin, L Lobao, J Curry and R Goe (1991) 'Agriculture in US Fordism: The Integration of the Productive Consumer' in W H Friedland, L Busch, F H Buttel and A Rudy (eds), *Towards a New Political Economy of Agriculture*, Westview Press, Boulder
- Kloppenber, Jack (1988) *First the Seed: The Political Economy of Plant Biotechnology*, Cambridge University Press, New York
- Lele, Uma and Arthur Goldsmith, 'The Development of National Agricultural Research Capacity: India's Experience with the Rockefeller Foundation and Its Significance for Africa', *Economic Development and Cultural Change*, Vol 37, No 2, pp 305-43
- Lindblom, Charles (1977) *Politics and Markets: The World's Political Economic Systems*, Basic Books
- Llambi, Luis (1994) 'Comparative Advantage and Disadvantages in Latin American Non-traditional Fruit and Vegetable Exports' in P McMichael (ed), *The Global Restructuring of Agro-Food Systems*, Cornell University Press, Ithaca
- McDonald, H (1993) 'Culture of Profit', *Far Eastern Economic Review*, September 9
- McMichael, P (1992a) 'Tensions between National and International Control of the World Food Order: Contours of a New Food Regime', *Sociological Perspectives*, Vol 35, No 2, pp 343-65
- (1992b) 'Rethinking Comparative Analysis in a Post-Developmentalist Context', *International Social Science Journal*, Vol 133, pp 351-65
- McMichael, Philip and David Myhre (1990) 'Global Regulation vs the Nation-State: Agro-Food Systems and the New Politics of Capital', *Review of Radical Political Economy*, Vol 22, No 1, pp 59-77
- Picciotto, Sol (1990) 'The Internationalisation of the State', *Review of Radical Political Economy*, Vol 22, No 1, pp 28-44
- Raynolds, Laura (1994) 'The Restructuring of Third World Agro-Exports: Changing Production Relations in the Dominican Republic' in P McMichael (ed), *The Global Restructuring of Agro-Food Systems*, Cornell University Press, Ithaca
- Raynolds, Laura T, D Myhre, P McMichael, V Carro-Figueora and F Buttel (1993) 'The 'New' Internationalisation of Agriculture: A Reformulation', *World Development*, Vol 21, No 7, pp 1101-21
- Sanderson, Steven (1985) 'The 'New' Internationalisation of Agriculture in the Americas' in Steven Sanderson (ed), *The Americas in the New International Division of Labour*, Holmes and Meier, New York
- The 21st Century Project (1993) *Setting a New Course for Science and Technology Policy*, Computer Professionals for Social Responsibility, Palo Alto
- Tripp, Robert (1993) 'Invisible Hands, Indigenous Knowledge and Inevitable Fads: Challenges to Public Sector Agricultural Research in Ghana', *World Development*, Vol 21, No 12, pp 2003-16
- Watts, Michael (1990) 'Peasants under Contract: Agro-Food Complexes in the Third World' in H Bernstein, B Crow, M Mackintosh and C Martin (eds), *The Food Question: Profits versus People?*, Monthly Review Press, New York

Expectations, Macro-Foundations, Policy Ineffectiveness and Culture

A Methodological Detour

Abhay Pethe

An attempt has been made in this paper to critically – albeit briefly – look at the treatment of 'expectations' in mainstream economics. It is argued that RATEX in conjunction with new classical assumptions provide a heady mixture leading to many a nonsensical proposition. A novel way of looking at the micro-macro debate is also suggested. It is pointed out that in the context of modelling dynamic aspects, the crucial aspect of learning (culture constrained or otherwise) has been completely bypassed. The paper – to state the obvious – has been written in a methodological vein.

THE discipline of economics – unlike the case of natural sciences – does not progress by the process of sedimentation. As Robertson has noted, here the highbrow opinion is like the hunted hare, so that old masters and concerns come back, time and again, with renewed relevance. This also in a sense implies that there are no fundamental revolutions in economics, but only upheavals. It is a matter of time before the old corpus assimilates these upheavals in its fold, leading to a new plateau. This process of reconstruction and synthesis leaves in its wake a lot of rubble, which if not cleared, is detrimental to a clear appreciation of what has been achieved. It is in this context that the present exercise has been undertaken. The focus here is on rational expectations along with some new classical assumptions, which together have provided a heady mixture and have contributed in no mean way to 'that solemn and farcical muddle that is modern macro-economics'.

I begin by focusing on some of the high-points in the evolution of thinking on expectations culminating in the paradigm of rational expectations, which till the recent past ruled the roost. I then point out what I think are the major conceptual problems with the currently existing work. I then comment on the micro-macro debate, and issues of coherence and culture.

EARLY THINKING

Over the years, the role of expectations in macro-economic research has attained so much prominence that its importance can hardly be overemphasised.

The early 20th century economists such as Bagehot, Marshall and those a little later such as Pigou and Keynes were quite decisive about the effect of expectations on macro-economy though their treatment was far from sophisticated. For them the changes in expectations were exogenously given shifts which had major implications for the real economy. This contrasts very much with the more recent view of expectations as being

endogenous and having little or no impact on output. To the early masters changes in expectations were chiefly manifest in the often capricious movements in business confidence, though they did not rule out the impact of real factors. Thus, Pigou (1929) distinguished between the 'real' and 'psychological' components in expectations formation: "In the actual world, both sorts of causes are present. Moreover they react on one another."

The next important stop was Keynes' General Theory. His animal spirits argument [Keynes 1936] is too well known to need any elaboration. For him, the state of long-term expectations depended on exogenously given conventions. Shifts in conventions which lacked any real sound footing were referred to by Keynes as 'animal spirits'. Very often animal spirits are thought as being responsible for the shifts in expectations. On the contrary, in the General Theory, they are just by-products of the changes in conventional knowledge. The conventions themselves are the macro-economy's sociological response to systemic uncertainty [Lawson 1985]. Keynes' use of expectations in his celebrated liquidity preference theory has had to face the famous 'Cheshire cat's grin' or the 'bootstrap' criticism of Robertson. Indeed now what remains of the animal spirits argument can be found in the residual of the Keynesian investment function [Dow and Dow 1985]. In the not so mainstream economics, there were anticipations of this view of expectations in Marx's work as seen in the work of Sweezy and Kalecki amongst others. Both their views were influenced by Marx's ideas on expectations and his reproduction models [Wolff 1978 and Burkett 1989].

Let me elaborate a little on Keynes' world view, since he is after all one of the more important economists. Indeed, this is even more pertinent for, some economists including Joan Robinson consider the Keynesian revolution to be chiefly made up of his views on the role of expectations and his attempt to bring history into analysis.

Also, this will be important since it will provide a contrast to the Raxexians viewpoint. Now, Keynesian econometric practice was concerned with 'disequilibrium' in a fundamental sense. There was no presumption of a 'true' model that just needed to be identified. In fact, most Keynesians would deny that true structural models even exist for an economy (in the a priori sense), a view reinforced by recent research in sunspot models [Howitt and MacAfee 1992]. This view is also close to the position of the present paper. In the words of Keynes, "The object of our analysis is not to provide a machine, or method of blind manipulation which will provide infallible answer, but to provide ourselves with an organised and orderly method of thinking out particular problems; and after we have reached a particular provisional conclusion by isolating the complicated factors one by one we then have to go back on ourselves and allow, as well as we can, for the probable interaction of the factors among themselves. This is the nature of economic thinking. Any other method of applying our formal principles of thought (without which, however, we will be lost in the wood) will lead us into error [Keynes 1973]. Thus the Keynesian approach to econometric modelling looks for 'good' approximations. The theories are just approximations of the real world and are confronted with data to uncover statistical macro-economic regularities. Of course this method has an implicit possibility of proliferation of model representations and equations. This however is not looked upon as something undesirable, since it is believed that there is no one given and certain interpretation of truth. Forecasts are calculated as projections conditional upon particular data representations and the policy-related decision-making uses these forecasts simply as extra sources of information.

Keynesian views were treated in a dynamic context by Harrod (1939). He worked out an interplay between the warranted, the natural and the actual growth rates. Here expectations played a major role in deriving

the instability propositions. Of course, the agenda which Harrod set for himself – viz, that of providing the limbs of dynamic economic analysis – was rather more general. However all that was swept aside by the surgical neatness of Solow's growth model (1956). It is important to note that implicit in Solow's model is the assumption that all the expectations are always fulfilled. This makes nonsense of Harrod's knife edge equilibrium. On a more methodological level it points to the crucial importance of an appropriate modelling of expectations. What Solow had produced was a steady-state growth model. In none but the steady-state equilibrium models does the assumption of continuous fulfilment of expectations makes sense; indeed they are but equivalent ways of looking at the economy.

During the 50s, Hahn attempted to model expectations. "I was concerned to show that perfect foresight paths gave rise to 'forward dynamics' and would generally be ill-behaved if the 'backward dynamics' induced by expectations based on the past events led to stability" [Hahn 1990]. One can notice here the genesis of the recent literature on intertemporal inconsistency. This line of work, obviously not meant as an exercise in descriptive realism was taken up recently by Grandmont (1986), Marcat and Sargent (1988) among others. The reason for this long period of stupor is not difficult to see. The Arrow-Debreu formalism had introduced a world of completely collapsible future. Since time was not intrinsically essential to this model, expectations did not have much of a role to play here. However theoretical economists were seriously concerned about the fact that it allowed no scope or place for money to exist. This concern led to the revival of the study of expectations as a major theoretical problem. It is clear from the work of Radner (1969, 1971) and Hahn (1980) that for money to enter essentially and meaningfully into an economic model it would have to have a sequential structure. This implies that there must be trading at every date and the agent is faced with many budget constraints. The Patinkin-esque synthesis would not do since it was not clear as to why money should have a positive value in equilibrium. Indeed, as Hahn has pointed out, an autarkic solution with the exchange value of money equal to zero is quite compatible with the Patinkin framework rendering it rather useless for analysing monetary issues. That I am not in total agreement with this view will become apparent when I return to this theme a little later.

At a more applied level, direct surveys have been used to understand expectations. Klien (1954), Haavelmo (1958) and Katona (1958) had already initiated good work on direct survey expectations so that fancy models could not escape direct testing. Direct tests are especially popular in the realm of

inflationary expectations. Particularly notable are Chang-Lee (1980), Lahiri (1980), Visco (1984, 1986), Lovell (1981). Survey expectations are used for a variety of reasons as seen from Nerlove (1983), Kawasaki (1982, 1983) and McLutosh (1989) among others. An excellent survey of direct studies of expectations is to be found in Pesaran (1987, 1990). Such studies have an advantage over the indirect methods of studying expectations in the sense that in the latter case, the conclusions concerning the expectations formation process depend very much on the choice of underlying behavioural model. However the utility of such direct studies critically depends upon the accuracy with which expectations have been measured. Also the aggregative nature of the expectations series can also cause serious problems. This is especially important in testing for rational expectations hypothesis, where some fictitious representative agent is assumed. To what extent the survey expectations typify such a representative agent is a moot point. Harekar (1991) has investigated the conditions that are required to be imposed on the choice behaviour of differing individual agents so that the expectations of the representative agent may be identified. These conditions seem to be too stringent to be likely to be observed in practice. Survey studies of expectations therefore need to be treated with considerable caution.

Because of their empirical tractability, the assumption of adaptive expectations also has played a major role in the empirical work on expectations. Though obviously unsatisfactory at the theoretical level because of its arbitrariness, the assumption of adaptive expectations may be postulated as a convenient rule of the thumb. Muth (1960) has laid down the special circumstances under which the adaptive expectations hypothesis is optimal in the sense of yielding minimum mean square error forecasts. However in general the model fails to generate optimal forecasts. This is so because its extrapolative nature leads individuals to consistently neglect other kinds of information that could have been available to them at the time of expectations formation.

RATIONAL EXPECTATIONS

These criticisms were taken care of by the rational expectations hypothesis (REH) starting with Muth's (1961) work. The model is based on the entirely plausible assumption that agents do not make systematic mistakes. The crucial question then is about how the individuals learn the underlying model which generates the correct forecasts. However if it is assumed that the agents somehow come to learn the underlying model, the optimality properties of the REH can be verified. The rational expectations hypothesis can be taken

to imply that the subjective conditional distribution of some random variable, say $X(t)$ coincides exactly with its objective conditional distribution. Let $I(t-1)$ be the information set that is available to an agent at time $t-1$. This set contains all the information available on all the relevant variables that enter into the relevant economic model and any other information, including that on past expectations that might be available to the agent at the time $t-1$. Let the finite dimensional column vector $X(t)$ represent the random variables that the agent is interested in. Let $f[X(t)/I(t-1)]$ be their joint probability distribution. Then the REH uses two mutually exclusive assumptions. In dealing with macro-economic phenomena, the REH practice is generally to assume only the equality of the first order moments of the subjective and the objective joint probability distributions.

Thus, generally,

$$\hat{X}(t) = E[X(t)/I(t-1)] \\ = \int X(t) * f[X(t)/I(t-1)] dX(t) \quad \dots (1)$$

where $\hat{X}(t)$ stands for the subjective expectation of the mean of $X(t)$. Though similar expressions can be written down for the higher order moments of $X(t)$, normal practice in macro-economic research is to postulate equation (1). On the other hand, in micro-economics, where more fundamental issues like learning have been studied, the higher order moments are also assumed to be equal. The optimality properties of these models depend critically on the following properties [Pesaran 1990]:

- (1) The expectations errors conditional upon the available information sets have zero means
- (2) The expectational errors are uncorrelated with the values of all the variables in the information set and hence with their own past values.

In other words, the forecast errors should be orthogonal and lack serial correlation. Given these properties, the unbiasedness and efficiency of rational expectations can be proved in a fairly straightforward fashion [Pesaran 1990].

Let $E(t)$ be the error in expectations. Under the REH it then becomes :

$$E(t) = X(t) - E[X(t)/I(t-1)]$$

$$E[E(t)/I(t-1)] = 0 \quad (\text{By the law of iterated expectations}).$$

The second property follows immediately: $E[E(t-1)E(t)/I(t-1)]$

$$= E(t-1)E[E(t)/I(t-1)] = 0 \quad (\text{since } E(t-1) \text{ is a known constant at time } t).$$

Thus, rational expectations forecasts are best unbiased. This property has been crucial to endearing them especially to the applied economists.

The rational analysis works on the assumption that a 'true' structure always exists for a given economy, this is in sharp contrast to the Keynesian view that

we elaborated earlier. The economy is itself is modelled as being away from the true structure though tending towards it at a given point of time. The procedure then is to specify the most general form of equations, including an error correction term, in order to capture the out of equilibrium dynamics as well as the tendency to the 'true' structure. The 'true' structure simply needs to be identified. It is generally assumed to be characterised by stable parameter values and a white noise error process. The ratiophiles thus fall into the positivist school, which seeks to validate models by their ability to provide accurate forecasts.

The models advocated here use the Arrow-Debreu 'contingent claims economic model' in an essential way. They are basically driven by optimising actions of the agents and hence implicitly rule out disequilibrium and learning. Such models, 'small analogue economies' are supposed to be useful ways of carrying out such experiments as would be very costly in the real world. As Lucas puts it, "The central idea is that individual responses can be documented relatively cheaply...". This is indeed the much-maligned method of 'casual empiricism' or the method of just keeping your eyes open. However, to formulate such models, not of isolated Robinson Crusoes but of entire economies, a theory of group behaviour is clearly needed. Here lies the rub, for under unrealistic assumptions, the representative agent makes its entry, unobtrusively, but which leads to much tragicomedy, as will become clear as we proceed with this paper.

A lot of progress has been achieved in formulating, specifying and solving rational expectations models. For excellent surveys, see Taylor (1985) for methods of solutions in small models and Blanchard (1985) for analytical as well as numerical methods in large models. A summary is also available in Blanchard and Fischer (1989). A detailed examination especially of solution methods is carried by Whiteman (1983).

It is clear that rational expectations require the agents to know the true model underlying the economy. This means that agents either already know or are able to learn the true model overtime. While it is clear that agents learn from mistakes, it is by no means clear why they should converge to the rational expectations equilibrium (REE). This problem has only recently been studied. Again these studies have normally though not necessarily been carried out for micro-economic rational expectations equilibria. An REE is not merely a supply-demand or a market clearing equilibrium; it is also a state of affairs where all learning has been completed. In studying the convergence to such equilibria two approaches have been followed. The first approach assumes that the agents know the correct specification of the equilibrium relationships between

the market prices and the private signals, but do not know some of the parameters. These models employ a feedback type of estimation where the feedback is from expectations to the outcomes. Models in this tradition are those, e.g. by Taylor (1975), Bray and Kreps (1984), Townsend (1983), and Brandenburger (1985). All these studies have reported a convergence to the rational expectations equilibrium, except in the case of Bray and Kreps where the convergence is not necessarily to a REE. However as Pesaran (1990) has pointed out all these models assume that the agents know about the true relationships in the economy, but do not explain how the agents learn about these relationships in the first place.

An alternative strategy that has been used is to model boundedly rational learning. Here, the agents are not required to know the true structural relationships in the model. However they are expected to follow a plausible learning rule to which they remain committed throughout the period during which learning is taking place. De Canio (1979), Radner (1982), Frydman (1982), Bray (1983), Bray and Savin (1986) all utilise the above framework. Here convergence to the rational expectations equilibrium is possible but cycles and divergences cannot be ruled out. This approach is also problematic because the agent is not allowed to revise the learning rule in the process of learning. This would already assume some a priori knowledge of the working of the economy. The models do not explain the source of such extra modular knowledge on the part of the agents.

SOME FURTHER PROBLEMS

The nadir of ratiophiles approach was reached when the representative agent became fashionable and adorned with new – classical assumptions. As an aside, I may mention that this is one more instance where the relentless and single-minded application of a perfectly plausible first principle leads to nonsensical propositions. Earlier, the neo-classicals had taken the marginal principle of Ricardo and transformed it into a universal principle of cosmic order, with the consequent enervating effect on research in economics. Human ingenuity, it would appear, seeks to logically refine every idea to the extreme, leading to, what I term as the 'refinement trap', whilst wisdom lies in holding back, if one is to end with anything but the 'atoms and the void'. Let me first turn to the policy neutrality proposition.

Rational expectations by themselves are not sufficient to generate the policy neutrality propositions that have recently taken the macro-economic profession by storm. Tobin (1980) amongst others has investigated this matter. The REH has to

be combined with the assumption of continuous market clearing to justify policy neutrality. This input has been supplied by the search for microfoundations of macro-economics. Since it is difficult to justify nominal rigidities on purely theoretical grounds, markets are taken to clear instantaneously. In the standard literature concerned with the issue of microfoundations, a necessary albeit an implicit assumption has been that of the homogeneity of expectations. Without this assumption, the use of the representative agent paradigm becomes methodologically untenable. Harekar (1991) shows that the classical theory of choice does not put enough restrictions on decision-making to achieve this. The additional assumptions required are not likely to be satisfied in practice.

Let me say a few words about the 'representative agent'. Now, any given macro-economy consists of several diverse individual agents, co-ordinating their economic actions. Indeed, macro-economic outcomes are results of such co-ordination and interaction. Rather than model the entire collection of channels through which agents interact with each other, the analogue economy school makes the short-cut assumption of a representative agent. Some hypothetical representative agent is assumed, whose actions are deemed to be synonymous with macro-economy's responses. Thus, macro-economic activity, rather than being seen as a result of inter-play of agents' action is seen as an aggregative micro-economics. No serious effort has been made by economists of this school to verify that such a short-cut is possible. Indeed, Mathur (1993) persuasively argues that the basic assumptions here are very highly tenuous. One way of rationalising the representative agent is to look at the individual as mimicking the aggregate, with the implication that the aggregate made up of several maximising agents, itself behaves like the maximising agent. There is no formal justification for this. Individual maximisation does not – as we well know – does not necessarily engender collective rationality. A very simple illustration of this is the prisoner's dilemma.

Thus, unless one wants to risk taking the position of 'individual foundationalism', such models ought not to be used for policy analysis, for, the identity of the representative agent is itself not invariant to policy changes. Of course there is the further shortcoming that, all considerations of distribution, as also the response heterogeneity and diversity are ruled out by definition. Surely these are matters that warrant consideration.

It is in this context that the concept of culture comes into its own. Economic theory however makes relatively little use of this concept. The term culture is used to refer to that part of behaviour which is acquired

by unconsciously imitating the conscious or the unconscious examples of the surrounding society [Max Steur 1990]. In such a set up the state of the world is inferred by looking at the other agents of the society. Here optimisation and imitation can coexist. The stable coexistence of fundamentally different modes of learning is a very real possibility that the mainstream learning models have ignored. Even with a uniformly naive population, i.e. one that uses association or a slightly more advanced analogical form of reasoning, there might be islands of perverse selection. Further this may be a stable phenomenon rather than just a fleeting suboptimality. All this must put some doubt into the minds of those who seek to aggregate micro-phenomenon on the often implicit assumption of homogeneity and the consequent application of some form of the certainty equivalence principle. Indeed, there emerges a serious doubt about the logical validity of some of the macro-categories when viewed as aggregates of the corresponding micro-categories in the *ex ante* sense. Hicks (1939) made much the same point, "Nothing has been said about income, about saving... My decision to abstain from using these categories was deliberate. In spite of their familiarity, I do not believe that they are suitable tools of analysis which aims at logical precision... At the bottom they are not logical categories at all. But if we try to work with terms of this sort in the investigation we are here concerned with, we are putting on them a weight of refinement that they cannot bear." The upshot of this must be that trying to work up to macro-economics from micro-economics in the traditional way is a false start. Macro-phenomena are not derivable by simple aggregation from the micro-phenomena. They of course depend on the micro-level reality but they also have a statistical existence of their own. They represent a specific reality in their own right. Macro models derived without taking into consideration these factors and used to obtain policy propositions give rise to the mythical propositions of present day macro-economics of tenuous validity especially since they implicitly assume the existence of the representative agent. Let me drive home the point by elaborating further. There is implicit in the raxian analysis an assumption of foundationalism. Foundationalism also allows the economist to rule out irreconcilable inter-agent differences amongst economic agents. Indeed, differences in conception are seen as perceptual differences arising out of incomplete or asymmetric information. These are then treated as frictional rigidities and thus of peripheral interest, for the theoretician. The rational agent is deemed to somehow be capable of 'learning' and thus smoothing out these difficulties.

All this means that modern macro-economics never really differentiates itself from micro-economics. As a relevant aside, I may mention that a critique of the position of foundationalism and the related ontological individualist, from a hermeneutical point of view has been advanced. Of course, this has been the handiwork, mainly of sociologists and cultural anthropologists [Jarvie 1972]. In recent times following questions, e.g. have been debated.

- (1) Does there exist an aggregate reality which is different from the sum of its parts?
- (2) If such a reality exists, how is it different from the individuals constituting it?
- (3) What is the relationship of such a reality to its constituent parts?
- (4) How does one understand such a reality?

This context, naturally leads me to the micro-macro debate, with special reference to culture. One of the pioneers held the view that aggregate (macro) reality had an independent existence in its own right [Comte 1864]. Of course, this is extreme. The position of the ontological individualist cannot be completely negated. Rather the difference between these two realities may be understood as follows. When one is asking a question about the individual behaviour, the answer comes in terms of intentions. However one cannot get a similar answer when it comes to a question posed about an institution. Here the answer has an implicational connotation [for discussion in this and related areas, see Hatekar 1993]. A simple example is that of the institution of money, which is not of anyone's conscious creation. A focus on implications produces a view of the social whole as a logical system. A theory of group behaviour will have to take this into account. The meaning of a *whole* is in terms of its *parts* and its organisation (emphasis added) the meaning of a *part* is in its logical articulation with other parts to form a whole [Hanson 1975]. An attempt to understand the whole, exclusively in terms of its intentionally acting individuals will lead the scientist astray. The distinction between the intentional and the implicational meaning parallels the micro-macro behaviour. This may be elaborated by any number of examples for instance those of aggregate savings or investment [Hatekar 1993]. Let me make a longish detour here to deal with tangentially related topic, of the existence of money in an economic model.

A DETOUR ... ON MONEY

Now, one of the classic problems that was in vogue not so long ago was to prove the existence of money in an Arrow-Debreu model. After all Arrow-Debreu model is the most elegant model that theoretical economists have at their disposal and if it did not have a place for money in it,

surely it was a matter of grave concern. I shall later argue that the way in which arguments were made were fundamentally (methodologically) flawed, but as Voltaire would say, 'text before criticism'. Thus, let me begin by recapitulating some of the arguments.

In a scathing criticism of the practice of modelling monetary economy in the Arrow-Debreu paradigm, Hahn amongst others opined that the most well developed model in economics had no place for money in it. Taking the case of Patinkin's effort Hahn tried to argue that since it was compatible with an autarkic situation, it was basically not very useful in discussing matters pertaining to money. This was done by constructing a formal model in the spirit of Patinkin, in the Arrow-Debreu format, with n goods, the last being designated as 'money'. Under the usual conditions then, it was possible to show that there existed an equilibrium, i.e. $P > 0$, such that $Z(P) < 0$. Starting from this point it was then demonstrated that it was possible to induce an equilibrium, holding the n th component of the price vector equal to zero. Thus with exchange value of money being non-positive there was no rationale for its existence. The argument then extended on two counts. One, that this happened because 'money' was given no special role to play in this model, and second, that the underlying model was essentially static. The latter point needs some labouring upon.

The main reason underlying this argument needs a recap of the Arrow-Debreu construct. In its original and most basic formulation, it deals with complete markets and essentially static scenario. This bears a word of explanation. There are futures markets admissible so that in the strict sense it is not a one period economy. However, once it is assumed that markets are complete, in the sense that all future contingent and insurance markets exist, all the contracts regarding present and future deals are effectively signed in the first period itself. The only uncertainty allowed is state dependent and that can be taken care of by insurance markets. Of course, one objection that could be raised immediately is that this requires the existence of too large a number of markets. This objection was taken care of by an ingenious contrivance of the so-called Arrow securities. This was technically accomplished by looking at the underlying basic vectors or what in linear algebra is called the spanning set. This tremendously reduced the order of the number of markets required. However, all this still allowed for a collapsible market, in that, one could still operate with a single budget constraint. It is to Radner that credit goes for pointing out that what was missing from the point of view of a meaningful model was for

trading to necessarily take place at every date. This, he called an essentially sequential economy. He also incorporated some more complications by endowing the structure with asymmetric information. But Hahn later showed that his results and arguments were not crucially dependant on the asymmetry condition. Indeed, with the assumption of incentive compatibility, 'asymmetric information' loses most of its bite.

Now the real crux arose, for, an essentially sequential economy was truly dynamic in the sense of incorporating time. Once the time was incorporated in the model, there was no way that *expectations* could be kept out. Of course, this does not end here, for, with expectations, there is a possibility of mistakes and then the crucial question, it would seem, has to deal with *social (system) learning*. This is also where the difference between micro and macro comes into focus. After all, human beings especially in incomplete information environment, act in a culturally constrained, norm-based fashion. This is a difficult problem. The mainstream economists, especially the rationalists chickened out and took the easy way. They treated this question of learning by ignoring it and studying the system behaviour in equilibrium, when anyway all learning is presumed to be complete.

Now, this question of culture constrained, norm-based learning is a pretty complicated issue and cuts freely into the domains of other social sciences. Here we make an attempt to suggest a way of looking at the rather limited yet vastly difficult area of 'perpetuation' of certain norms, without getting entrapped in the epistemic tangle of the 'origin' of norms. This latter enquiry I believe is intractable and wrong headed, from a social point of view, for, it will force us into a static-ontological methodology while examining the question of existence of money.

To make my position clearer, I need to draw on some of the concepts in game theory, in particular the concept of evolutionary stable strategy. Pioneering work in this area is due to John Maynard Smith by way of an application in the domain of biology. Kaushik Basu has recently suggested – in applying these concepts to human societies – some modifications leading to an intuitively brilliant framework. In the classic Hawk-Dove game, there are two types of phenotypes and one can then ask questions regarding the viability *vis-a-vis* the survival of each type of agent under different assumptions about the division of population. In the societal context, question may be asked about the success of invasion, leading to the concept of evolutionary stability. Understood in the context of social institutions, this implies that survival of certain type of institutions in a society is

not necessarily a pointer to their optimality, but one can plausibly argue that its existence cannot be completely detrimental to society. Also this framework is useful to analysing the 'culture' prevalent in the society. This is achieved by reducing the pay off matrix suitably, to rule out certain strategies that are not permitted in a society, given its norms. This leaves open the possibility, of certain suboptimal institutions, which have emerged as historical accidents, surviving in a stable sense. The immediate application of this to the case of 'money' is obvious. In mathematics, perhaps, the logical necessity is paramount, but in economics which concerns itself with life as it is live in real (historical) time, historical accidents can serve as initial causes. The perpetrating causes need not strictly fall in the category of 'logical necessity' but it may suffice if they are merely 'tolerably viable'. Thus, the search for existence of money in an economic model in the 'ontological' vein is wrong headed the more sensible procedure is to treat it in the existentialist mode. Before I return to the main theme, let me just mention that this frame of analysis has deep ramifications. For example, using it, it is possible to show how a population where a critical mass 'reads' Monetarist literature, may gravitate towards a 'monetarist' economy in a self-fulfilling sense, thus shedding light on the nature of social truth. This formalism also allows us to bring in 'culture' into analysis. This could be done in two ways. First, the original game pay-off matrix may be reduced in a normed determined fashion. Second, in a repeated game context, the rate of convergence (learning) may be different for different societies leading to different stable solutions, having started from the 'same' initial conditions. I have perhaps drifted too far afield and so let me quickly bring this detour to an end and return to the main concerns.

MICRO-MACRO BRIDGE

There is ample evidence in what has been thus far said to surmise that the bridge from micro to macro-economics is not simple. The causality perhaps more importantly runs the other way round. I stress this here, since it is far less recognised. Macro-economic research propositions whether they are true or not have the power to create sunspots which feed into the agents' micro-behaviour within an expectational frame. Indeed, these provide inputs to give a substantive meaning to micro-level rationality. How then do the agents learn or derive expectational content from received macro propositions? Our conjecture is that not unlike the learning by children, the social learning of technical economic propositions never goes beyond

the first stages of Piaget's scheme. It is thus mainly through associations and simple analogies. Individual learning in the social context is culture constrained, taking place through fables with simple morals. Though there is a tacit recognition of the complex nature of things, at the operational level, anecdotes and fables are what survive as simple learned truths. These are historically reinforced by associations thrown up by casual empiricism. Cultural constraints and belief formation then become central to this whole process of expectations formation which into the micro behaviour and indeed provide the parametric environment for rationality. Beliefs here are a part and parcel of the variables that need explaining. They would thus need to be endogenised. There is an increasing realisation among the economists that ignoring beliefs and simply modelling facts could be illegitimate. [see, e.g. Samuelson 1958, Tirole 1985, Grandmont 1986, Woodford 1988 and for a slightly different treatment Canning 1990]. Macroeconomists have suddenly woken up to the possibilities of self-fulfilling beliefs and sunspots which seem to indicate to the importance of endogenising beliefs. An interesting work in this area is by Kirman (1983) where he shows that once the beliefs are endogenised, consistent belief structure may lead agents to be trapped into what he terms as 'misinformed equilibria'. Extrinsic uncertainty, self-fulfilling prophecies, animal spirits and related phenomena have been thought for some time to have a role in macro-economics. Recent work [Shell and Wright 1991, and Chiappori and Guesnerie 1991] shows the various ways in which these effects may materialise. One interesting and pertinent interpretation they provide is that sunspots can act as signalling device, to co-ordinate individual actions, as well as a randomisation device to convexify opportunity sets. The major problem here is to do with the uniqueness of solution which to hold requires a position which is in consonance with the classical philosophical position that truth waits out there to be uncovered rather than the prevalent view of truth as a property of propositions. Facts, in economics being what they are, (i.e. dependent on both our conceptual frame as well as the initial conditions) it is perhaps best not to strive for uniqueness in the ontological vein for this may very well lead us to the self-referential problem of 'who programmes the programmer' type.

Thus, I hold that macro-economic research and the associations and analogies it throws up lead to expectational equilibria through bubbles and sunspots. Obviously there is nothing in the nature of things that stops the set of such REE from having the cardinality of the continuum. Of course, pure sunspot

models are difficult to rationalise in a relevant way. Lucas circumscribed between the real and the sunspot equilibria, thereby reducing the total number of possible rational expectations equilibria. There exists a broad spectrum of possibilities from the 'pure sunspots' to the 'completely real' economies. The contribution of many rational expectations theorist has been inclined towards the more real end of the spectrum. This is a superstructure, as it were, built upon the foundations of Arrow-Debreu formalism. Consequently, the problem of multiple equilibria has to be faced. Each of this equilibrium has a particular historico-institutional structure implicitly built into it. The whole space of economies may be partitioned into subsets each of which is an island of possibilities and not necessarily a singleton. Which island one reaches and which specific possibility is in fact realised is a matter of historical circumstances. A certain degree of policy-path connectedness is presumed to hold with respect to almost all the islands (else we must face a no exit situation). In general, there exist several equilibria on each of these islands. A selector function must now be employed to specify an ordering over these equilibria. The selector function must also provide an ordering over the set of supremal (most preferred) equilibria across the islands.

It is interesting to speculate about the interpretation of the famous 'Natural Rate Hypothesis' (NRH), in this scheme of things. Friedman has defined the natural rate as that rate of unemployment that is grounded out by the Walrasian system of equations. This is very much like the Smithian stationary state where the 'full complement of riches have been reached'. The difference lies in the fact that while the Smithian stationary state was brought about by the forces operative on the demand side, the forces that bring about the natural rate operate on the supply side. The parallel is drawn simply because both of them share the ideology of the non-interventionist state. Thus take agents to be ratexians (having identical expectations), suck time out of the model, use the Lucas critique, and hey presto, you have policy ineffectiveness. The policy ineffectiveness proposition points to the impossibility of exploiting the trade off between inflation and unemployment that never was. For the very assumptions of the model rule out any trade off of this kind so that the structure of the model leaves nothing to exploit. Indeed the long-run policy ineffectiveness proposition comes very close to being an exercise in vacuous logic. Yet there is something to be said for the policy ineffectiveness proposition. On a given island (conditioned by the historico-institutional and informational structure), it allows us to identify those equilibria where

the application of policy in the narrowest sense might yield superior results, by way of transition to those equilibria where NRH holds. If one reaches one of the best natural rate equilibrium on one island then the NRH points to the fact that a set of different type of policies need to be brought into play, to make a transition to possibly an even better NR-equilibrium on another island. The Natural Rate Hypothesis (NRH), I believe, thus helps us for taxonomic purposes in the classification of the policy type.

Though the importance of expectations cannot be denied on the theoretical plane, one needs to be careful whilst incorporating them in a macro-model. Micro theory tries to understand and explain agent behaviour. This entails an element of volition on the part of the agent and a perception of the environment leading to mental constructs like the familiar schedules and hence a presumed role for expectations about familiar variables. Macro-phenomena appear in quite a distinct way. They are the realisations, concrete results of the agent actions, given the actually existing environment. The fallacy of composition has to be guarded against. Also, they are methodologically unacceptable if they involve the assumption of homogeneity of expectations and thence an application of the certainty equivalence principle. A trade off as always has to be worked out, between the cost of modelling expectations and the consequent benefit in terms of statistics and/or added economic insight into the working of the process at hand.

IN CONCLUSION

Having been critical of much that is being done in the main-stream of economic profession, it is perhaps time to take stock. My own views about macro-economics, which come fairly close to the 'coherence' school [again see Hatakhar 1993] opens doors for 'subjectivism' in all its splendour. As Rorty (1979) puts it, "... theories seem to license everyone to construct his own little whole, - his own little paradigm, his own little practice, his own little language game and the crawl into it". Let me make haste to clarify that my point here is mainly to inject a small dose of modesty into the practitioners of our profession.

That dynamics is crucial to economic theorising is at least as non-controversial as things can be in economics. It is then a straightforward corollary that time and uncertainty cannot be left out. Trying to get these two elements into economic theory has truly been a pons asinorum of mainstream economics. Let me recall that the most elegant model we have, viz. that of Arrow-Debreu for the competitive economy is essentially static. For all the

'uncertainty' and 'time' incorporated, it continues to be a model with collapsible future. Indeed it has no place for money, which leaves the entire area of monetary economics without foundations. Of course several refinements are possible. One such is the introduction of the called Arrow securities, which are the basic securities which span the entire contingent market space, and considerably weaken the requirement of the existence of complete contingent markets. The other route is to postulate an essentially sequential structure to the economy with trading at every date. This along with asymmetric information is the path followed by Radner, whilst Hahn puts more emphasis on transactions costs. Either way one reaches missing or incomplete or inactive markets, and creates scope for analysing a monetary economy. One may now incorporate expectational structures to tackle dynamics analytically, as Grandmont amongst others has done. But this way of modelling is fatally flawed, since, all the expectations are based on well behaved probability distributions. Also, there is no scope for disequilibrium behaviour to show up, and hence learning to take place, so that one never does leave the world of steady state with its notional time. Thus the Arrow-Debreu model and its generalised variants continue to be deficient in that they are steady state quasi-dynamical systems, mostly without heterogeneity. This is about as much as the analytical methods will permit. It is here that computational economics can be of help [Kendrick 1981, 1988, Amman and Kendrick 1990]. Computational techniques, must be turned to for a greater understanding about relevant models of economies, e.g. with all types of uncertainties embodied.

Finally, to sum up, in order to be in a position to incorporate dynamics into our analysis and to make progress with our understanding of economies, three things must importantly happen. First, induction of real time into our models, so that we may model disequilibrium process dynamics, and realistically endogenise learning. Second, allowing for interactive dynamics in the intra-temporal sense, or quite simply making room for heterogeneity among agents, by incorporating 'culture' so that one may avoid the fallacious propositions derived from misguided aggregation leading to representative agent models. Now, given the tools at our disposal, only to a limited extent can the above be accomplished analytically. This directly leads me to my third requirement, viz. a symbiotic relationship between 'theory' and 'empirics'. It is a safe conjecture that the next real advance in our understanding of economics will come from the specific area of computational economics. It has been a real tragedy for

economics, that its practitioners have resolved themselves into two distinct compartments, viz, those who indulge in high theory and others who dirty their hands with empirico computational work. Whilst the latter group has at least sometimes tried to incorporate the advances made in theory, the high priests of theory have almost always shown scant regard for their 'empirical' colleagues. The earlier we break down the partition which exists between these two cultures in our profession the better it would be for all concerned.

References

- Amman, H and D Kendrick (1990) 'A User's Guide for Dual', CER, Technical Papers, Department of Economics, UT Austin, Texas
- Bell, D et al, (1988) *Decision Making* CUP, UK
- Blanchard, O (1985) 'Methods of Solutions for Dynamic Rational Expectations Models: A Survey', Mathematical Programming Study No 23.
- Blanchard, O and S Fischer (1989) *Lectures in Macroeconomics*, MIT Press, Cambridge, Mass
- Brandenberger, A (1985) 'Information and Learning in Market Games' (mimeo), Churchill College, Cambridge, UK
- Bray, M (1983) 'Convergence to Rational Expectations Equilibrium' in R Frydman and E Phelps (eds), *Individual Forecasting and Aggregate Outcomes*, CUP, UK.
- Bray, M and D Kreps (1987) 'Rational Learning and Rational Expectations' in G Feiwel (ed), *Arrow and the Ascent of Modern Economics*, Macmillan, London
- Bray, M and N Savin (1986) 'Rational Expectations Equilibria, Learning and Model Specification', *Econometrica*, Vol 54
- Cagan, P (1956) 'The Monetary Dynamics of Hyperinflation' in M Friedman (ed), *Studies in Quantity Theory of Money*, University of Chicago Press, Chicago
- Canning, D (1990) 'Equilibrium Learning and Economic Dynamics' (mimeo), Pembroke College, Cambridge, U K
- Carlson, J and M Parkin (1975) 'Inflationary Expectations', *Econometrica*, Vol 42
- Chiappori, P and R Guesnerie (1991): 'Sunspot Equilibria in Sequential Markets Models' in W Hilderbrand and H Sonnenschein (eds), *Handbook of Mathematical Economics*, Vol 4, North Holland, Amsterdam.
- Comte, A (1864). *Cours de Philosophie Positive*, 2nd edition, Paris, Baille're
- DeCanio, S (1979): 'Rational Expectations and Learning from Experience', *Quarterly Journal of Economics*, Vol 93.
- Dow, A and S Dow (1985): 'Animal Spirits and Rationality' in T Lawson and H Pesaran (eds), *Keynes' Economics*, CUP, UK
- Frydman, R (1982): 'Towards an Understanding of Market Processes: Individual Expectations, Learning and Convergence to Rational Expectations Equilibrium', *AER* Vol 72.
- Frydman, R and E Phelps (eds) (1983): *Individual Forecasting and Aggregate Outcomes*, CUP, UK
- Grandmont, J (1986): 'Local Bifurcations and Stationary Sunspots', Technical Report 513, IMSS Stanford, CA
- Hahn, F (1980): *Money and Inflation*, Basil Blackwell, OUP
- (1989): *The Economics of Missing Markets Information and Games*, OUP
- (1990) 'Expectations' in J Hey and G Winch (eds), *A Century of Economics*, Basil Blackwell, OUP.
- Hanson, F (1975). *Meaning in Culture*, Routledge and Kegan Paul, London
- Harrod, R (1948) *Towards a Dynamic Economics*, Macmillan.
- Hatekar, N (1991) 'Conditions for the Existence of a Prototype Representative Agent' (mimeo), Department of Economics, University of Bombay.
- (1992) 'On the Lucas Critique' (mimeo), Department of Economics, University of Bombay
- Jarvie, I (1972) *The Revolution in Anthropology*, Routledge, Kegan Paul, London.
- Kendrick, D (1981) *Stochastic Control for Economic Models*, McGraw Hill Book, New York
- (1988) *Feedback: A New Framework for Macroeconomic Policy*, Kluwer Publishers, Holland
- Keynes, J (1936) *The General Theory of Employment Interest and Money*, Macmillan, London
- Kirman, A (1992) 'Whom or What Does the Representative Agent Represent?' *Journal of Economic Perspectives*, Vol 6(2)
- (1983) 'On Mistaken Beliefs and Resultant Equilibria' in R Frydman and E Phelps (eds), *Individual Forecasts and Aggregate Outcomes*, CUP
- Knight, F (1921) *Risk, Uncertainty and Profits*, Frank Cass, London
- Lavoie, D (1991) *Economics and Hermeneutics*, Routledge, New York
- Lawson, T and H Pesaran (1985) *Keynes' Economics*, Croom Helm
- Lucas, R (1976) 'Econometric Policy Evaluation: A Critique' in K Brunner and C Meltzer (eds), *The Phillips Curve and Labour Markets*, Carnegie Rochester Conference Series on Public Policy, Vol 1, North Holland, Amsterdam
- Marcel and Sargent (1989) 'Convergence of the Least Squares Learning Mechanisms in Self Referential Linear Stochastic Models', *Journal of Economic Theory*, Vol 48
- Mathur, R (1992) 'A Critical Appraisal of the Rational Expectations Revolution', M Phil Thesis submitted to the Department of Economics, University of Bombay
- Masawa, K (1961) 'On The Convergence of Learning Processes in a Non-Zero Sum Two-Person Game', Economic Research Programme Memorandum No 33, Princeton University
- Muth, J (1960) 'Optimal Properties of Exponentially Weighted Forecasts', *JASA* Vol 55
- (1961): 'Rational Expectations and the Theory of Price Movements', *Econometrica*, Vol 29
- Pesaran, H (1987): *Limits to Rational Expectations*, Basil Blackwell, OUP.
- (1990): 'Expectations in Economics Department of Applied Economics', Cambridge Working Paper No 9016
- Pethe, A (1987): 'Robust Modelling: An Application to the Indian Economy', *Journal of Quantitative Economics*, Vol 3(2).
- Pigou, A (1929). *Industrial Fluctuations*, Macmillan, London
- Radner, R (1968). 'Competitive Equilibrium under Uncertainty', *Econometrica*, Vol 36
- (1971) 'General Equilibrium under Uncertainty', *Econometrica*, Vol 39.
- (1982) 'Equilibrium Under Uncertainty' in K Arrow and M Intriligator (eds), *Handbook of Mathematical Economics*, North Holland, Amsterdam
- Rorty, R (1979) *Philosophy and the Mirror of Nature*, Princeton University Press, Princeton
- Rubinstein, A (1987). 'The Complexity of Strategy and the Resolution of Conflict' in Bryant and Portes (eds), *An Introduction to Global Macroeconomics: Policy and Conflict Co-ordination*, Macmillan.
- Samuelson, P (1958) 'An Exact Consumption Loan Model of Interest with or without the Social Contrivance of Money', *Journal of Political Economy*, Vol 66(5)
- Shell, K and R Wright (1991): 'Indivisibilities, Lotteries and Sunspots', Federal Reserve Bank of Minneapolis Research Department Staff Report No 133
- Simon, H (1958) 'The Role of Expectation in an Adaptive or Behaviouristic Model' in M Bowmen (ed), *Expectations Uncertainty and Business Behaviour*, Social Science Research Council, New York.
- Solow R (1956) 'A Contribution to the Theory of Economic Growth', *Quantitative Journal of Economics*, Vol 70
- Steuer, M (1989) 'Culture and Optimality', Theoretical Economics Sticard Paper, N 206, LSE.
- Taylor, J (1975) 'Monetary Policy during Transition to Rational Expectations', *Journal of Political Economy*, Vol 83.
- (1980) 'Aggregate Dynamics and Staggers Contracts', *Journal of Political Economy*, Vol 88
- (1985) 'New Econometric Techniques in Macroeconomic Policy Evaluation' in Griliches and M Intriligator, (eds), *Handbook of Econometrics*, Vol 3, North Holland, Amsterdam
- Tirole, J (1985) 'Asset Bubbles and Overlapping Generations', *Econometrica*, Vol 53(5)
- Tobin, J (1980) *Asset Accumulation and Economic Activity*, Basil Blackwell, OUP
- Townsend, R (1978). 'Market Anticipation, Market Expectations and Bayesian Analysis', *International Economic Review*, Vol 19
- (1983): 'Forecasting and Forecasts of Others', *Journal of Political Economy*, Vol 91.
- Whiteman, C (1983): *Linear Rational Expectations Models: A User's Guide*, University of Minnesota Press, Minneapolis
- Woodford, M (1988) 'Learning to Believe in Sunspots' (mimeo), Columbia University, New York.

Nature of Capitalist Transformation

Continuing Relevance of Marxism

James Petras

Chronis Polychroniou

Since the collapse of Soviet-style planned economies in central and eastern Europe and the disintegration of the former USSR, Marxism has been dismissed by intellectuals of all political stripes as a potentially relevant force. This is profoundly mistaken, for the collapse of bureaucratic collectivism vindicates Marxism in theory and political practice. This paper highlights the relevance of Marxism in understanding the fall of state socialism and the deep structural dynamics and contradictions of contemporary capitalism

SINCE the collapse of Soviet-style planned economies in central and eastern Europe and the disintegration of the former USSR, reactionaries, conservatives, liberals, neoliberals, (ex)socialists, some feminists and post-Marxists are desperately trying to outdo one another in devising the ultimate requiem for Marxism.

The dismissal of Marxism as either an intellectual tool or as a potentially politically relevant force in the contemporary world is profoundly mistaken. The collapse of bureaucratic collectivism signifies the definitive vindication of Marxism in theory and political practice. What took place in the former state socialist countries in the late 1980s and early 1990s was the end result of a massive legitimacy crisis caused by the political and economic alienation of the working class from the work place and the polity. Moreover, the chronic crisis of capitalism over the last 20 or so years (stagnation, massive unemployment, global economic polarisation, declining living standards) has now reached historically unprecedented levels, thus validating the Marxist critique of capitalism. What is happening to most capitalist economies and countries throughout the world is comparable to the processes that took place in the mid-19th century - large-scale growth of capital accompanied by a geometric rise in unemployment, poverty, crime, and suffering.¹ Today, the official number of the unemployed in the OECD countries stands at over 35 million and is growing, with some 15 million having given up searching for a job.² Indicative of the nature as well as the severity of the crisis, the rate of unemployment in the youth labour force among several of the OECD countries is 30 per cent.³ By the end of the 1980s, 15 of the so-called 'developing' countries had steadily declined in income growth, with some of the 'economic miracle' cases - Nigeria, Argentina, and Venezuela - having their GDP drop by double digits.⁴ World inequality has also reached new dimensions. In 1989 the ratio differential in per capita income between the richest 20 per cent of countries and the poorest 20 per cent stood at 65 to 1, and at 140 to 1 between the richest

20 per cent of people and the poorest 20 per cent.⁵ Capitalist 'development' has ensured that one billion of the world's people live in absolute poverty.⁶ More than 15 million children die each year from poverty.⁷ At the same time, and equally as important, the structural contradictions of late capitalism not only continue to go unchecked, regardless of whether capitalist governments intervene systemically in the economy (liberal/social democratic) or not (neoliberal) but the principle of profit maximisation now threatens the world with an ecological disaster. The tropical forests, already eliminated by more than 40 per cent, are disappearing "at a rate of 30,000 to 37,000 sq miles every year"⁸ as multinational timber companies are having a field day under free trade, free market legislation - the recipe for the uninhibited accumulation of wealth by the corporate and finance masters at the expense of the rest of society and, of course, of the environmental/ecological system. The anarchic profit-drive system of capitalism, with its air pollution, haphazard disposal of industrial waste, ozone-damaging technologies, and land and water contamination, is rapidly converting the planet into a "hellish place". The way, therefore, to deal with the problem of environmental degradation is to drastically alter the structures of the economy, do away altogether with the system of capitalism. No other response can be counted on to satisfy the environmental requirements. To be sure, "those who focus on people as the problem, rather than on [the] economic and military practices" of capitalism, as Victor Wallis writes, "need to be reminded that the US leviathan alone emits more carbon dioxide than Asia, Africa, and Latin America combined".⁹

Welcome to the make-believe world of the new capitalist order. While the media and the intellectual ideologues of capitalism are trying to convince the world of what an antiquated system is Marxism, the "natural laws of capitalism" are working in the meantime to frightful perfection, spreading misery and destruction along their path. Indeed, the objective conditions for socialism have never been more ripe

than they are at the present historical juncture. Socialism or barbarism is in many respects a far more relevant call today than it was in the 1950s. Yet, the problems facing Marxists today and in the proximate future are very daunting. To reinvigorate belief in the validity of Marxist thought and the socialist vision is by far the biggest and most immediate task that Marxists have to confront.

We will begin with a discussion of the so-called 'crisis of Marxism', arguing that it is a crisis of the intellectuals - a 'failure of the nerve'. In the face of powerful pressures emanating from the capitalist centres, the 'crisis of Marxism' is seen as a subjective reality rooted in the misperceptions and sense of powerlessness of the ex-Marxist intelligentsia. By arguing and analysing the 'subjectivity' of the crisis, we will be clearing the way toward opening up a discussion of the objective relevance of Marxism in analysing both the demise of bureaucratic collectivism and the structural dynamics and contradictions of contemporary capitalism. We will then proceed by highlighting the relevance of Marxism in understanding the fall of state socialism. In this regard it is important to remember that while bourgeois writers first described 'communism' as on the brink of imminent collapse and subsequently as a 'totalitarian monolith' incapable of internal evolution and reform, Marxist critics focused on the contradictory nature of state socialism (tensions between its worker origins and bureaucratic rulership, tensions between its socialised production and bureaucratic control and appropriation of surplus) and its ideological claims (collective good versus privileged elites). We will then turn to discussing the relevance of Marxism in understanding the deep structural dynamics and contradictions of contemporary capitalism - in a fashion that highlights the way in which the Marxist analytical framework is superior to any of the competing liberal, neoclassical or postmodernist approaches. This in turn will allow us to raise the real challenges and problems that face Marxism in its struggle to become politically relevant in the contemporary world.

In one not unsubstantial sense, the 'crisis of Marxism' as it is discussed today is a 'crisis of the intellectual nerves' - it is the capitulation of the former leftists before the seemingly overpowering presence and politico-military triumphs of capitalism in the contemporary world.¹⁰ The ex-leftists are traumatised by their negative vision. The world market is everywhere, the rules of the international banks are imposed consistently, the industrial working class is in retreat or declining, the United Nations has become a US-European global police force. Faced with this apocalyptic vision, the ex-leftists decide it is best to operate from the market, to manipulate the rules of the banks on the margins, to narrow their focus to local activities ('civil society'), to make a virtue of necessity by joining the chorus condemning state intervention and the struggle for state power, to embrace narrow cultural identities as the focus of militant activity in the interstices left by the dominant capitalist powers; in a world, turn to 'possibilism' - the hope that by painting mascara on Moloch, greed can be harnessed into a capitalist humanist social pact.

The 'failure of the nerve' is rooted in the failure of the left to resist the ideological pressures from the western mass media and states (as well as their intellectuals in uniform) to amalgamate Marxism with the bureaucratic collectivist regimes and to reproduce history from an anti-socialist, anti-working class perspective. There is the perception by many, particularly on the left, that the collapse of the bureaucratic collectivist regimes reflects the 'failure' of Marxism. Insofar as this view has permeated social and political movements worldwide, it has severely weakened all of the left, including those who understand otherwise. Insofar as this perception has led to defections toward liberal politics and sectoral reformist movements, it has narrowed the arena of public debate, closed access to media outlets and fostered demoralisation and disorientation in the popular movements.

Second, insofar as substantial parts of the left - including non-communist sectors - were materially dependent on the bureaucratic collectivist regimes for support, the demise of the latter has undermined the willingness and ability of the left to function outside the parameters of world capitalism. Third, the political class in the west and the ex-communist bureaucrats in the east have monopolised the mass media and public debate on the meaning of the collapse of state socialism, amalgamating bureaucratic collectivist ideology with Marxism. Insofar as they have been successful in convincing the populace and intellectuals of their equation (collapse of bureaucratic collectivism = end of Marxism), the tasks

of clarifying and distinguishing Marxism from bureaucratic collectivism has become infinitely more difficult.

For the above reasons, contrary to what many anti-Stalinist Marxists believed, the demise of bureaucratic collectivism has not cleared the way for a reasoned consideration of Marxist theory and practice, nor has it facilitated the growth of autonomous, authentic Marxist movements. As a consequence, Marxism around the world is viewed now by many academicians and political activists as an ideology whose time has passed.

BOURGEOIS VS MARXIST CRITIQUES OF BUREAUCRATIC COLLECTIVISM

Bourgeois writers were never able to provide coherent, sound analyses and explanations of the rise and evolution of state socialism or of the outbreak of socialist revolutions. Describing socialist revolutions as the novelty of armed, minority revolutionary groups is a blatant distortion of the objective historical conditions that led the dispossessed to revolutionary change oriented toward achieving greater equality, social justice, and freedom. Furthermore, the characterisation of state socialist regimes as 'totalitarian' and incapable of internal reform is sufficient to make clear the inapplicability of bourgeois, liberal discourse in understanding and explaining the historical and structural reality of the development of bureaucratic collectivism. The same is true of its demise. The celebration of the collapse of state socialism by bourgeois writers is a pathetic display of little catechism - formulations construed in terms of ideological subjectivity shaped and determined by an essentialist, anti-socialist discourse that aims to dismiss Marxism altogether.

For some writers the demise of bureaucratic collectivism signified the worldwide ascendancy of liberal democracy, the supremacy of capitalism - the 'end of history'. According to this view, socialist revolutions were a detour in the march of history toward liberal democratic capitalism. For others, the socialist revolutions were the hidden hand behind bourgeois revolutions, clearing pre-capitalist debris from society and preparing the way for a new and more vital stage of capitalist development.

The "end of history" argument, embodying a pseudo-Hegelian, teleological view of history, fails to see liberal-capitalism as a historically specific social system with its own morphology, its rise, maturation, decline, and transformation. Periodic breakdowns of capitalist societies, their violent intrusions into weaker states, their perennial expansion and subordination of vulnerable economies, their diversion of resources and impoverishment of domestic

societies in the name of global leadership have been accompanied by wasteful and destructive wars that have, in turn, been turned at times into anti-capitalist revolutions some of which have been subsequently reversed. In sum, there is no historical basis - past or present - for arguing for 'linear progress' toward 'free markets' and 'liberal democracy'. Capitalism - whether liberal democratic or authoritarian, state-centred or market-oriented - has evolved in response to the tension between internal and external opposing forces: the internal conflict between capital and labour and the external conflicts among competing capitals. Periodic revolutions and counter-revolutions reflect the internal conflicts, while the world and regional military and trade wars reflect the external conflicts.

Additionally, the decline of state socialism in the east has not been brought about by a capitalist social class, nor has there emerged in its place a liberal-democratic capitalist society and economy. The overthrow of state socialism (assisted simultaneously by the imperialist onslaught of the west) was largely the product of a bureaucratic elite imbued with a capitalist ideology, but with no historical ties to capitalist production and its markets. The nearest approximation of an indigenous capitalist class was the illicit contraband networks working the interstices of the state planning system. The consequence of the capitalist restoration by a non-capitalist class has been the grafting of policies and practices on a society without the social agencies to implement them. Instead of a domestic capitalist class, what has emerged is a group of intermediaries for western capitalism: on the one hand, the growth of a powerful strata of plunderers ('mafia networks') who pillage the existing economy of public resources and divert overseas loans to foreign bank accounts without developing the productive forces on the other.¹¹ The resulting decay of post-communist societies is found in large-scale long-term unemployment, crime, prostitution, and decline in production and consumption. This development has been matched by the growth of authoritarian rulers and the foreign dictation of economic policy. Neither liberal democracy nor capitalist development has emerged from the collapse of bureaucratic collectivism. The break-up of the former USSR and the assumption of power by pro-western rulers has not even resulted in the establishment of viable nation states. Ethnic divisions and civil wars, and nationalist and religious authoritarianism have been the most prominent features of the post-communist world.

Finally, contrary to the "end of history" scenario, many post-communist societies have regressed in social and cultural terms. 19th century diseases have returned, ban on abortion are now in place, widespread

pauperism among retirees has become the norm, highly trained scientists are unemployed or working for a pittance. What is purported to be the definitive triumph of liberal-democracy and capitalism over communism is in fact the disintegration of the nation-state into ever shrinking warring ethnic enclaves, the decay of public life, and the destruction of production systems. The triumph of the free markets is a story of dispossession, impoverishment, and national humiliation. Thus, rather than view the collapse of state socialism as a bourgeois evolution clearing the way for capitalist advance, it is more empirically correct to view the ascendancy of the free marketeers as a historical regression – perhaps as a temporary detour toward a revitalised and new form of democratic collectivism.

In contrast now to the banalities of bourgeois political analysis, the evolution, crises and demise of bureaucratic collectivism was most brilliantly analysed and anticipated by Marxist thinkers using Marxist categories. We should remember that it was Rosa Luxemburg who identified the authoritarian tendencies implicit in the structure of the Bolshevik party.¹² Luxemburg never turned her back on the Bolshevik revolution (in fact she provided a sympathetic, although critical, assessment of the course of the revolution in Russia), but she saw with a clear eye that 'centralism', when misguided, may turn out to become an obstacle to revolutionary action, as it indeed was in the German Social Democratic Party, or a conservative force, as it indeed became during Stalin's reign. It was Luxemburg who pointed out the inextricable connection between democracy and socialism. It was Leon Trotsky who identified the new state apparatus as a distinct socio-political stratum appropriating the surplus from the working class, undermining egalitarian norms, contradicting the revolutionary origins of the regime.¹³ It was Trotsky who laid out the issues of international revolution versus 'socialism in one country' and workers' democracy versus bureaucratic dictatorship.¹⁴ It was the Marxist historian Isaac Deutscher who discussed the possibility of an evolution toward capitalist restoration.¹⁵ It was the Marxist philosopher Herbert Marcuse who challenged the Soviet claims of remaining faithful to the Marxist ideological tradition.¹⁶

The Marxist dialectical method, the use of class analysis, the application of notions of class contradictions, class conflicts, and the notion of the class nature of the state were essential to understanding the crises of the Stalinist system and the restoration of capitalism. Just as bureaucratic collectivism could not explain its own degeneration, post-communist liberal capitalism cannot explain the catastrophic crises that its institutions and politics are engendering. One should not

confuse the conjunctual pervasiveness or even the hegemony of an ideology with its profundity or durability.

RELEVANCE OF MARXISM

Today Marxism is the most useful perspective in understanding the major structural changes taking place in the capitalist world economy. Nonetheless, Marxist theorists must come to terms with the vast changes in class structures, technologies, state/civil society relations that have taken place over the last quarter of the century, otherwise their conceptual framework will become irrelevant in analysing the contemporary world and in fashioning a cogent alternative.

Major contemporary structural processes are best understood within a Marxist framework. A review of the processes in relation to basic concepts will illustrate the tremendous utility of Marxist theory.

(1) *Concentration and centralisation of capital within countries and across regions*: The mergers and buyouts accompanying the growth of global enterprises are one indication of this 'law of capitalism' noted in Marxist analysis. During the 1980s, which represented the latest huge wave of mergers and acquisitions in the historical development of industrial and finance capitalism since the 1880s, all giant corporations engaged in mergers and buyouts, in 1988 alone there were more than 4,000 mergers representing a total value of \$ 245 billion.¹⁷ RJR Nabisco's takeover by Kohlberg Kravis Roberts and Company in 1988, worth \$ 24.53 billion, is the largest acquisition to date.¹⁸ In the 1990s the billion dollar acquisitions are concentrated in the drug industry.¹⁹

(2) *Intensification and extension of exploitation accompanying capitalist expansion and competition*: The decline of income, longer working hours, the elimination of health, pension, vacation, and other benefits accompanied by the extension of work time and the growth of labour productivity attest to the relevance of Marxist analysis. Indeed, wage-salary and all-round capitalist exploitation have increased under 'globalisation' to unprecedented levels throughout the world. In the 'belly of the beast', 80 per cent of the US labour force that falls into the category of 'production and nonsupervisory workers' earned at the end of 1989 weekly wages that were less by more than 10 per cent of weekly wages earned in 1973.²⁰ - the year of the beginning of the current global economic crisis. At the same time, studies indicate that the average worker in the US in 1987 worked 163 hours more per year than in 1969.²¹ Similar weakening economic and social conditions are confronting the working class people everywhere as national governments are

institutionalising a myriad of devices to assist capital's ruthless quest for higher rates of profit. In Costa Rica, long considered a 'special case' in the economic development of Central America, Noam Chomsky reports that after the neoliberal programmes of the IMF and the World Bank went into effect in 1985, 37 per cent of the workers received wages that were below the legal minimum, average family incomes fell by 10 per cent, and poverty increased by 18 per cent in 1991 alone.²² Seeking to repress popular indignation over the deteriorating living conditions, the Costa Rican government has in turn increased substantially the size of the police force.²³ Indeed, one of the developments in the neoliberal global order is that state repression rises geometrically with the decline of income, and state budget cuts in health, education, and pensions. A case in point. In Greece in 1991, a giant demonstration of over 1,00,000 students, teachers, and faculty in Athens protesting the conservative regime's efforts to reduce the budget for state education, was viciously attacked by the police as it went on a rampage, leaving several dead and hundreds injured.²⁴ The savagery of the repression of the student protest – unprecedented in western Europe in recent decades – was an integral part of the regime's goal to strengthen the state against civil society in its efforts to implement its anti-working class economic agenda. As elsewhere, the neoliberal policy of 'public pain for private gain' in Greece has levelled the living standards of working class people while business profits have skyrocketed.²⁵

Yet another interesting case of the intensification and extension of exploitation accompanying capitalist expansion and competition worth pondering is that of Japan – often cited as the greatest 'success' of postwar capitalism. The so-called 'miracle' of Japan is based on a fascist technique of super-exploitation enforced by a natural alliance between state and big capital on a docile labour force and without any 'trickle-down' effects. Japan's economic performance displays 'a wide gap between increasing productivity and stagnant real wages'.²⁶ While "Japanese manufacturing labour productivity more than doubled (its index increased by 117.3 per cent in 1975-84)... the index in real wages increased only by 5.9 per cent in the same ten year period".²⁷ At the same time, Japan's industrial workers work on the average 11 to 13 per cent longer hours than workers in Britain and the US, and 31 per cent longer than their counterparts in Germany.²⁸ In the final analysis, when all is said and done about Japan's economy, "the miracle is explicable in terms of blood, sweat and raw muscle toiling for the nation's Big Capital".²⁹

Today, Marx's dictum about the relationship between capital growth and the deterioration of the working class' living

standards is truer than ever before: "The more...capital grows, the more the division of labour...expands. The more the division of labour...expands, the more competition among the workers expands and the more their wages contract".¹⁰

(3) *Growing class inequalities and social polarisation:* In Europe, the US, Latin America, and Asia 'free market' policies have broken the social safety nets and contributed to the growth of concentrated wealth and a growing sub-proletariat. Wealth has shifted dramatically in the last 20 years from the main of society to the upper echelons of the corporate and finance world. In the west, 'globalisation' is rapidly dividing societies into two sharply differentiated social classes in a similar fashion to the general trends in the third world and the post-communist societies. Simply put, the rich are getting richer and the poor are growing poorer. In 1992, the top fifth of US families received 51.3 per cent of the income while the bottom fifth got only 6.5 per cent of the income.¹¹ However, there is an even much greater inequality in wealth compared to income. Patterns of concentration of wealth in the US reveal that the richest 10 per cent are in possession of over 87 per cent of all wealth.¹² This phenomenon of inequality is worsening rapidly on a global level.¹³ In Chile, for instance, one of the so-called 'economic miracle' stories in the line item accounting of the IMF and the World Bank, in 1990 the richest 10 per cent of the population increased its share of the national income to 47 per cent from 36 per cent in 1970.¹⁴ Accordingly, "since 1973, consumption dropped 30 per cent for the poorest 20 per cent in Santiago and increased 15 per cent for the top 20 per cent."¹⁵

(4) *Growing inter-capitalist competition:* The trade wars and formation of rival blocs by the major capitalist rivals, and the re-emergence of inter-imperialist rivalries, completely undermine neo-classical notions of complementary harmonious market relations. The imperialist world is in complete disarray as the major imperial powers are blaming one another (with the US doing naturally most of the finger-pointing) for their own economic problems and the depression of the world economy in general. Under Clinton, the US has stepped up its criticism of Japan for running huge trade surpluses with the rest of the capitalist nations,¹⁶ including now charges for practising protectionism in order to safeguard its low unemployment rate.¹⁷ But increasingly, Japan is resisting more and more US pressures and what it rightly considers to be interference in the affairs of its own economy. A recent study reports that the conciliatory attitude of Japanese politicians toward Washington is being

gradually replaced with growing intransigence,¹⁸ no doubt largely due to the fact that Japan's own economy has now entered into a severe crisis as well. US-Japan tensions over trade are growing in intensity, indeed as are Europe's relations with Washington. The Europeans are also displaying growing frustration and irritation over US attitudes on trade¹⁹ as well as over US foreign policy matters, with the Balkans especially becoming a major area of disagreement.⁴⁰

With the decline of the US as the hegemonic power in the world imperialist system, and the global economy sinking deeper into depression, inter-imperial rivalries are intensifying and conflict is mounting in the new external relations of the major capitalist nations in the post-cold war era.

(5) *Tendencies of capitalism to crises and stagnation:* With the decline of war economies, the absence of major innovations capable of stimulating recovery and growth, the growing debts and fiscal deficits, and growing productivity and a narrowing consumer base, the inherent tendencies to crises have come to the fore. Since 1973, with the OPEC oil crisis during the winter of 1973-74 serving as the loudest announcement, the world capitalist economy has entered a structural crisis oscillating between recession and depression from which it has yet to emerge. In fact, the crisis has deepened in recent years and it is now severely affecting the entire developed capitalist world, with Japan being its latest victim. Japan's economy had managed to avoid the worst from the end of 1973 to 1975, thanks largely to its low rate of unemployment, as well as to absorb the second oil shock in May 1980 and to grow considerably before 1983-87.⁴¹ However, Japan's economy began to exhibit marked signs of decline towards the end of the 1980s as its economy overheated, and the crisis has become, as one free-marketeer put it, "of alarming magnitude and complexity".⁴² In 1992 Japanese department stores registered a decline in their annual sales for the first time since the 1960s, and in 1993 business failures were up 22.7 per cent from 1992.⁴³ In mid-1993 it was reported that "Japanese industrial output had fallen for twenty consecutive months" and that now "there were 81 jobs available for every 100 applicants."⁴⁴ In the fiscal half of 1994, Japan's 11 largest banks reported a drop in their combined net profit of 18.3 per cent, caused by an unprecedented number of bankruptcies among borrowers, and the stability of the country's banking system is now a major concern.⁴⁵ Lately Japanese businessmen and economists have started sending out warnings that by the beginning of the 21st century Japan could be facing

unemployment rates as high as 10 per cent, and that Japanese society therefore should begin preparing itself for such a future.

Major European countries such as France, Britain, and Germany are all faced with double digit unemployment rates, while Spain has over 20 per cent and many of the post-communist nations in eastern Europe as high as 30 per cent.⁴⁶ The tremendous pace of job destruction in the era of "globalisation" is connected to the internal logic of the capitalist system – overaccumulation and failure to utilise fully productive capacity – and the recent trends in late capitalism – deindustrialisation, the ascendancy of financial and speculative capital, capital flight, and a deproletarianised surplus labour force. The conditions of production of capital are radically different today than they were after the second world war. The long wave of technological innovation and the sustained economic development generated during the 'golden era' of post-war capitalism due largely to the war itself ran its course some 20 years ago. Since then, stagnation and a general economic and social crisis has set in, which the managers of capitalism have tried at various points to resolve through military pumping of the economy – a process that in the long run only deepened the crisis of capitalism and generated huge state fiscal deficits. Capital is now reproduced through investments in the 'paper economy' – stock markets, international currency markets, and all sorts of financial and otherwise non-productive transactions. Under today's capitalism, great predators do not make their fortunes by building factories or investing in the economy's infrastructure; instead, they bet on the economy of "casino capitalism".⁴⁷ Thus, George Soros, a financier and adviser to eastern European governments, became richer by a whopping \$ 2 billion in only a couple of weeks in 1993 by dropping \$ 10 billion on the German deutsche mark against the British pound and the Italian lira.⁴⁸ Indeed, the world's exchange markets have grown dramatically in daily turnover since the early 1970s. It is reported that in 1973 "\$ 3 billion were converted into European currencies in one day. In the late 1970s, daily turnover around the world was estimated at \$ 100 billion; a decade later, that figure had reached \$ 650 billion."⁴⁹

Given that wars among the major capitalist powers are not a very likely prospect in the near future (only because of what is now at stake – a globally integrated economic system of capital accumulation – and not because of the political features of liberal regimes as bourgeois political scientists maintain), and that the trends in the world economy described above are almost certain to continue (it is hard to

imagine capitalist states imposing the discipline necessary on financial capital to alter the course of the economy), it is interesting, to say the least, to see how capitalists will try to resolve the current global crisis. Either way, what is certain is that the toiling masses worldwide will continue to bear the burden of the 'restructuring' of the capitalist system as long as the system lasts.

(6) *Imperialism dominant feature in relations between advanced and less developed capitalist states:* The subordination of eastern Europe and the ex-USSR to western European and US capital evidenced in the pillage of their economies and the increasing penetration and subordination of the Chinese market by Japan, Hong Kong and Taiwan, are testimony to the fact that global expansion – imperialism – is the driving force of our epoch. Global capital accumulation creates dependent relationships without exception and subjects all national economies in the less developed countries to the interests of foreign capital, the logic of the 'world market', and the geo-strategic considerations of the imperialist powers (as former Yugoslavia so tragically illustrates). The newly created neoliberal global order is oriented toward a course that hardens the controls of the imperialist powers over the third world (which now includes the overwhelming majority of eastern European nations), closes all possibilities for inward and autonomous oriented policies of development, and ensures the continuation of the pillage of the third world's natural and economic resources.

(7) *Class struggle as motor force of history:* The major terms in practically every political discourse today are 'competitiveness' and 'labour flexibility', expressions that describe wholesale shifts in the labour capital relationship. For the past two decades, the capitalist class and its state representatives have engaged in a virulent class war converting permanent workers into temporaries, shifting work rules and, most important, taking absolute control over the conditions of work. The minimum response by labour and trade unions to this class struggle (its one-sided nature) does not obscure the essence of the process, a struggle by a class (the dominant) to impose its power and prerogatives over another and establish unilaterally the terms of production and reproduction. Indeed, the central and most immediate political task facing the working class movement and the parties of the left everywhere around the world is to return to the tradition of resistance and rebellion so as to push the world away from the orbit of capital's rule and toward equality, freedom, dignity, and justice.

(8) *Class nature of the state:* The overwhelming emphasis of state policy has been to facilitate the major economic process undertaken by the dominant capitalist class. The 'restructuring' of labour has been promoted by state policies weakening labour unions. Capital moves have been subsidised by state tax policies, capital concentration by state 'deregulation'; the 'transfer' of private losses through state intervention to the public treasury. "The major shifts in income based on the power of the state to intervene on behalf of capital has reduced its 'legitimation' function to minor activity. The state is not an autonomous entity mediating between classes. It is, as it has always been, an instrument of class rule and thus its major decisions can best be understood in the framework of its class character.

In sum, the directions of change, the dynamics of state-civil society relations, the process of international expansion, the structure of the market, and the emerging organisational forms of the principal socio-economic actors can best be understood in a Marxist framework. In the free competition of ideas, key Marxist concepts have demonstrated their validity over and against the liberal neoclassical paradigms. Yet the comprehensive explanatory power of Marxism is not sufficient to come to terms with the contemporary world unless it recognises the vast changes that have taken place both within its 'historical categories' and outside.

WORLD HISTORICAL CHANGES: CHALLENGE TO MARXISM

Vast changes have taken place over the past two decades in the class structure, in the labour process, in the application of technology, in the structure and organisation of capital, in the ideology and organisation of classes, in the family and in the organisation of cities, and in the organisation of power in the global political economy.

(1) In the advanced capitalist countries and in major regions in eastern Europe, Latin America, the ex-USSR and Africa, stable wage workers and stable long-term large-scale capital investors are a shrinking minority. There are significant variations in the 'post-industrial' labour force. In the advanced capitalist countries there is a growing number of low paid temporary 'contract' wage workers¹ and professionals in the services. High technology means of production and/or distribution are run by low paid service workers and 'maintained' and 'directed' by a thin strata of permanent high paid workers and executives. In the third world a growing mass of low paid 'self-employed' service workers operate as

distributors of cheap goods and are available as low paid rotating productive labour. The 'proletarianisation' of labour has advanced to such a degree as to create its opposite – a de-proletarianised surplus labour force.

(2) The combined development and interrelationship between capital intensive hi-tech and labour intensive sweatshop labour has produced a global chain of production and alternative investment strategies for capital. The so-called 'globalisation of production' – the movement of capital across national boundaries – has been accompanied by a selective investment of capital 'inward and downward', exploiting the movement of displaced and/or 'immigrant' labour within national boundaries. The concentration and centralisation of capital on a global scale and the development of new technologies is accompanied by the revival of pre-capitalist modes of production based on the extensive exploitation of labour.

(3) The 'strengthening' of the nation-state as an instrument for the international expansion of capital has been accompanied by the erosion of the national economy which sustains the international activities of capital and state. The diversion of resources – state and private – to 'global markets' has led to the fiscal crisis of the state and massive cutbacks in salaries and social spending. As global competition increases, domestic society deteriorates.

(4) The decline of wages of male labour has led to the massive entrance of female labour into the non household workforce to avoid immiseration. The expansion of production of food, clothing and electronics in low wage third world areas and their importation into the advanced capitalist world provides low priced consumer items, thus 'compensating' for wage declines. Lower paid wage earners in the west still have access to consumer goods despite decreases in income because of low price consumer imports and easy credit.

(5) Over time, however, low cost imports are displacing low wage production workers and limiting their access to goods and services. The 'second stage', from the declining wage, low cost consumerism to low wage declining consumerism phase, is part of the transition from phase one of 'free-market capitalism' during the 1980s to phase two in the 1990s.

(6) In the US changes in the labour process have not only displaced black and white wage workers but have significantly affected salaried professionals, employees and technicians. The decline of the middle class is evidenced in the erosion of stable well paid employment with health and pension benefits and the emergence of temporary contract labour among professionals, executives and others. 'Objective' proletarianisation of the middle

class, however, is not accompanied by any 'subjective' recognition of the causes and common conditions – there is an absence of any sense of class solidarity. Past class experiences weigh heavily on consciousness. The politics of class resentment at 'falling' is much stronger than identification with the new class 'brothers' and sisters in the same class position.

(7) The demise of Sovietism and the transformation of social democracy into a vehicle of neoliberalism has undermined a traditional reference point for working class and welfare politics. Moreover, the absence of the communist welfare model has reduced pressure on the capitalist states to sustain welfare policies in the west. The emergence of ex-communist and ex-social democratic spokespersons for neoliberalism has added 'authority' to the argument that there are 'no alternatives' to 'free market' capitalist. The dramatic ideological shifts and the discrediting of the previous social democratic and communist ideologies require a new ideological discourse.

(8) The international movements of capital have drained the nation-state of revenues and lowered wages, thus generating a fiscal crisis – the growth of fiscal deficits that in turn become a pretext for the reduction or elimination of the 'social wage'. The 'redundancy' of labour in the hi-tech and de-industrialised economy becomes an incentive to lower investments in education of health and housing. Exploitation of the domestic economy becomes a necessary condition for sustaining empires.

(9) The re-organisation of the labour process has greatly transformed the relation between capital and labour. Capital is eliminating multiple layers of management and administration between the top executives and production workers to lower costs. The remaining managers and engineers are increasingly part of the labour force on the production floor. The differences in income, power and prerogatives remain, but the hierarchy of production has been transformed and the immediate managers are more integrated into the workplace. The superfluity of the 'white apron boys' in production means less waste for administrative overhead expenses. Under capitalism this means more profit and less cost. Under socialism it would mean less hierarchy and less cost to the consumer. The labour process is moving away from direct supervision of labour and toward greater worker autonomy in the design and production of the total product. Under capitalism this new autonomy is subordinated to the strategic goals of the chief executive officers (CEOs). Yet it is transparent that the modern firm functions with less capitalist direct

intervention. The logical extension of worker autonomy from the shop floor upwards provides a powerful argument for self-managed socialism. Briefly, capitalist rationalisation of the work process toward greater worker autonomy contains the seeds of its own transcendence.

(10) New technology and information systems have greatly transformed work relations, the labour process and income distribution within the framework of and parameters defined by the dominant forms of corporate capital. Electronic networks and information systems extend and widen the scope and increase the speed of large-scale speculative movements of finance capital across the globe: they do not exist as autonomous forces defining a new 'hi-tech' or 'information society'. Hi-tech information systems in the context of the ascendancy of financial, real estate and insurance capital provides more outlets for the speedy transfer of capital out of productive employment and hastens the de-industrialisation of labour, and the growth of rich investment bankers and low paid service workers.

(11) The massive entrance of female workers into the labour force, at a time when wages are declining, social services are being eliminated and labour mobility is a forced condition for employment, is heightening conflict in the family and slowing redefining the content of working class socio-political agendas. The 'feminisation of the labour force' means that the old 'emotional division of labour' no longer operates, both partners suffer the same 'emotional stresses' at work, both lack emotional cushions at home! The inequalities and stress in the workplace can result in greater solidarity and equality in the household or more frequent and violent ruptures – depending on whether the aggression is centred externally or internally.

(12) Hi-tech monopsony industries (particularly those industries dependent on the US military as their single buyer) are extremely vulnerable to severe crises. Hi-tech industries whose technology is designed to produce very specialised products are subject to political exigencies of the buyer and the obsolescence of their products. The non-adaptability of the hi-tech to new marketable products can lead to the closing down of entire firms and to the outmodedness of the elaborate technology. The example of a fully automated/robotised plant producing million dollar sonars for the military is a case in point: when the military budgets declined, as the cold war ended, naval demand for sonars ended, factories were closed, and the highly skilled labour force became redundant. The downward mobility of the new hi-tech labour force in

aeronautics and related military industries defines part of the new class realities.

CONCLUSION

The political meaning of these major transformations is clear: the old class cleavages between stable industrial labour and industrial capital no longer define the 'basic relations' in society. The growth of temporary labour and the massive cutbacks of private corporate and state subsidised programmes cannot be confronted by a minoritarian labour movement, least of all at the bargaining table. The transformations have profoundly altered the context and content of class struggle – and to ignore these changes will certainly condemn Marxism to irrelevance. The answer to these changes – and detailed responses are obligatory – are only slowly emerging.

In the first instance the sharp distinctions between state and civil society no longer exist – capitalism thrives on exploiting the state (and the mass of working taxpayers). The fundamental problem then is the focus on the class state as the target toward which social movements must orient. Theorists of 'identity politics', cultural 'post-modernists' and advocates who focus on a distinct anti-state ideology in the name of civil society must be firmly rejected. The state must be viewed as a major resource and lever for change. This view must be accompanied by an approach which minimises bureaucracy and maximises the redistribution of resources within civil society.

Second, the 'national economy' must be seen as the starting point for any political confrontation with the internationalisation of capital. The rhetoric of globalisation ('global competition', 'global market place') which serves to reduce wage levels toward the lowest international levels, while encouraging the import of the products of low wage labour, must be countered by a strategy which blocks the diversion of local profits overseas. Measures ranging from capital controls to outright expropriation can become centre pieces for the reconstruction of a labour force capable of fighting on a level playing field.

Third, bridges of international labour solidarity must replace protectionist walls to effectively homogenise labour conditions upward, to counter the 'internationalisation' of capital.

Fourth, technological changes require new social agencies to re-direct their application, their locus and impact. The growth of autonomous workplaces must extend to the application of technology – reducing work time and increasing employment.

Fifth, the feminisation of labour requires a cultural and social revolution in the labour

and feminist movements – toward a broad-based social agenda that incorporates large-scale, long-term shifts in budgetary allocation to family allowances and shifts from symbolic to substantive representation. The challenge to the 'competitiveness' ideology must grow from the solidarity of competent and productive forms of social organisation, not from the escapist yuppie leisure culture or from utopian intellectual nostalgia for counter-cultural styles.

Traditional loyalties and solidarity at the primary and personal level must be respected, and multicultural life-style politics cannot be assumed to be a superior form, particularly in its emphasis on 'immediacy' and 'transitoriness', phenomena more akin to contemporary capitalism than to its subversion. Marxism must include tradition and revolution, nationalism and internationalism, class solidarity and individual intimacy, as essential elements to the new politics, to remain relevant.

Notes

- 1 This is slightly based on the theoretical argument that the workings of the transnational activities of capital are reviving the classical features of capitalism. This argument is made in Makoto Itoh, *The World Economic Crisis and Japanese Capitalism*, St Martin's Press, New York, 1990, pp 4-15.
- 2 Organisation for Economic Co-operation and Development, *The OECD Jobs Study: Facts, Analysis, Strategies*, OECD, Paris, 1994, p 9.
- 3 Ibid, p 11.
- 4 See Guy Arnold, *The End of the Third World*, St Martin's Press, New York, 1993, p 47.
- 5 Ibid, p 45.
- 6 Paul Elins, *A New World Order: Grass Roots Movements for Global Change*, Routledge, London, 1992, p 8.
- 7 Ibid, p 8.
- 8 Ibid, pp 11-12.
- 9 Victor Wallis, 'Socialism, Ecology, and Democracy: Toward a Strategy of Conversion' in *Socialism: Crisis and Renewal*, Chronis Polychroniou (ed), Praeger, Westport, 1993, p 154.
- 10 See James Petras, 'The Retreat of the Intellectuals', *Socialism and Democracy*, No 12, January 1991, pp 43-81.
- 11 See James Petras and Chronis Polychroniou, 'The Roots of the Russian Catastrophe and the Failure of the Post Communist Leadership' in *Socialism: Crisis and Renewal*, Chronis Polychroniou (ed), pp 49-65.
- 12 See Rosa Luxemburg, *The Russian Revolution and Leninism or Marxism?*, Greenwood Press, Westport, 1981.
- 13 See Leon Trotsky, *The Revolution Betrayed*, Merit Publishers, New York, 1965.
- 14 See Leon Trotsky, *The New Course*, The University of Michigan Press, Ann Arbor, Michigan, 1965.
- 15 See Isaac Deutscher, *The Unfinished*

- Revolution: Russia 1917-1967*, Oxford University Press, London, 1967.
- 16 See Herbert Marcuse, *Soviet Marxism: A Critical Analysis*, Columbia University Press, New York, 1958.
- 17 Thomas Kavier, *Beyond Competition: The Economics of Mergers and Monopoly Power*, M E Sharpe, Armonk, NY, 1993, p 133.
- 18 Milford B Green, *Mergers and Acquisitions: Geographical and Spatial Perceptions*, Routledge, London, 1990, p 3.
- 19 See Milt Freudenheim, 'Pfizer Will Buy SmithKline's Animal Health Unit', *The New York Times*, November 24, 1994, p D4.
- 20 Kathryn Marie Dudley, *The End of the Line: Lost Jobs, New Lives in Postindustrial America*, The University of Chicago Press, Chicago, 1994, p 34.
- 21 Cited in Frederic F Clairmont, 'The G7, Spectre of Job Destruction', *Economic and Political Weekly*, Vol XXIX, No 21, May 21, 1994, p 1266.
- 22 Noam Chomsky, *Year 501: The Conquest Continues*, South End Press, Boston, 1993, p 180.
- 23 Alica Korten, 'Structural Adjustment and Costa Rican Agriculture' in *50 Years Is Enough: The Case against the World Bank and the International Monetary Fund*, Kevin Danaher (ed), South End Press, Boston, 1994, p 59.
- 24 See James Petras and Chronis Polychroniou, 'Greece Free Markets and Social Movements', *Z Magazine*, Vol 4, Nos 7-8, July/August 1991, pp 146-48.
- 25 See James Petras and Chronis Polychroniou, 'From Crisis to Catastrophe: Conservative Rule in Greece', *Against the Current*, Vol VII, No 4, September/October 1992, pp 15-18.
- 26 Makoto Itoh, 'Japan in a New World Order' in *Socialist Register 1992*, Ralph Miliband and Leo Panitch (eds), The Merlin Press, London, 1992, p 203.
- 27 Ibid, p 203.
- 28 Ibid, p 204.
- 29 Clairmont, 'The G7, Spectre of Job Destruction', p 1266.
- 30 Karl Marx, 'Wages Labour and Capital' in *Karl Marx and Frederick Engels: Selected Works in One Volume*, International Publishers, New York, 1968, p 93.
- 31 *Business Week*, 'Inequality: How the Gap between Rich and Poor Hurts the Economy', August 15, 1994, p 78.
- 32 Andrew J Winnick, *Toward Two Societies: The Changing Distributions of Income and Wealth in the US since 1960*, Praeger, New York, 1989, p 181.
- 33 For trends in global inequality, see Albert Berry, Francoise Bourguignon, and Christian Morisson, 'Global Economic Inequality and Its Trends since 1950' in *Economic Inequality and Poverty: International Perspectives*, Lars Osberg (ed), M E Sharpe Inc, Armonk, NY, 1991, pp 60-92.
- 34 John Gershman, 'The Free Trade Connection' in *50 Years Is Enough: The Case against the World Bank and the International Monetary Fund*, Kevin Danaher (ed), p 26.
- 35 Chomsky, *Year 501*, p 190.
- 36 Peter Behr, 'Japan Told to Cut Trade Edge in Half', *Washington Post*, June 8, 1993,

- p A1; cited in Judy Shelton, *Money Meltdown: Restoring Order to the Global Currency System*, The Free Press, New York, 1994, p 120.
- 37 *International Herald Tribune*, 'Japan Protects Market and Jobs, Clinton Says', June 30, 1993, p 15; cited in *ibid*, p 129.
- 38 Cited in Shelton, *Money Meltdown*, p 138.
- 39 As the *Financial Times* observed on the mood of the Europeans toward the US in 'Living with US Trade Policy', April 5, 1993, "Washington's self-righteous indignation over the sins, actual and alleged, of its trading partners is both irritating and depressing" (p 15); cited in *ibid*, p 120.
- 40 See, for example, Craig R Whitney, 'A Testing of NATO: US and Europe Adrift in Balkans', *The New York Times*, November 24, 1994, p A8; and Roger Cohen, 'Two Roads: Bosnia Makes Atlantic Unity an Oxymoron', *The New York Times*, November 27, 1994, pp E1, 3.
- 41 This discussion is based on that of Makoto Itoh, *The World Economic Crisis and Japanese Capitalism*, pp 176-79. Itoh maintains that Japanese capitalism has been in a severe economic crisis since 1973, based on the economy's performance before 1973 when annual rates of growth were around 10 per cent, compared to 3.7 per cent annual average rate of growth between 1973-84, but seems to suggest that it has not been as spectacular when compared to the severity of the crisis in the European and US economies. But he also argues that since the late 1980s, the crisis of Japanese capitalism has reached newer dimensions and has become much more severe.
- 42 Shelton, *Money Meltdown*, p 133.
- 43 Ibid, p 125.
- 44 Ibid, p 134.
- 45 *The New York Times*, 'Japan's Commercial Banks' Report a Big Drop in Profit', November 25, 1994, p D8.
- 46 Arun Ghosh, 'The Demise of Fabian Socialism – and of Market Capitalism', *Economic and Political Weekly*, Vol XXIX, No 21, May 21, 1994, p 1255.
- 47 A term coined by Susan Strange to refer to the speculative trends in the world economy during the 1980s. See Susan Strange, *Casino Capitalism*, Basil Blackwell, Oxford, 1986.
- 48 See Barry Rehfeld, 'Soros's Alter Ego: Low Profile, Very High Returns', *The New York Times*, April 18, 1993, p F8.
- 49 John B Goodman and Louis W Pauly, 'The Obsolescence of Capital Controls? Economic Management in an Age of Global Markets', *World Politics*, Vol 46, No 1 (1993), included in *International Political Economy: Perspectives on Global Power and Wealth*, 3d ed, Jeffrey A Frieden and David A Lake (eds), St Martin's Press, New York, 1995, p 303.
- 50 Thus, as Thomas Kavier reports in his *Beyond Competition*, while US corporate income tax accounted for 23 per cent in 1960 of federal income outlays, it dropped to 8 per cent in 1986, p 191.
- 51 According to Vijay Prashad in 'Contract Labour: The Latest Stage of Illiberal Capitalism', *Monthly Review*, Vol 46, No 5, October 1994, temporary jobs in the US increased in the 1980s by some 25 per cent (p 20).

Reconsidering Postmodernism

What Is New in the Old Lamp

Gurpreet Mahajan

This paper argues that the value of postmodernism derives from its power of negation. Its critique of objectivism and the 'metaphysics of presence' offers a new philosophical framework within which elements of the early critiques of enlightenment/modernity can be incorporated and given a more comprehensive form and analytic depth. However, when the concepts employed in the critique are transformed into affirmative norms, they yield an attitude of scepticism and nihilism within which every kind of 'coherent' and 'meaningful' enquiry becomes suspect. Consequently, to retain at least some of the philosophical insights of postmodernism, we need to make a distinction between its potentialities of negation and its norms of affirmation. We need also to rethink the concepts through which anti-foundationalism is given a positive content.

I

THE ascendance of postmodernism was perhaps the most striking intellectual development of the 1980s. A few theorists – most notably, Jameson and Harvey – represented it as the culture of late/post-fordist capitalism, however, others registered its significance in different terms. They associated postmodernism with an anti-foundational intellectual agenda. Over time, this perception seems to have prevailed, and today postmodernism derives its staying power from this theoretical orientation enunciated in the philosophies of Jacques Derrida, Richard Rorty, Gilles Deleuze and Francois Lyotard. While the analytical perspectives of the two sets of writers were significantly different, what is important is that they emphasised similar concepts and values. In many cases, the attributes of the postmodern condition, described by the former, were identical to or supportive of the philosophical values stressed by the latter. For instance, Harvey's reference to the relative insignificance of class conflict and the primacy of exchange over production relations, reinforced the theoretical critiques of Marxism as a 'metanarrative'. Similarly, references to the emergence of new class alliances and antagonisms supported the anti-foundationalist disbelief in a single project of human emancipation. It also helped to question the designation of the working class as the revolutionary subject of history. At least indirectly, the identified changes in capitalism endorsed the idea of plural projects of emancipation. Similarly, the slogan, 'think globally, act locally', characteristic of the postmodern condition, echoed the philosophic emphasis on 'local determinism' and local management [Lyotard 1987: xxiv]; and the pursuit of diverse tastes eclectically (now possible with satellite-based communication) represented the philosophic emphasis on diversity, difference and fragmentation. Thus, while the analysts of the postmodern condition pointed to the emergence of a new set of cultural and aesthetic norms, its philosophers provided a methodological justification of these values.

Collectively they effected a profound change in the intellectual mood and language of academic discourse. Indeed they created an environment in which rationalist beliefs that characterised scientific enquiry since the time of Plato were questioned and undermined.

Yet, surprisingly enough, the euphoria generated by this intellectual revolution was short lived. Even as scholars continue to use post-structuralist language, journals abound with critiques of postmodernism, and its chief protagonists are now questioning the idea of postmodernism [Lyotard 1991:25; Heller and Feher 1988:10-11]. What has brought about this change in attitude? Why are scholars distancing themselves from this intellectual programme? Was postmodernism just another language popular among the new radicals? What does one do now in the face of changing intellectual fashions? Does one abandon postmodernism *in toto*? Are there valuable insights in postmodernism worth retaining even after the intellectual climate has changed?

Prompted by these questions this paper tries to understand what Banu Helvacioğlu so appropriately called the 'thrills' and 'chills' of postmodernism (1992). Instead of dismissing this contemporary 'ism' as an intellectual trend, favoured more for its seductive language than philosophic norms, the argument put forward here is that postmodernism, despite its inconsistencies and retractions of its adherents, represents a distinct theoretical and intellectual agenda. The initial euphoria and the subsequent fears that it generated can therefore be comprehended only by reflecting upon the ensemble of concepts that represented this agenda. Undoubtedly, the popularity of post-structuralist language, the methodologically indiscriminate appropriation of some of its concepts, the compulsive and needless use of spatial metaphors, the language of 'construction' and 'dislocation', even by those who are aspiring to true explanations and accurate representations, can only be described as an intellectual fashion. However, as a general explanation this statement remains inadequate because it reduces

intellectual preferences to the vagrancy of individual whim and chance. By comparison, the argument that postmodernism is the cultural manifestation of late capitalism makes better sense. It explains at least the currency of postmodern intellectual and aesthetic norms, however, it too remains unsatisfactory as it is unable to account for the retreat of postmodernism in the near same environment and epoch.

Recognising the limitations of these explanations this paper approaches the question of the ascendance and the relative decline of postmodernism differently. It locates the problem in the ensemble of concepts that form the core of the postmodern intellectual agenda. To make this point more fully, the following pages begin by delineating the distinctiveness of the postmodern intellectual agenda. It then examines the theoretical and political possibilities generated by the conceptual package that defines this agenda, and points to the ways in which these concepts have been interpreted and appropriated in contemporary society. Through a consideration of these aspects, it is argued that the value of postmodernism derives from its power of negation. Its critique of objectivism and the 'metaphysics of presence' offers a new philosophical framework within which elements of the early critiques of enlightenment/modernity can be incorporated and given a more comprehensive form and analytic depth. However, when the concepts employed in the critique are transformed into affirmative norms – symbolising a mode of being and analysing – they yield an attitude of scepticism and nihilism within which every kind of 'coherent' and 'meaningful' enquiry becomes suspect. Although subsequent readings and appropriations are, in the main, responsible for this predicament, yet, in so far as room for such readings was provided by the initial terminology and concepts, postmodernism as a whole is now being challenged. Consequently, to retain at least some of the philosophical insights of postmodernism, we need to make a distinction between its potentialities of

negation and its norms of affirmation. We need also to rethink the concepts through which anti-foundationalism is given a positive content.

In making this argument, this paper paints a composite picture of postmodernism. Instead of isolating the various philosophical strands within postmodernism, it focuses upon those concepts and philosophical orientations through which we can grasp the particularity of the postmodern way of thinking. Further, it elucidates these concepts by borrowing selectively from the writings of its adherents who belong variously to the pragmatist and the post-structuralist tradition. Not all theorists referred to in this presentation identify themselves as postmoderns - for instance, Derrida himself did not claim to be postmodern - yet, insofar as their ideas have been associated with and described as postmodern, they have been freely utilised here. Before beginning our discussion of postmodernism it is perhaps necessary to reiterate that this paper is not about the thought of a particular philosopher; hence it ignores the changes, shifts, and contradictions in an author's position. It uses particular texts and utterances selectively to illuminate aspects of the intellectual agenda that defines postmodernism.

II

Postmodernism symbolised a complete and radical critique of the essential attributes of enlightenment rationality and of those aspects of modern social and intellectual life that grew out of it. On the one hand it questioned the pursuit of universal and absolute knowledge, grand explanatory schemes and general theories of historical development, and on the other, it challenged the enlightenment's belief in the existence of underlying essences and unified entities. Thus, distancing itself from the enlightenment, postmodernism focused upon the local and the particular. It questioned both the validity and the necessity of universalising narratives and argued that the logic of these metanarratives was totalising. Historically, these narratives concerning the creation of wealth, dialectic of the spirit, and the emancipation of the rational or working subject, had led to imperialism and totalitarianism - Fascism and Stalinism being the most recent examples of it [Lyotard 1987:x, xxiv]. Methodologically too, these self-legitimising theories were deeply flawed. Their quest for a universal, unchanging essence obscured the particulars in history. It obliterated 'proper names' and all other forms of particularisms. Further, it assumed, quite mistakenly, that particular narratives could give rise to a "single world of names and to a universal narrative" of which humanity in general was the subject [Lyotard 1988:155].

The grand narratives of the enlightenment, according to the postmodernists, rested on the mistaken belief that history, society, the human self and God, have an 'intrinsic nature' and an identifiable coherent essence. The postmodernists argued that there is no such thing as intrinsic nature, an objective reality or an accurate representation of the world as it is in itself. Just as there are no universal laws of history operating independently of particular agents, similarly, there is no truth out there, existing independently of the human mind, waiting to be 'discovered' [Rorty 1986a]. All claims about the nature of the world are embodied in language and mediated through our theoretical paradigm. Hence, we never know the world in itself, what we see and know is the world as it appears to us through the lens of our paradigm. Our descriptions of the world are not therefore mirror images of the world outside, instead they are human constructs, devised, used and judged by their capacity to perform certain tasks.

Postmodernism offered this view of the world and the cognitive process as a refutation of the empiricist conception of science and the enlightenment's quest for philosophic or scientific certitude. The former assumed that there is a world out there, existing independently of the knower, which is accessible to us through sensory perception. Science makes that world available to us. Through systematic observation and generalisation, it is argued, science offers us an accurate description of it. The enlightenment theorists accepted this view of science and maintained that the technological success achieved in the sciences was evidence enough of the truth of its descriptions. Accordingly, they argued, if social science wishes to achieve a parallel degree of certitude then it should seek out causal explanations and general laws of temporal succession and co-existence [Buckle 1930, Bury 1970].

Each of these assertions was challenged by postmodernists. Science, they argued, is just another human activity comparable to literature and politics. To quote Rorty, "Great scientists invent descriptions of the world which are useful for purposes of predicting and controlling what happens, just as poets and political theorists invent other descriptions of it for other purposes" [Rorty 1986a:3, emphasis added]. The idea that there is some truth that can be discovered by scientific observation or philosophic reason was, for the postmodernists, a legacy of an age in which the world was seen as the creation of a Being who had a language of Her own. It assumes the existence of a 'super vocabulary' through which the divine project can be described and represented. For the advocates of postmodernism, both these ideas stemmed from the fundamental belief that there are non-linguistic things

called 'meanings' and 'essences', and the task of language is to express these meanings and represent these essences. Above all else, the postmodernists questioned this conception of language itself. We must, they argued, drop the idea that language is a system of representation.

A number of conclusions followed from this assertion: (i) It was no longer appropriate to speak of a language as being adequate or inadequate representation of the world or the self. (ii) It suggested that all languages are human constructs and they mediate our descriptions of the world. (iii) Since the world does not propose a language for us, it does not also tell us which language to use and which language game to play. (iv) The choice between one language game and another can neither be explained in rational terms nor grounded in 'algorithmic certainty' [Laclau 1990:188-89]. There are no 'foundations' or 'universal rules' that can serve as common ground for adjudicating between diverse knowledge claims and descriptions of the world [Rorty 1982:317; Lyotard 1988:xi]. (v) Truth is a property of linguistic entities and it does not refer to an accurate representation or a mirror image of the world. (vi) To talk of the nature of truth, like that of God or self, is an unprofitable subject. (vii) There are no absolute referents in the form of 'intrinsic nature' or 'pure essence', and there is no sacred meaning that can give direction to our deeds. Meaning is, therefore, an object of self creation, it is to be made, not discovered [Rorty 1986a and b].

Meaning, for the postmodernists, could be created because there is no transcendental signified and, therefore, no absolute meaning. But even more significantly because the signifier and the signified are separated from each other: there is a 'distance', a 'space' between them [Derrida 1976:68-69; 1982:9]. Although the postmodernists accept that the signifier can signify only if it bears some relation to the signified, yet, from their perspective, the important thing is that the signifier is characterised by a 'surplus'. That is, it supplements the thing itself [Derrida 1976:144-45]. It neither exhausts nor is exhausted by the signified. Since the sign is not a representation or a copy of the signified, it cannot be reduced to a single identifiable object or meaning. All we can say about the sign as a text is that it resonates with several meanings. Like any form of 'gramme' (graphie or writing), it transcends its author and the point of its origin [Derrida 1982:317]. Its meaning is, in other words, not exhausted by the author's intentions or the particularity of the historical context.

Postmodernism suggested that the reader/analyst must approach the text with this awareness of the 'arbitrariness' of the sign and the indeterminacy of meaning. This implies that the search for a unified coherent

meaning within the text must be given up. In fact, one should not see the text as a unified single whole. Instead the focus should be on the inconsistencies and the contradictions of meaning in the text, perhaps by reflecting upon the metaphors in the text and drawing upon other possible meanings of the words in the text – meanings that may not have been intended by the author. To this end the reader could use the strategy of hyphenation, or else, refer to other words with which a given word shares a common root, linguistically or even phonetically. In addition to linking meanings present in the text with those that are absent but can nevertheless be traced to it, the reader could question, reverse, or displace existing hierarchies and oppositions in order to insert, what Derrida calls, the 'critical text' into the reading.

A reading of absences and the insertion of new meanings are the twin strategies employed by postmodernism to emphasise that knowledge is not a system of 'tracking down' or 'discovering' truth. It is instead the field of "freeplay... a field of infinite substitutions in the closure of a finite ensemble" [Derrida 1976:51]. In other words, these were strategies of deconstructing (as distinct from reconstructing) a text, offering ways of transcending the conceptual closure imposed by the metaphysics of presence. Together they show that no matter how hard we try, our reading will always remain incomplete; there will always be an 'otherness' – a residual content – that escapes and cannot be appropriated by us.

The epistemological space provided for the other in the postmodern project symbolised a political and philosophical perspective in which freedom, diversity and plurality were the core norms. "The irreducibility of the spacing", wrote Derrida, "is the irreducibility of the other" [quoted in Bannet 1989:223]. Its presence signified the need to open the logos of the white man and create space for the 'other' in it. In more general terms, it represented an attitude of tolerance and respect for the other. On the one hand it assumed that "[I]t is precisely in losing the certainty of truth and the unanimous agreement of others that man becomes an individual" [Rorty 1989:18], and on the other, it upheld values through which "individuals and communities could co-exist peacefully with other individuals and communities", while also putting together "new syncretic, compromise ways of life" [Rorty 1990:1].

The postmodern celebration of difference and otherness was, in a way, an expression of limits. At the epistemological plane, it revealed the incompleteness of our reading and knowledge, and at the political plane, it expressed doubt in the human ability to shape the present and the future. Its adherents spoke variously of powerlessness,

disintegration and absolute contingency as the human predicaments. However, it is significant that recognition of ourselves as 'centreless, random assemblage of contingent and idiosyncratic needs' did not induce in them a sense of despair or pessimism. Some even celebrated the absence of narrative continuity and the condition of schizophrenia; others maintained that a framework within which incoherence and ambiguity were positive values would herald a complete rejection of the totalising discourses of the 19th and the 20th centuries: indeed it would assist in waging a 'war against totality' and the associated 'nostalgia for the whole' [Lyotard 1987:81-82]. In contemporary times too, it would be an equally important instrument for resisting the Habermasian desire for a perfect 'dialogical' society possessing 'communicative competence'. Such ideals that favoured "argumentation with a view only to consensus (homologia), the unicity of the referent as a guarantee for the possibility of agreement; parity between partners, and even an indirect recognition that it is a question of a game and not a destiny, since those who refuse to accept the rules, out of weakness or crudeness, are excluded" [Lyotard 1987:28] were, in their view, new enunciations of the 'terrorist ideals of consensus', and needed to be opposed firmly.

The postmodernist ideology of self-creation and difference was, in this way, envisaged as an alternative to the existing modes of oppression and domination. It supplemented the critique of scientism, bureaucratic centralism, instrumental rationality with that of philosophical foundationalism. In place of these ideals, it spoke of locality, practical knowledge and political foundationalism. As postmodernism challenged the search for certain indubitable and foundational premises about human nature and self on which democracy could be grounded, it maintained that we can only offer 'apologetics', not 'justification' for our social and political choices [Rorty 1986c]. That is, we can offer arguments that make our choices comprehensible but not an argument that can settle all disputes and differences conclusively. Our choices and political preferences have to be argued, we have to recognise their relative validity, and yet, stand up for them unflinchingly. We must be equally prepared to "call true whatever the upshot of such encounters turns out to be" [Rorty 1986c]. In other words, whatever be the outcome of political contestations and ideological battles, they should be accepted as the relative truth for that society. In the absence of philosophical justifications, solidarity among the members in a society cannot be assumed; it has to be expressed and continuously renewed. And what is even more likely is that solidarity would, on most occasions, have to be forged

among the members of a group who share a set of commitments and political-social preferences. Since there are bound to be differences among members of a society on this issue, we need a form of 'civil association' (i.e. *societas* as opposed to *universitas*) which allows these differences to be expressed and respected [Rorty 1980:318].

On other occasions, arguments about the absence of absolute justifications were used by postmodernists to support the diverse projects of emancipation – e.g. those expressed in the struggles of women, gays, environmentalists, blacks, immigrants, indigenous people, etc. Some postmodernists were optimistic that these diverse and heterogeneous projects would fit together in a kind of 'rainbow coalition', supporting each other and the cause of 'radical democracy' [Laclau 1990:125]. Others, however, endorsed a weaker position: they pointed to the validity of diverse rationalities and projects. In the context of the eurocentric logos of enlightenment rationality, these theorists celebrated the ethnic and the oriental. 'Ethnos' became an authentic and primary category in their social analysis and an expression of their pluralistic stance. Harvey expresses it well when he writes, "that groups have a right to speak for themselves, in their own voice, and have that voice accepted as authentic and legitimate" [Harvey 1989:48]. The preference for the ethnic and the cultural indigenous was manifested in every sphere of life: in architecture, for instance, ethnic designs and structures were used freely and eclectically to redefine space.

In sum, postmodernism was an expression of ontological and epistemological anti-foundationalism. It questioned the existence of a transcendental signified, and, with it, the philosophic preoccupation with discovering truth. Emphasising self-creation and difference, it substituted the desire for certainty and coherence with the notion of ambiguity and freeplay, and inserted the idea of an absent presence in the discourse of western metaphysics.

III

This paper began with the observation that postmodernism symbolised a total rejection of the enlightenment rationality. While the statement can serve as a minimal definition of postmodernism, its very parlousness does not tell us what is distinctive of postmodernism. After all there were other schools of thought, prior to postmodernism, that were critical of the enlightenment rationality. Historicism, Hermeneutic Romanticism, Critical theory and post-empiricist theories of science, were challenges to the enlightenment. In what way was postmodernism different from the

earlier challenges? Did it supplement these critiques? Was it significantly different from them? This section addresses these questions. It refers to the early critiques of the enlightenment with a view to understanding the philosophical hiatus between them and postmodernism. References to these other critiques should not however be seen as an examination of the origins of postmodernism, or for that matter, its intellectual inheritances. For one, postmodernism never acknowledged these schools of thought as its intellectual predecessors; and two, it consciously distanced itself from them. In some cases it placed these critiques alongside enlightenment and subjected them to the same critical scrutiny. Consequently, in consonance with the dictates of postmodernism, what follows is not a story of 'origins'; if it tells a story at all, it is about the diverse human projects of emancipation.

The enlightenment continued the post-renaissance struggle for the secularisation of the social by using reason and science as its allies. The latter were the instruments by which the enlightenment sought to dismantle what it considered to be the 'illusory', 'metaphysical' and false nature of traditional religious orthodoxies and beliefs. In more positive terms, both reason and science were used to furnish a rational view of the world, human history and the self: a view which supported and furthered the ability of individuals to control and manipulate their environment so as to pave the way for a 'good' and 'rational' society.

Some of the categories of enlightenment thought, expressed in the writings of the English and the French theorists, were questioned in the mid-18th century by the German historians and philosophers. While many of them challenged the centrality given to reason by arguing that 'will', not reason, was the motive force of history, others redefined the concept of reason. Instead of positing a dichotomy between reason and tradition, they argued that reason was not an innate quality of the human mind. It was a product of development, tempered by tradition and nourished by the human will. More importantly, these German historians questioned the enlightenment belief in a single pattern of national and individual growth. Industrialisation and democracy were the twin norms in terms of which the enlightenment had made a distinction between the dark ages and the brighter, enlightened present, and further, between the advanced English and French society and the 'sick', 'backward' German society. The German historians questioned this characterisation of their society. Analysing the reasons for their present predicament, they argued that the history of humankind presented a succession of heterogeneous cultures, each complete in itself with its own set of values and cherished goods [Herder

1969:188]. Diverse societies and cultures were, in other words, incommensurable and no single criterion, particularly one borrowed from our present stage of development, could be a valid basis for judging these diverse cultures [Herder 1969:231]. To put it differently, the previous cultures could not be seen as a stepping stone for the evolution of the present; nor could the latter be a privileged vantage point for judging the past. Each social-cultural way of life had to be understood in terms of the values internal to it. To this end, Herder suggested that historians study the culture from the 'inside', by reconstructing its various aspects of life. Setting the trail for others, he in fact collected the myths, folklore and literature of the people of the highlands who were still dominated by the medieval traditions and forms of life. Thus, Herder in association with other historians, questioned the enlightenment reading of history and its arrogant dismissal of previous ways of life as barbaric or primitive. In its place, they offered and cherished the ideal of diversity and irreconcilable heterogeneity. Almost a century and a half later, this was the perspective from which social anthropologists recovered and redeemed the rationality of the colonised and tribal cultures.

The German historians also questioned the methodological orthodoxies of the enlightenment by emphasising the distinction between the natural sciences and the human sciences. The enlightenment theorists had endorsed the empiricist conception of science and advocated the extension of the methods used in the study of the natural phenomenon – e.g. search for empirical generalisations and causal explanations – to the study of the social phenomenon. From somewhat different perspectives, Wegelin, Gatterer and Chladenius rejected these beliefs. Wegelin argued that natural sciences were concerned with immutable, transcendental principles governing the world of matter, while the historical sciences analyse the changing, semi-free products of the human spirit [Reill 1975:119]. Similarly, Chladenius distinguished between historical and dogmatic explanations. The former, he argued, investigate both the external world and the inner world of human values, while the latter deal only with the world external to man [Reill 1975:106-07]. Both these historians questioned the belief that mathematics and the natural sciences provide a universal model for scientific analysis. In its place they maintained that historical knowledge was an equally important and scientific form of enquiry, albeit dealing with different order of reality.

Further, by referring to history rather than the human/social sciences, the German historians suggested that history, not philosophy, was the queen of human sciences; while all other disciplines deal

with an aspect of human life, history dealt with women and men of all ages and all times. Subsequently, other arguments were woven into this perspective. By the end of the 19th century some theorists interpreted this statement to stress the study of the process of development, from its moment of origin to its present stage; others pointed to the changing nature of things, and consequently, emphasised contextualism. Hegel went a step further. He saw history as the expression of the absolute/transcendental behind the contingent. History, he said gives a determinate form to the Absolute Idea and represents a mode of self-understanding and self-awareness.

Setting aside these differences in readings, the point to note here is that the enlightenment conception of universalism and the associated belief in a single, all-encompassing unity was displaced in the mid-18th and early 19th centuries, by a more complex vision of historical diversity, heterogeneity and the presence of contingency. Romanticism, in particular, emphasised the latter. While it reversed several other cognitive preferences of the enlightenment – e.g. reason with passion and intuition, cognitive certitude with doubt, prevailing optimism with scepticism about our ability to know and master the forces of nature, and the vision of historical progress with that of moral degeneration – it pointed to the contingent and man-made/chosen contexts which determined the destiny of man. The tragedy of human life was, for them, so much greater because it was self-imposed: that is, it was a consequence of our following our internal compulsions and passions. The romanticists distinguished themselves from the enlightenment 'Philosophes' in yet another way. While the latter were engaged in uncovering the true, objective nature of external reality and the human self, romanticists celebrated nature, subjective experience, feeling and desire.

In this context, the following three issues need to be emphasised: (i) Neither historicism nor romanticism questioned the existence of the transcendental and the universal. They merely altered the terms of discourse by owning and sometimes privileging the contingent and the heterogeneous. (ii) Herder and Dilthey historicised our perceptions. They replaced the idea of a pre-given, essential and invariable nature by an historically specific and culturally defined 'spirit' or nature. Instead of delineating a universal pattern of historical development, norms and ontological essence, they spoke of diverse patterns of growth, conceptions of self, morality and organisations of society. In other words, they historicised the notion of rationality and referred to the diversity of human projects. Even so, they neither abandoned the search for an objective truth nor did they consider it to an unattainable

goal. What they offered in lieu of the enlightenment and rationalist view of a single reality and truth was the idea of historically specific and culturally shared conceptions of reality and truth. To put this somewhat differently, they maintained that the social reality was, directly or indirectly, the product of human creation. Literally, it represented the objectifications of the human mind/spirit (*geist*). Further, they argued that each expression of the human mind was a unique particular. It presented a reality that was historically and culturally specific, i.e. it was characterised by particular modes of 'internal' and 'external organisation' that separated one life world from another [Dilthey 1988:105-14]. Thus, each culture embodied a set of values, conceptions of the self and the other, pattern of social, political and economic interaction and philosophical orientation. As members of a society, individuals share and express these orientations in their actions. The existence of a world of intersubjective meanings facilitated communication among the members of that society and reflected what might be called the 'spirit' of national and social life. Hence, while the social reality was taken to be a human construct, it was assumed that its distinctive cultural voice or historical spirit could be recovered. The search for an objective truth was therefore not abandoned; only the empiricist conception of objective reality and ahistorical truth was rejected. (iii) Dilthey endorsed the belief that historians/social scientists could arrive at the objective truth, albeit by understanding a particular expression (event/text) with reference to the 'objective mind' of that society" i.e. in terms of the complex of intersubjectively shared meanings and systems of organisation of life in that society [Hodges 1949:118]. In fact the historian was expected to recover from the text that meaning which the original addressee (the contemporaries of the author) would have recovered from the text [Mahajan 1992:55-59]. Since the historian was called upon to recover a meaning that members of a society (socio-cultural-historical entity) would have recovered from the text in accordance with the practices of shared language game, subsequent readings were expected to refine and reinforce that one and the same meaning. Objectivity was not, therefore, sacrificed, and disputes about the meaning of the text could, in principle, be settled.

In this way, hermeneutic philosophy gave up the notion of an essential and universal truth: it historicised our conceptions of life, human self, morality and society. Further, it legitimised the different patterns of rationality articulated in diverse historical-cultural units, and gave them respect and authenticity. Since philosophy as a form of enquiry tried to overcome the sense of difference and contingency, it relegated it

to a subordinate position, giving the pride of place to history. History came to represent both a mode of knowing and a mode of being. No longer were the historians expected to penetrate the veil of being to glimpse at the universal Being that must lie behind this plurality. Instead, their ostensible task was to recover the meaning that the original addressee would have derived from the text. Hence, neither the existence of the author nor her authority were denied or questioned. It was assumed that the author was, through the text, communicating with other contemporaries and was, therefore, using language in accordance with the norms/meanings shared between her and her contemporaries (the original addressee). The task of enquiry was therefore to reconstruct that language game in which the text was encoded. In contradistinction, romanticism spoke of forging a psychological unity with the author while simultaneously recognising the virtual impossibility of re-living the life of the 'genius' or, for that matter, the moment of creativity. Troubled by this paradox, it agonised about our ability to understand the text completely. Hermeneutic framework, on the other hand, overcame this dilemma by limiting understanding to the recovery of that meaning which the original addressee would have derived from the text. Recovering the author's original intentions or the moment of creativity was not a part of this enterprise.

Hermeneutic philosophy thus provided a critique of ahistorical and essentialist readings, and it also opposed what Rorty calls "bad foundationalism". However, it concerned itself only with those aspects of the enlightenment that applied to the human historical world; it did not, in other words, question the notion of natural science and scientific method that underpinned that thinking. The latter task was performed almost a century after by the post empiricist philosophies of science, whose most well known representatives were Kuhn, Feyerabend and Putnam. Each of them emphasised the place of interpretation and theory in scientific observation and theory formation. Perhaps the weakest expression of this view was present in the writings of Popper in the form of 'Searchlight theory', that is, the statement that what we see depends to a considerable extent on what the light illuminates [Popper 1966: 260]. While our perception is also to some extent shaped by the nature of the object on which the light is focused, the position of the subject and the nature of her concerns make a crucial difference to what is observed. Kuhn and Hanson made a stronger claim. They argued that we see the world only through some theoretical paradigm or grid. Consequently people with different paradigms see the world differently. It is not as if they interpret the same set of observed facts differently, but

that they see quite different facts. Besides, observing something means identifying it and giving it a name [Kuhn 1977: 463-80]. And naming a thing or categorising it involves the use of a disciplinary matrix. Consequently there is no way in which we can know the world in itself or say that the picture derived from a particular paradigm is an objective representation or a mirror image of the world outside. All knowledge, even that of the natural sciences, is mediated through conceptual schemas and subject to interpretation by the members of the scientific community [Hanson 1981:262-67].

Postmodernism endorsed these critiques of empiricist conception of science and it also shared the hermeneutic concern with meaning. It accepted the idea that there is no neutral and theory independent observation language: that all enquiry, including that of the natural sciences, employs a theoretical paradigm, and is subject to interpretation. Science's claim to represent pure objectivity was, therefore, a myth and the accompanying belief that scientific theories represent a mirror image of the world outside, completely erroneous. However, while endorsing these perceptions, postmodernism did not begin from the point where these post-empiricist or hermeneutic theories had left off. In fact, it chose a different starting point: it opposed the metaphysics of presence itself and argued that hermeneutic philosophy shared the methodological errors of the former. Dilthey, for instance, attempted to recover from the text a meaning that was pre-given; a meaning that was placed in the text by the author. In other words, he assumed the unity of the text and the presence of a coherent meaning. He placed a closure on enquiry by stipulating that the historian should recover the meaning of the text by reconstructing the objective mind of that society – that is, the original context of experience. The post-structuralist component of postmodernism, in particular, questioned the assumptions of such hermeneutic analysis. It argued for the autonomy of the text, and sought to free it from the constraints placed upon it by the author, the original context and the original addressee. It argued that meaning is always delayed, deferred and disseminated; further, it located the possibilities of critical reading in the idea that words do not have a single determinate meaning, and like metaphors in language, they invoke diverse images and meanings that can be used to reveal aspects of the text that might be lost in earlier forms of hermeneutic reading.

Thus, postmodernism displaced the hermeneutic faith in the recovery of a single, historically and culturally specific meaning with the twin ideas of indeterminacy of meaning and absence of closure. While these ideas, like hermeneutic philosophy and post-empiricist conceptions of science, offered a

critique of the enlightenment conception of history and science, they conceived the task of the human sciences quite differently. As we observed earlier, postmodernism questioned the search for a single unified, coherent meaning. It extended the critique of the idea of a universal truth to challenge the hermeneutic belief in the existence of an identifiable, single historical spirit and meanings. It further labelled the attempt to explain and delineate a distinct identity as being synonymous with the quest for foundations and essences. Consequently, while forsaking the latter, postmodernism stressed absolute contingency of the self, language and community.

IV

The preceding sections delineated the philosophical agenda of postmodernism and reflected upon the distinctiveness of its anti-essentialist perspective. This section dwells upon the ways in which the ensemble of concepts associated with this philosophy have been read and appropriated in the social sciences. In particular, it explores the implications of these readings for social analysis and political engagements.

Postmodernism, as we observed earlier, represented anti-essentialism and anti-foundationalism, that is, it opposed the twin concepts of essence and foundations, and maintained that there is no transcendental signified and no absolute spirit which can serve as the foundations of the world, history or the human self. At one level, this was an assertion about the absence of a supreme Being, but at another, it was a statement of the absence of epistemological foundations too. At the very least it suggested that, (a) it is futile and unprofitable to speak of a universal truth or the thing-in-itself; (b) what we know is the world as it appears to us through the grid of our theoretical paradigm, (c) our knowledge is not a representation of the objective world; it is instead a description of the world, presented linguistically, (d) there is no pre-determined human destiny or history. Further, there are no laws which determine the direction and outcome of the historical process; (e) the meaning of history, like that of any other text, can never be fully known. All together these assertions challenged and rejected the correspondence theory of truth, the empiricist view of science and the associated belief in a universal historical process. In a manner of speaking none of these enunciations were new or unique; the death of God had been proclaimed by Nietzsche; the neo-Kantians along with post-empiricist philosophers of science had stressed the theory dependent nature of knowledge; and the critics of Marxism had queried the idea of historical determinism. Hence, in making these assertions postmodernism was echoing the sentiments

of other non-foundational philosophies, without contributing anything significantly different or new. What distinguished postmodernism from the others in this category was the fact that it gave a positive content to the ideas of anti-essentialism and anti-foundationalism. That is, it did not merely reject the scientific rationality of the enlightenment, instead it questioned universalism *per se*. In doing so it provided an alternative conception of a text, be that the social reality, individual self or history. Hence, its distinctiveness resided in its particular conception of the text.

The postmodernist conception of the text was, in the main, grounded in the philosophy of Derrida, and its most fundamental feature was its multivocality. Further, this characterisation of texts was used to question hermeneutic readings, and to assert that all forms of inscription and writing lack an objective meaning. Let us begin our analysis with the first claim: namely, the multivocality of texts. Literally, multivocality implies the existence of multiple meanings. When applied to words, it suggests that words have more than one meaning. The diversity of meanings is manifest in the way words are used in different situations and historical epochs. Sometimes words acquire different meanings through their usage in different language games, and at other times, their meanings may vary over a period of time. Meanings then are, in this dual sense, context dependent, and the words to which they are attributed, multivocal.

Postmodernism used this idea of multivocality, previously associated with hermeneutics and structuralism, and gave it a new form. First and foremost, it maintained that multivocality is the defining feature of all texts. Being multivocal, these texts, for instance, individual life, humanity, history, culture, social action/structure, inscriptions, written documents, etc. do not address us in a single voice. Instead different meanings are embedded in each of these texts. Second, since texts are multivocal, reading should not be directed at the recovery of a single univocal meaning. In lieu of searching for a unified coherent meaning, reading should dwell upon the multiplicity of meanings contained in the text. In other words, it should not be restricted to the original intended or appropriated meaning. The hermeneutic concern for that meaning which the author or the original reader would have recovered from the text was, by this view, designed to effect a conceptual closure which must itself be overcome. The hermeneutic belief that the text has a pre-given determinate meaning and that the original reader could recover that meaning on the basis of the existing world of shared meanings was thus questioned. With it the idea that texts/words have an univocal meaning in a particular context was also challenged. Third, the

existence of univocal meanings was itself contested. For postmodernists, even utterances and actions are multivocal. It is not as if words acquire different meanings when they are placed in different contexts, rather this multivocality is embedded in them [Laclau 1970:29]. The important thing therefore is to use this multivocality to draw meanings from these words and texts which the author may not even have intended and the original reader may have completely ignored [Derrida 1982: 317].

Thus far I have mentioned the philosophy of reading and interpretation that is derived from the notion of multivocality. Let us now turn to the notion of text that is delineated in it. In this connection, perhaps the most significant postmodern assertion is that texts (being multivocal) are open, ambiguous, and incoherent. Since a coherent unified structure is associated with the presence of an identifiable and often univocal meaning, incoherence and ambiguity are taken as the defining feature of multivocal texts; and insofar as multivocality is a feature of all texts, these are in effect the attributes of life, history, culture, and even social structure. As incoherence and ambiguity are attributes of all texts, postmodernist reading does not try to overcome these features. Instead, it takes cognisance of these features and converts them into positive values that must be actively pursued by the analyst/reader. Reading should, for the postmodernists, try to focus on the ambiguity and incoherence present in the text, perhaps by reflecting on the metaphors in language, hyphenation and common roots of words. Through these and other associated strategies, the reader is expected to loosen the text by allowing other meanings to seep into the text. Thus, postmodernism first postulates ambiguity, incoherence and non-determination as the attribute of texts, and then actively pursues the ideal of ambiguity, incoherence and multivocality in reading and analysis. Together these are taken as enunciations of the denial of the metaphysics of presence and foundationalism of every kind.

The recognition of multivocal meanings and inherent incompleteness of the text provided a decisive break with the post-enlightenment concern for 'totality'. More specifically, it celebrated difference and heterogeneity by placing it everywhere: within history, particular cultures and social contexts. No longer were progress and emancipation seen as the universal or univocal projects of human history. Not only was history seen as the repository of many individual projects, each project itself was seen to have many voices. As Laclau said, we cannot speak of emancipation, we need instead to refer to emancipations or plural projects of emancipation. Similarly, culture could no longer be defined in terms of a single language game or a shared

historical spirit. The accommodation of plural language games within the same space opened up cultures such that differences that had hitherto been pushed outside the boundaries of the national cultural life were now inserted into the mainstream. Multiplicity made cultures more sensitive to the existence of internal others and prompted reflections on issues generated by the coexistence of plurality and heterogeneity.

Postmodernism gave authenticity to the repressed other. Combined with the notion of plural projects of emancipation, it legitimised the struggles of various groups – e.g. women, greens, ethnics, immigrants, blacks, students, etc. In this connection it also pointed to the limitations of defining the self in terms of a single identity. And its own conception of the self as the bearer of multiple identities – of class, caste, gender, ethnicity, region, nation – displaced the homogeneous subject of the enlightenment narratives of emancipation. Seen in this way, the emphasis on difference and plurality provided a theoretical perspective from which both the failure of the Marxist project and the relative success and significance of the other projects of emancipation could be understood.

Plurality, difference and heterogeneity, however, represented only one dimension of postmodernism. As such, the insights generated by these concepts have to be supplemented by reference to the other dimension of postmodernist readings of multivocality: namely, the ambiguity, incoherence and incompleteness of all texts. When the latter is applied to the study of philosophic texts, it suggests both the absence of a coherent meaning in the text and the critical potential of different readings. However, when it is applied to the text of human life, it justifies the absence of coherence, narrativity and continuity, in fact it celebrates schizophrenia and makes it the norm of every day life. In effect thus, it undermines the very possibility of social life and social interaction. Further, the singular emphasis on difference and the accompanying silence about the shared worlds, reduces society to an aggregate of isolated, monad-like individuals. The reluctance of postmodernists to speak of the shared games and meanings also reinforces a picture of a fragmented world in which communication, let alone the possibility of understanding an other, is almost entirely excluded. In contradistinction, hermeneutics had emphasised the shared world of meanings on the assumption that people living in the same historical and cultural world communicate with one another, and that communications requires the existence of such a world of shared meanings. Consequently, to understand the meaning of those expressions/texts through which individuals address and communicate with each other,

they emphasised the 'objective mind' or shared meanings. While stressing this shared dimension of social life, the theorists of hermeneutic understanding were probably aware that there are residual meanings of texts, and that meanings may sometimes elude the addressee. However, they ignored these aspects because shared meanings are a precondition for communication and understanding; they are the basis of social life. Postmodernism, on the other hand, with its eyes on internal difference, undermines the place of communication and understanding in social life. Thus, even as the postmodernist idea of difference creates space within which diversity can be accommodated, the accompanying references to the absence of coherence and narrativity reduce the social to the status of a fiction.

The fragmentation of the social world is within this perspective, compounded by the postmodern belief in the 'ambiguity', 'incoherence' and the 'inherently incomplete' nature of social structures and the 'unstable nature of all relationships'. Ambiguity and incompleteness of the structure are, it argues, "not the result of the empirical impossibility of its specific coherence being fulfilled, but as something which 'works' within the structure from the beginning" [Laclau 1990:28]. Hence, "even as a regulative idea, the coherence of the structure, must be questioned" [Laclau 1990:29]. Although reference to the inherent instability of the social structure was made with a view to emphasising the undetermined nature of the historical process and the existence of plural identities, this idea eventually jeopardised the very notion of a structure. One could no longer speak of patterned regularities and their possible consequences.

Besides questioning the notion of structure, the postmodernist denial of coherence in life and social structure precluded the possibility of offering explanations. Previously, critics of historical determinism had questioned the existence of invariable laws of historical development and pointed to the over-determined nature of historical situations. They argued that various structures – each capable of generating an effect – may in conjunction with each other produce an effect (event) that is neither predetermined nor attributable in advance to the existence of any one dominant structure. Similarly, variables that are individually insignificant, may in association with others yield a result that is completely at variance from our general expectations. Both these arguments pointed to the improbability of predicting with any certainty what might happen. They provided space for human intervention and effect variation. However, in doing so they did not question the existence of a structured pattern of interaction between these multiple

variables, nor did they doubt the ability of a structure to produce a specific effect by itself. What they challenged was the conclusion that the existence and preponderance of a particular structure would necessarily determine the historical outcome.

While the advocates of postmodernism questioned most of these statements, their idea of incoherent and ambiguous structure, challenged the very existence of patterned regularity and structure. Indeed, in their analysis the notion of social structure was displaced by the notion of 'dislocations'. Whether there can ever be a notion of dislocation without a prior understanding and determination of locations, structural regularities and identities, are issues that remained unexamined. Similarly, what would a narrative of dislocations be, remained an enigma.

These questions, apart, the denial of regularity, coherence and determination ruled out the possibility of offering explanations, however, incomplete, partial or limited they might be. To return to our earlier statement, the critics of historical determination and deductive-nomological explanations, dissociated prediction from explanation and argued that even though we cannot predict, we can nevertheless provide post-hoc explanations. For instance, we may not be able to predict where the bullet fired from the revolver will hit the force shield, yet, after the bullet is launched at a particular point, we can retrospectively explain why it landed where it did [Aronson 1984: 64-65]. That is, we can explain its trajectory by methodologically (and temporarily) closing off what in reality is an 'open' system, undetermined and subject to the play of various variables.

Postmodernism objected both to the belief in the existence of a coherent structure and the attempt by the analyst to introduce closure. It considered even the methodologically postulated closure to be a way of 'fixing meanings' and introducing determination. In its enthusiasm for indeterminacy what it perhaps ignored was the fact that every utterance and performance of action entails the introduction of closure. While situations are open-ended, actions seek to give them a determinate end. Human intentions may not always be realised and other individuals may read the situation differently; but individual actions can be conceived and executed only by giving a determinate meaning to a situation. A certain degree of closure is therefore integral to our being and social life. It is neither a myth nor a limiting aspiration.

In sum, the notion of multivocality has two correlates, difference and non-determination. Insofar determination represented essentialism, the postmodernist emphasis on non-determination expressed its anti-essentialist and anti-foundational agenda.

Giving a positive content to this agenda and upholding the norm of non-determination, many of its adherents decried attempts that were aimed at identifying the necessary attributes of an entity and specifying its stable relationship with other entities. To put it differently, many postmodernists translated non-determination to suggest the incoherent and ambiguous nature of the text. Social structures, just like life or history, were in this view incoherent, unstable and ambiguous. This conception of the text, as we observed earlier, fragmented the social world and reduced it to a myth. At the epistemological plane, the denial of univocity, including the claim that words or utterances can have a univocal meaning in a given context, opened the floodgates to relativism.

Thus, the postmodernist equation of anti-essentialism with incoherence and relentless difference created several analytical difficulties. To begin with it excluded the possibility of offering even partial explanations of social phenomenon. Moreover, its denial of the social undermined both understanding and communication in the life world. Consequently, it is necessary to dissociate the postmodernist critique of essentialism from its assertions about the incoherence, ambiguity and incompleteness of all texts and readings. Separating the former from the latter may well leave behind a legacy that can benefit all of social sciences.

References

- Aronson, J L (1984). *Realist Philosophy of Science*. Macmillan, London.
- Bannet, E T (1989): *Structuralism and the Logic of Dissent*. Methuen, London
- Buckle, H T (1930). *Civilisation in England*. Vol I, Watts and Company, London
- Bury, J B (1970): 'The Science of History' in F Stern (ed), *Varieties of History from Voltaire to Present*, Macmillan, London
- Derrida, J (1976): *Of Grammatology*, translated by G C Spivak, The John Hopkins University Press, Maryland, Baltimore.
- (1982): *Margins of Philosophy*, translated by Alan Bass, Chicago University Press, Chicago.
- Dilthey, W (1988): *Introduction to the Human Sciences*, translated by R J Betanzos, Harvester, Wheatsheaf, London.
- Hanson, N R (1981) 'Observation as Theory Laden' in S Brown, J Fauvel and R Finnegan (eds), *Conceptions of Inquiry*. Methuen and Company in association with Open University Press, New York
- Harvey, D (1989): *The Condition of Postmodernity*, Basil Blackwell, Oxford
- Heller, A and F Feher (1988). *The Postmodern Political Condition*. Polity Press, Cambridge
- Helvacioğlu, B (1992): 'The Thrills and Chills of Postmodernism: The Western Vertigo', *Studies in Political Economy*, Vol 38
- Herder, J G Von (1969). *On Social and Political Culture*, translated and edited by F M Barnard, Cambridge University Press, Cambridge.
- Hodges, H A (1949): *Wilhelm Dilthey - An Introduction*, Routledge and Kegan Paul, London
- Jameson, F (1991). *Postmodernism, or, The*

- Cultural Logic of Late Capitalism*, Verso, London.
- Kuhn, T (1977): 'Second Thoughts on Paradigms' in F Suppe (ed), *The Structure of Scientific Theories*, University of Illinois, Urbana.
- Laclau, E (1990) *New Reflections on the Revolution of our Time*, Verso, London
- Liotard, J F (1987): *The Postmodern Condition: A Report on Knowledge*, translated by G Bennington and B Massumi, Manchester University Press, Manchester
- (1988) *The Different Phases in Dispute*, translated by G Van Der Abbele, University of Minnesota Press, Minneapolis.
- Mahajan, G (1992) *Explanation and Understanding in the Human Sciences*, Oxford University Press, Delhi
- Popper, Karl (1966) *Open Society and Its Enemies*, Vol I, Routledge and Kegan Paul, London
- Reill, P H (1975) *The German Enlightenment*

and the Rise of Historicism, University of California Press, Berkeley.

- Rorty, R (1980): *Philosophy and the Mirror of Nature*, Basil Blackwell, Oxford.
- (1986a): 'The Contingency of Language', *London Review of Books*, April 17
- (1986b): 'The Contingency of Selfhood', *London Review of Books*, May 8.
- (1986c): 'The Contingency of Community', *London Review of Books*, July 24.
- (1989): 'Philosophers, Novelists and Inter-Cultural Comparisons. Heidegger, Kundera and Dickens', paper presented at the sixth East-West Philosophers Conference, Honolulu, July 31-August 11.
- (1990): 'A Pragmatist View of Rationality and Cultural Difference', paper presented in Delhi, December 26.
- Vollmer, K M (ed) (1986): *Hermeneutics A Reader*, Basil Blackwell, Oxford

STRUCTURE AND ADMINISTRATION OF SALES TAXATION IN INDIA

- An Economic Analysis -
(1995-Second Edition)

by

Mahesh C. Purohit

Professor

National Institute of Public Finance and Policy

New Delhi - 110 067

Price Rs. 450.00 ★ US \$ 60.00 ★

Hard Cover ★ Pages XII + 303 ★ ISBN No. 81-85930-01-5

Contents: Introduction; Fiscal role; Economic effects; Structure of sales taxes. Rate structure, exemptions, taxation of inputs, surcharge and additional sales tax, works contract and leases. Empirical estimates of incidence of sales taxes Rationalising sales tax structure. Weaknesses of the existing structure, short and medium term reforms, an approach towards State-VAT. Inter-State coordination in sales taxes; Administrative organisation: Operation of the tax including evasion and enforcement; Management Information System; Summary and Policy imperatives

Another valuable treatise from the same author on:

**Principles and Practices of Value Added Tax
Lessons for Developing Countries
(1993)**

Price Rs. 250.00 ★ - U.S. \$ 30 ★

Pp 226- ISBN No 81-85930-00-7 - ★ Hard cover

*Quality Manuscripts from Authors in
Social Sciences welcome*



GAYATRI PUBLICATIONS

Post Box 8495, Ashok Vihar, Delhi-110052

Singapore's 'Other' Brain Drain

M G G Pillai

Many middle aged Singaporeans are leaving for greener pastures – not to Australia or Canada but in neighbouring China, Malaysia and Indonesia. A combination of factors, economic and social, have fuelled this movement.

AS Singapore's older, poorer-educated and skilled citizens settle in neighbouring countries, the republic faces a cultural and societal conundrum that questions its long-term viability. The unaccustomed frenetic life, an unwillingness or inability or both to change, the consequential irrelevance in a country which judges worth by economic usefulness, the burgeoning cost of everyday living, force them to leave. They cannot live within their means, especially after their retirement, but because the Singapore dollar is firm, they sell their flats and other assets, cash in their provident fund contributions, to settle in – not Australia, Canada, the US, where immigration is stricter than it once was – but China, Malaysia, Indonesia. The brain drain to the west and Australia of the younger people, on the other hand, has not only slowed but is reversing: there are almost as many westerners on local pay in Singapore than Singaporeans overseas.

Many a middle-aged Singaporean leaves with no desire to return. His assets of a few hundred thousand US dollars – an average Singaporean would have at least that much in his provident fund account in a lifetime of employment – and the proceeds from selling his government-built flat and his other investments can fetch a fortune in local currency and a better standard of living in neighbouring countries or China. Many set up small businesses. Some eventually acquire citizenship. But these are the very people a young society like Singapore can least afford to lose. Why then do they leave? The contrast between difficult living and cheaper conditions elsewhere, combined with the break up of the extended family into a nuclear one, makes it attractive for those caught betwixt fixed income and rising costs. They do not fit into the impersonal life of their progeny. The old often are lodged in old folks homes, with occasional visits from their children if they are lucky, or left to their own devices, if they are not. Besides, the government's stern meritocratic charter regards anyone dependent on its rudimentary welfare system as wastrels, indolents or worse. Even the health system provides free care only after a humiliating admission of indigence. When the late Alex Josey, the biographer of Singapore's former prime minister, Lee Kuan Yew, and an important footnote in the island's modern history, could not afford medical treatment of Parkinson's disease several years ago, a government spokesperson callously said he could have

had it, free, at the third class ward of the General Hospital. Many Singaporeans seek treatment in Malaysia's general hospitals because it is so much cheaper there.

Singaporean leaders worry about these departures. In any society, this group, often ignored, provides both a link with the past and solidity with the present, and pass the cultural baton on to the next generation; besides, it also conditions the present generation from losing its bearings. Japan's cultural roots are enmeshed in its rice farmers, with the government prepared to go into a trade dispute with the US over imports of American rice into the country. They believe, rightly, that Japan's cultural heritage is best preserved by these conservative rice farmers amidst the post-war modernisation. Every Asian society has variants of this theme, which the political overview carefully nurtures. But this becomes difficult in Singapore. Inflation, high salaries, personal and institutional greed reduces even well-to-do pensioners to genteel poverty. Migration for many is a necessity, not an option. The government is unable to reverse this trend quickly enough even if Singapore as a global trading centre is tempered with a conscious invocation of traditional values. This superb Singaporean efficiency, better than any the west can provide, however, is encased in a high, though hectoring, moral Confucian stance which erupt often enough into irrelevant 'East versus West' conflicts when, for instance, it lands on an old-fashioned vandal's Caucasian buttocks. But this ethical code can only be sustained by a reverence for elders, be he Malay, Chinese or Indian and more than lip-service to their presence.

The contradictions in Singaporean society come home to roost with a vengeance. But the signs have been there for more than a decade. The pampering of English-educated Singaporeans and the concomitant decline of the importance of those educated in the other official languages led to another conflict of values which rankles and remains unaddressed. Another is Singapore's mathematical insistence of her Chinese population remaining at 76 per cent, Malays 15 per cent, Indians 6 per cent and the minuscule polygot minorities the rest. They maintain it with fresh migration to compensate the racial balance of those who leave. So, Hong Kong Chinese replace those Singaporean Chinese who left for Australia, Canada the US; professionals from India

replace local Indians who migrate. The Malays did not emigrate in large numbers, and are therefore relatively stable.

But these newcomers cannot upset the political balance, would enhance the republic's prestige as a centre for excellence, provide needed expertise, raise standards of living without contributing – yet, anyway – to her cultural life. The obvious worry, unstated, is Singapore's consequent evolution into a transient society, with money determining if one stayed or not. The high flying Singaporean has become one who, like the typical fund manager, transfers investments and funds at a moment's notice to another haven where fiscal returns are better. When Indonesia invited Singaporeans to buy houses in their islands of Bintan and Batam, within sight of Singapore, at prices so ridiculous, compared to Singapore, a virtual stampede ensued to get them. Singaporeans push house prices in Johore Bahru, which links West Malaysia to the republic through a causeway, to astronomical heights. These all too frequent departures for cheaper, more affordable havens could break asunder Singaporean society. The political costs to Singapore can be even worse.

Concomitant with this is the younger well-trained Singaporean's reluctance to move overseas. The foreign ministry attracts them with fiscal incentives to make the Singaporean diplomat highly paid, with generous overseas allowances and special payments to wives who leave their jobs behind, but the problem remains. Most Asian societies, with working couples, face similar heart-wrenching decisions whenever families have to be uprooted, but is even more severe in Singapore. So, inevitably, it is the elderly, with fewer commitments, who are available for overseas assignments, and who, when they retire, remain there permanently. This reverses the traditional tendency where the young travel overseas for employment to take care of their elderly at home.

Economically, these departures ease the burden on a society where a rapidly aging population depends on a declining pool of working men and women. But for a nation dependent on emigration, an outflow of people in large numbers, as Singapore is, this can only be counterproductive. The economic costs cannot precede the cultural if a society is to take root. But for that inherent Confucian society to take root, the elderly must not only be around to pass these ideals down from grandfather to grandson. That is less of an option among nuclear families. Three decades of modernisation to the exclusion of everything else gave a cataclysmic shock to its social system. Singapore now tries to temper this modernisation with social and cultural grace, but it races against Grandfather Time. Meanwhile, the older Singaporean find solace elsewhere.

Mass Struggle: The Only Option

Pradhan H Prasad

Gandhi had warned as back as in 1934 that the Congress would commit suicide if its attention was solely devoted to legislative work. Swaraj, he had declared, could only come through all-round consciousness of the masses. Why should not a movement to raise mass consciousness be launched in India today when the country is seething with burning issues?

THERE is a set of figures¹ which would indicate that there is evidence of economic growth after the end of direct rule of British in India on August 15, 1947. For the 42-year period from 1950-51 to 1992-93, the annual growth rate of per capita income and agricultural and industrial production, all at constant prices, has been about 1.6, 3 and 6.6 per cent, respectively, whereas population growth has been about 2.1 per cent per year. If, however, we add to this set of growth figures, the statistics related to decline of proportion of poor population between 1956-57 and 1987-88 at an annual rate of about 2 per cent per year,² there seems to be some evidence suggesting growth with social justice. But then if we look at the figures relating to increase in the backlog of unemployment from 5.3 million at the beginning of the Second Five-Year Plan (i.e., in 1955-56) to 25 million in 1992-93, an annual rate of increase of about 4.4 per cent, one wonders whether the whole thing suggests a march towards socialism or a widening panorama of dole culture and dependence paradigm.

The situation gets still more confused if one glances at other facts. Government expenditure has been increasing at a rate of over 8 per cent per annum during the period resulting in bureaucratic expansion and adding to the middle-person culture increasing the broker types, their numbers and their profits. Apart from public loans and taxes, deficit budgeting became an ever increasing source of government expenditure adding to inflation. Prices rose at an annual rate of 6.5 per cent. Inflation is considered the most regressive form of resource raising, an affront to the cause of social justice. In this process the phenomena of black market and black money surfaced in a big way. This in combination with the ever-increasing joblessness promoted lumpen proletarian and petty propertied class ideology which strengthened the fanaticism of race, religion, caste, region, language, ritual, culture, etc. Partly as a survival strategy and partly in order to gain profit for the black money, the activities which acquired expansive character

in this process were thieving, cheating, dacoities, robberies, riots, extortions, kidnapping for ransoms, smuggling, drug peddling, manufacture of spurious goods, flesh trade, etc. Let alone the equity aspect, even the growth syndrome seems to vanish from the Indian scene. This is not all.

CULTURE OF DEPENDENCE

In the process of its development strategy, the government of India designed and attempted to execute a plethora of programmes. Some of them it attempted to implement itself and others through non-government organisations (NGOs). Beneficiary participation was also put as the caveat in some. Many NGOs also acted as agents of others (foreign as well as Indians). Often the NGOs developed their own programmes. Alongside we find growth of subsidy and dole cultures. In all these, one thing was common – that thoughts, other than the people's own thoughts, were heaped on the people. Most of them were accepted by some because they were beneficial and a few were such as some set of people might have even desired as a priority. But as time rolled on, the people by and large began to look upon the government or the NGOs or any other group or organisation for redressal of even their minor grievances which could be sorted out by them as a group on their own. Indians, thus, by and large, got imbued in a culture where they refused to think and act collectively on their own. Even if the group be small or homogeneous, their behaviour remained the same – a dependence paradigm *par excellence*.

Indians had not bargained for it when they supported the Indian National Congress blindly and faithfully either in its struggle against the British imperialism or when it entered into a compromise and strengthened its link with neo-imperialism. They even hailed the development strategy and the parliamentary system adopted by it for the neo-colonial state of India after the middle of the 20th century. Of course, the few skirmishes or protests by trade unions,

organised peasantry and groups from the petty bourgeois and petty propertied classes were nothing more than the stock in trade of the parliamentary system. It seemed that it had won the lasting confidence of the toiling poor who were being deprived of the awareness and understanding of the dynamics of their material conditions of living while neo-imperialism and its class collaborators (i.e., the Indian ruling class) have been busy plotting against them.

Indians for quite some time have been viewing 'progress' in terms of eradication of widespread poverty through massive employment generation and finally obliterating exploitation from their lives.³ The form of government visualised by them to move towards 'progress' was a fully decentralised democracy. Gandhi had said, "My ideal village will contain intelligent human beings. They will not live in dirt and darkness as animals. Men and women will be free and able to hold their own against anyone in the world. There will be neither plague nor cholera nor small pox, no one will be idle, no one will wallow in luxury."⁴ He later on added, "Independence must begin at the bottom. Thus, every village will be a republic or panchayat having full powers."⁵ The panchayat system was so deep-rooted in the Indian psyche that Indian revolutionaries (many among them were aware of the Marxian thesis of 'dictatorship of proletariat') did not underestimate the efficacy of panchayats in Indian situation. Ram Prasad Bismil of Kakori fame wrote his last piece three days before hanging, that is on December 16, 1927, "By the grace of God, I shall be re-born many times and my objective shall be to attain complete freedom in the world, everybody shall have equal right on the gift of nature, so that no one rules over other. Governance by 'panchayats' shall be universal."⁶

British rule was considered as the biggest hurdle in the march towards progress. The struggles and movements which were launched to end the rule of British imperialism and which influenced the course of events since the beginning of 20th century can be broadly classified in two categories. One was by a set of young patriots *par excellence* and martyrs to the cause of freedom, known as Indian revolutionaries. They practised violent revolutionary struggle against British imperialism beginning with the Chapekar brothers' killing of two British officers on June 22, 1897 and ending with the hanging of Bhagat Singh, Sukhdev and Raj Guru on March 23, 1931.

The other set consisted of petty bourgeois groups dominated by professionals. The important among them who significantly influenced the events during the course of

independence movement were the Indian National Congress and the Muslim League.⁷ As the Congress began to acquire a dominant position in negotiating with the British, the Indian bourgeoisie began to acquire a hegemonic role in it. The compradore character of the bourgeoisie was perceived by the Indian revolutionaries as early as in December 1929 in the *Manifesto of Hindustan Socialist Republican Association*.⁸ That is why Bhagat Singh, a few months before hanging, had warned his countrymen that the Congress will ultimately enter into a compromise with British imperialism and betray the Indians' struggle for independence.⁹ This was fully corroborated by subsequent events. Congress finally entered into a compromise with the British imperialism which led to partition of the country in the name of so-called independence and to forging still closer economic links with imperialism. Congress leaders were aware of the fact that federalism was the only answer to communal strife prevailing in the Indian sub-continent,¹⁰ but curiously enough they preferred partition to federalism.¹¹ Further, the Indian Constitution completely ignored federalism, playing into the hands of imperialism and provided for a strong centre in a large country with innumerable variations in terms of religion, caste, race, language, ritual, culture, region, etc. In India's development strategy, foreign aid became the kingpin and it also adhered to the techno-industrial culture which was associated with imperialism (an abiding feature of capitalism)¹² in spite of the warning against it by Gandhi.¹³ While rural development came under the guise of the Indo-US Technical Co-operation Agreement of 1952, the socialist block of nations gave us the cue for initiating some institutions (like public sector undertakings and central planning system) which were used more as show-pieces. The people continued to be duped.

The technological upgradation which got initiated in the process (for example, a switch from coal-based to petrol-based technology)¹⁴ made us increasingly dependent on import of capital and intermediate goods. Since we lacked adequate export potential, foreign debt and debt-servicing began to increase over time. Foreign trade deficit and debt-servicing which was about Rs 2.4 billion in 1951-52 increased to Rs 272.6 billion in 1992-93, an annual increase of about 12 per cent. It was this annual commitment of Rs 203.7 billion to be paid in foreign currency in 1990-91 which brought us to the verge of bankruptcy in the international money market and we were forced to accept loans from IMF and World Bank (agents of imperialism) with harsh conditionalities and stipulations.¹⁵ It was this *diktat* of IMF and World Bank, later christened as the New Economic Policy 1991,

which has compelled India to face the fury of world market forces disregarding its own socio-economic compulsions. Not that prior to mid-1991, the Indian ruling class was sensitive to welfare and aspirations of the masses while pursuing the policy of strengthening the culture of brokerage, subservience and dependency in the name of promoting socialistic pattern of society. Then market forces were not kept so free. But the regulations were hardly conducive to progress. However, the New Economic Policy 1991 has not been imposed as a remedial measure, but has been forced on us so that the stranglehold of imperialism over the country gets further tightened. The commitment to pay in foreign currency on account of trade deficit and foreign debt-servicing has in the two years following the New Economic Policy 1991 increased from 12.1 per cent per annum to 15.6 per cent per year. The foreign debt which was 51 billion dollars as on March 31, 1991 would now be about 100 billion dollars.¹⁶ For the first time since 1947, industrial production registered a decline in 1991-92. There was a further dip in employment in the organised sector of the country. Thus, there seems to be no possibility of the country's march towards progress so long as it faces the full onslaught of market forces at the global scale which are being continuously manipulated by the trading giants of imperialism.

AGAINST IMPERIALISM

The only option left is the revolutionary mass struggle against neo-imperialism and in this process of progress towards growth with social justice, Indians will have to wipe out imperialism from the face of the earth. So long imperialism rules the roost, the colonies or the neo-colonies like India can hardly escape exploitation. In order to achieve this they have to draw lessons from the intimidating ascendancy of imperialism over time and space.

The lessons which are important in this context are those related to revolutionary struggles against imperialism that have taken place in the world. It is also a well accepted tenet that both, the successes and failures of revolutionary struggles add to the knowledge of revolutionary theories and practices. While the revolutions abroad against imperialism provide one set of theories, anti-imperialist struggles in India lead to another set of perceptions and practices. This in fact is the unity of opposites. If one set is ignored and is not integrated with the other, the anti-imperialist revolutionary struggle may suffer or turn counter-productive because of an incorrect strategy. Even if these lessons are fully grasped, there is yet another problem related to the class character of the toiling masses in India who are not the proletariat in the Marxian sense of the term. The low

proportion of non-propertied direct producers (inclusive of landless agricultural labourers and assetless industrial workers) operates as a powerful drag on mass-based revolutionary class struggle. The small propertied class (that is, the agricultural labourers with land, almost the entire working men and women of the organised sectors, the poor and poor-middle peasants, petty traders, many teachers and artisans, etc) has in its fold a large majority of Indians (not less than 70 per cent) who are imbued with the petty bourgeoisie mentality. They would prefer to run the risk of getting caught and punished in doing an illegal act rather than join the class struggle and face savage and atrocious repression by the state power backed by ruthless neo-imperialism. Gandhi's perception of this led him to write in *Young India* on March 20, 1930, that he "urged non-violence not on the highest ground of morality but on lower ground of expedience".

That in face of these, class struggle against the capitalist structure is ranging for over more than two decades, particularly in Andhra Pradesh and Bihar, suggests that all is yet not lost in India. However, the most important question is how to strengthen it, make it a mass-based class struggle against imperialism and its class collaborators. Is there a role in this for the small propertied class who are suffering, are likely to suffer more in the future and are friends or potential friends of the class struggle? Can they be involved in the non-violent mass-based class struggle for progress? Gandhi's perception led him to say to Maurice Frydman in 1939 that if you talk to the villagers "and they begin to speak, you will find that wisdom drops from their lips".¹⁷ Taking a cue from this, if those (from among the petty bourgeois and working classes) who understand the dynamics of the material conditions of living in India, work as a catalyst, they can promote the mass-based revolutionary class struggle against neo-imperialism and its class collaborators.¹⁸ They can do something similar to what Mao did in his revolutionary practice, "from the masses, to the masses".¹⁹ Any struggle which stands for social justice and is against exploitation, if it gathers momentum, will come ultimately in direct confrontation with imperialism.

LESSONS FROM PAST

The Indian revolutionaries, involved in the anti-imperialist struggle on the basis of historical facts available till then, neither overestimated their armed strength nor underestimated the brutalities and repressive power of the British. Probably they wanted to arouse the nation which was in deep slumber. Barindra Ghosh, brother of Shri Aurobindo and a leader of those who actually manufactured the first set of bombs in Bengal, said, "We did not mean or expect to liberate

our country by killing a few Englishmen. We wanted to show our people how to dare and die".²⁰ Twenty years later within six days after the killing of Saunders²¹ the posters which appeared on the walls of the city of Lahore contained the following famous sentence: "Though it may be admitted that no armed revolution can be accomplished with a sprinkling of arms yet they will indeed be enough to wreck vengeance for the repeated national insults which the administration indulges in from time to time".²²

On April 8, 1929, Bhagat Singh and Batukeshwar Datta dropped bombs and leaflets in the central legislative assembly in New Delhi and allowed themselves to be arrested. Bhagat Singh, in the course of his lengthy statement during the trial of the Lahore conspiracy case, had said: "Our sole object was to warn the listless and to wake up the deaf. Many others are thinking just like us. The bombs which were thrown were intentionally so manufactured as to cause insignificant damage, and they were thrown also in such a clear place as to produce the least injury to anybody. Under the apparent calm on the surface of the Indian mind there is a ceaseless terrible seething discontent on the point of bursting into a storm. Our action is merely a danger-signal to those who are rushing ahead thoughtlessly without caring for the serious consequences before them."²³ He also added: "The opponents of revolution mistakenly believe that revolution means violence with arms, weapons and such other means. But revolution is not confined to this process. It may be that these are used as instruments but it should not be forgotten that behind them is the solid strength and spirit of the revolution and that strength is the will, the aspiration of the people to demand and get a change, a revolution in the current economic structure, the shape and form of political government of the nation. Our idea of revolution has never been simply the bloodshed of some individuals. It is to end the present regime of exploitation of man by man and to secure for our nation absolute right of self-determination. That is the ultimate objective of our idea of revolution."²⁴

Ashfaq Ullah also of the Kakori fame, a little before his hanging in 1927, gave a message to his countrymen: "We have played our role on the political stage of our country. Right or wrong all our actions were motivated by the lofty object of securing independence. I know my actions will elicit praise from some quarters and criticism from others, but as a true revolutionary I am indifferent to such remarks. One thing I beg to clarify before I die. It never had been our object to create terror in the country. Our trial has lasted for such a long time but tell me if ever we tried to shoot down an approver or a prosecution witness. That is not in our line.

My only wish is that my countrymen may, irrespective of their religion or creed, unite like a solid bloc to smash the citadel of British rule."²⁵

It is difficult to say but then they might have considered practising non-violent democratic mass movement had they some perception of this which partly they themselves provided in the course of their heroic struggle (and the rest is provided by the historical events since 1931 till today). Mao, who led a very protracted struggle against imperialism, was not favourably disposed towards violent uprisings (that is, putschism). He said: "In its social origin, putschism is a combination of lumpen proletarian and petty bourgeoisie ideology. The methods of correction are as follows: (1) eradicate putschism ideologically; (2) correct putschist behaviour through rules, regulations and policies."²⁶

Recent history also provides some evidence to suggest that even successful violent struggles of peasantry and working class are prone to lead to dictatorial forms of government and concomitant bureaucratic consolidation which operates as a powerful drag on raising of mass consciousness and thereby becomes a drag on social progress in the long run.²⁷ There is also no evidence to suggest that this will not happen in a non-violent democratic movement against imperialism and its class collaborators that

has not yet been practised anywhere. There can be no doubt, however, that mass-based struggle for social justice is the only route which is capable of raising the level of mass consciousness. Gandhi's perception has made him say as back as in 1934, "But the Congress will commit suicide if its attention is solely devoted to legislative work. Swaraj will never come that way. Swaraj can only come through an all-round consciousness of masses."²⁸ That he did not put this perception to practice was responsible for his getting trapped in parliamentary misadventure which finally paved the way for the Congress to enter into compromise with imperialism. But then the perception can hardly be ignored.

But then there are some positive perceptions and also some indirect evidence in favour of non-violent democratic movement. Why should such a movement not be practised in India which is seething with burning issues? For example, one such is the issue of eradication of joblessness which is in sharp contradiction with the present policies of liberalisation and imperialism. This can be one of the many issues for the movement provided the people decide to take it up. The autonomy of gram sabha and gram panchayat may be another issue. There is a possibility that initially different localities will take up different issues. But once this ethos of self-reliance grips the masses, the movement will generate its own

DEVELOPMENT AID TODAY

Editors: Abhijit Dasgupta and Georg Lechner

81-85399-30-1

152 pp Hardcover

Rs 250/US\$ 25

This book provides a scholarly exchange of views on the vexing question of development aid. It brings together the pro- and the anti-views, and the views of those who choose the middle ground. It will be valuable to all those involved with the giving or receiving of aid, in its various forms. It would be a useful addition to libraries concerned with economics, sociology and political science.

Contents: Foreword, Abhijit Dasgupta and Georg Lechner • Development Aid: A Stocktaking, Abhijit Dasgupta and Georg Lechner • German Development Co-operation Today: Some Lessons Learnt in India, Heinrich Dehn • The GTZ Experience in Development Aid Projects in India: A Case Study, V.M. Raghavan • Some Reflections on International Development Aid, R. Sudarshan • Fatal Aid: The Author's View on the Issues of the Book Ten Years Later, Brigitte Eriker • How Do We Translate Development Ideology into Action?, Ann-Lisbet Arn • Aid and Development in Bangladesh: A Critical Review, Hossain Zillur Rahman • Technology Transfer: Some Aspects of the Bangladesh Experience, Jayanta Kumar Ray • Development Aid in Bangladesh With Special Reference to Women-focussed Projects, Meghna Guhathakurta • Development Aid: Experience of the Narmada Project, Ashish Kothari • A Summary of Tödliche Hilfe (Fatal Aid), Abhijit Dasgupta

To order. Please send your order to the publishers, enclosing your cheque for Rs 250/US\$ 25 per copy in favour of **Mosaic Books**. Copies will be sent by registered air-mail (postage free) on receipt of your order.

MOSAIC BOOKS

B-17, 2nd Floor, Lajpat Nagar Part 2,
New Delhi 110 024 • India (Tel.: 6823869)

dynamics. Let those who are at a high level of consciousness and have acquired the understanding of the role of imperialism act as a catalyst in the area of their choice. Undoubtedly this will be a long drawn-out movement in which the people themselves will think and act (aided by catalysts) and move slowly but steadily towards mass consciousness and concomitant progress. Has not Bhagat Singh in his *Draft of Revolutionary Programme* (written in jail in the early months of 1931) said, "The main responsibility of the active groups of revolutionaries lies in reaching the masses so as to activate them."²⁹

Notes

- 1 All figures quoted here are obtained from government of India sources such as documents from Planning Commission, Economic Surveys, Censuses, National Sample Surveys, etc
- 2 Because of methodological differences, some experts suggest it to be a little higher than 2 per cent and some others a little lower.
- 3 Indians, since the aggression of British imperialism on its soil, have been experiencing increasing and widespread poverty caused by unemployment following the destruction of their autonomous 'tributary' culture, often loosely termed as feudal system. Those involved with the mass movements or who organised the masses to fight the British oppression had some perception of what masses imply by 'progress'. It was this situation which prompted Jawaharlal Nehru to say in April 1929, "If we are to eradicate poverty, we must first do away with this widespread unemployment". (*Selected Works of Jawaharlal Nehru*, edited by S Gopal, 1973, Volume 3, p 378) Gandhi also echoed a similar concept when he emphasised, "Whether the British remain or not, it is our duty always to wipe out unemployment, to bridge the gulf between the rich and the poor, to banish communal strife, to exorcise the demon of untouchability, to reform dacoits and save the people from them. If crores of people do not take a living interest in this nation-building work, freedom must remain a dream and unattainable by either non-violence or violence" (*Collected Works of Mahatma Gandhi*, Vol LXXXII, December 17, 1942-July 31, 1944, p 120). Bhagat Singh, when asked in the lower court in June 1929 as to what is meant by 'revolution' made a historic statement on his own behalf and on behalf of Batukeshwar Dutt, "I would say that bloody warfare is not an unavoidable part of revolution because it can permit only personal revenge. Revolution is not the culture of bombs and pistols. By revolution we mean that the existing order based on injustice must be changed" (Hansraj Rahbar, *Bhagat Singh and His Thoughts*, 1990, p 162).
- 4 Gandhi's letter to Jawaharlal Nehru dated October 5, 1945.
- 5 M K Gandhi, 'Independence', *Harijan*, July 28, 1946, p 236.
- 6 Jagmohan Singh and Chamanlal (eds), *Bhagat Singh Aur Unke Sathion Ke Dustawaj* (Hindi), revised edition, Rajkamal, Paperbacks, 1991, p 86.

- 7 Pradhan H Prasad, *Gandhi, Marx and India*, 1991, pp 27-33.
- 8 "The position of the Indian proletariat is today extremely critical. It has to bear the onslaught of foreign capitalism on one hand, and the treacherous attack of Indian capitalism on the other; the latter is showing a progressive tendency to join forces with the former". Bhupendra Hooja, (ed), *A Martyr's Notebook*, 1994, p XVIII, see also Jagmohan Singh and Chamanlal, op cit, p 367.
- 9 Jagmohan Singh and Chamanlal, op cit, pp 390-93.
- 10 In his letter to Sir Stafford Cripps, Jawaharlal Nehru has written on January 27, 1946, "I suppose you know what the Congress has proposed from time to time to solve the communal problem. It has stated that there should be a federation of autonomous units with certain minimum list of compulsory common subjects. These have not been enumerated but presumably they will be defence, foreign affairs, communication, currency, etc". S Gopal (ed), *Selected Works of Jawaharlal Nehru*, Volume 14, 1973, p 143, see also Rammanohar Lohia, *Marx, Gandhi and Socialism*, 1963, pp 380-81 and Maulana Abul Kalam Azad, *Autobiography*, pp 150-51.
- 11 Pradhan H Prasad, op cit, pp 35-38.
- 12 Herb Addo, *Imperialism: The Permanent State of Capitalism*, 1986. See also Samir Amin, '1992', *Monthly Review*, July-August, 1992.
- 13 M K Gandhi, *Young India*, October 7, 1926 and November 12, 1931, pp 348 and 355 respectively.
- 14 Pradhan H Prasad 'Neglected Aspects of India's Development Planning', *Economic and Political Weekly*, July 15, 1989; 'India: Neo-Compradore Reigns Supreme', *Frontier*, September 7, 1991 and *Gandhi, Marx and India*, op cit, pp 40-44.
- 15 Pradhan H Prasad, *Gandhi, Marx and India*, op cit, pp 43-46.
- 16 At the time of transfer of power in 1947, India was not a debtor country. Rather we had a sterling balance to our credit to the tune of Rs 161 billion.
- 17 M K Gandhi, *Harijan*, January 28, 1939, p 236.
- 18 Pradhan H Prasad, 'Self-Reliant Progress versus Dependence Paradigm', *Munstream*, January 29, 1994, pp 36-37.
- 19 Mao Zedong, *Selected Works*, Vol III, p 119.
- 20 R C Majumdar *Struggle for Freedom*, 1969, p 232.
- 21 On December 17, 1928, the police officer named Saunders who dealt the fatal lathi blow to Lala Lajpat Rai was shot dead by the two revolutionaries, Rajguru and Bhagat Singh.
- 22 Vidya Dhar Mahajan, *Fifty Years of Modern India*, (1919-69), 1970, p 159.
- 23 Ibid, p 160.
- 24 Ibid, pp 160-61. It is worth noting that then Bhagat Singh was as popular in India as Gandhi, see R C Majumdar, op cit, p 488.
- 25 Vidya Dhar Mahajan, op cit, p 157.
- 26 Mao Zedong, *Selected Works*, Vol I, p 115.
- 27 Pradhan H Prasad, *Gandhi, Marx and India*, 1994, pp 67-81.
- 28 M K Gandhi, speech in All-India Congress Committee on May 19, 1934 at Patna, *The Collected Works of Mahatma Gandhi*, Vol LVIII, p 11.
- 29 Jagmohan Singh and Chamanlal, op cit, p 403.

New
from

SAGE

Publishers of the
Professional
Social Sciences

RETHINKING RURAL POVERTY Bangladesh as a Case Study

edited by HOSSAIN ZILLUR RAHAMAN and MAHBUB HOSSAIN

Lacking neither in will nor in initiative, a majority of the rural population in the developing world nevertheless continues to live bleak lives full of deprivation and vulnerabilities. Today, poverty remains the single most important challenge for much of the developing world.

Viewing poverty as a multidimensional reality, this book provides a penetrating look at the most serious of contemporary problems. Taking Bangladesh as a case study, it highlights the many facets of poverty as a state and as a process.

308 pages (including 163 tables) • 220mm x 140mm
Rs 325 (cloth) • 1995



SAGE PUBLICATIONS INDIA PRIVATE LIMITED

Post Box 4215, New Delhi 110 048

Gandhi's Inclusivism

Sanjib Baruah

Mahatma Gandhi: Nonviolent Power in Action by Dennis Dalton; Columbia University Press, New York, 1993; pp 279 + xii.

IN his book, *Leadership*, the American political scientist and historian James MacGregor Burns describes Mahatma Gandhi as the best modern example of a transforming leader. Unlike transactional leaders, such leaders transform the political imagination and the ethical and moral compass of those around them. In his sensitive, sympathetic and lucid book, Dennis Dalton elaborates the theme of Gandhi as a transforming leader.

Dalton's fine-grained discussion of *swaraj* and *satyagraha* makes the Gandhian concepts very accessible, especially to the western readers. For Dalton, inclusivity is the major theme in Gandhi. *Swaraj*, he notes, was not only about India's independence from the British colonial rule, but also about power over oneself. It is about "liberation from attitudes of political or social separateness that fosters ideologies of xenophobia and exclusivity" (p 6). The road to *swaraj* lies in *satyagraha*, "the power of truth and love". *Satyagraha* encourages reflection not only on the part of those who engage in civil disobedience, but also on the part of those in positions of governmental authority. For instance, before launching programmes of civil disobedience, Gandhi wrote to the colonial officials informing them of his plans, typically addressing the officials as, "Dear Friend". The "please help, we both need it" quality to these pleas (p 106), as Dalton nicely describes them, illustrate how in engaging in *satyagraha*, Gandhi appealed to the shared humanity and morality of his adversaries.

In one of the opinions on the book's jacket, Ainslie T Embree calls Dalton's book "extraordinarily timely for an understanding of the redefinition of Indian nationalism that is taking place at the end of the twentieth century". This otherwise valuable book, however, does not quite keep up with that promise. It fails to do so because Dalton does not quite seriously engage in the tensions between Gandhi's ideas and values, and currents that came to dominate India's nationalist movement. Dalton describes the tension accurately: "One might worship Gandhi from afar as a Mahatma or - as the alternative most Congressmen took - accept his judgments as 'policy' but not as a 'creed' ... [E]ach undermined Gandhi's thought and message for neither could give him support when

the going became rough. At the very end, when it was indeed the roughest, Gandhi stood, tragically alone" (p 34). But Dalton does not tell us why Gandhi, whom the official India regards as the 'father of the nation', stood "tragically alone" at the end. Historians associated with the subaltern studies tradition have paid attention to the tensions among competing themes within India's anti-colonial nationalist movement. Partha Chatterjee, for instance, argues that Gandhi's radical critique of modernity was in conflict with the more limited goals of national independence and the quest for modernisation and progress that came to define the Indian nationalist movement.

Dalton reserves some of his harshest comments to describe *Hindu Swaraj*, the *locus classicus* of Gandhi's critique of modern civilisation. According to Dalton, Gandhi's "notorious blanket condemnation of modern civilisation, ... simplistic categorisation of Indian and western civilisations respectively as 'moral' and 'immoral', 'soul force' versus 'brute force', presented a wholesale indictment of modernity, worse, a polarisation into an attitude of 'us' and 'them' redolent of what Gandhi would later decide as 'violence of the spirit' (p 20). Dalton finds Gandhi's argument "grossly overstated, often misguided, and in some instances ... lapses into pure fantasy" (p 20). Even though he notes that Gandhi never retracted these views, since inclusivism is the 'hallmark' of Gandhi's 'style', Dalton remarks that Gandhi's critique of modern civilisation in *Hind Swaraj* was only the "high water mark of his exclusivist ideology: an uncompromising view of human experience" that "would later prove uncharacteristic of the Mahatma". For Partha Chatterjee and Dipesh Chakravarty, on the other hand, Gandhi's critique of modern civilisation in *Hind Swaraj* animates his politics until the end. There is no evidence to suggest that there was a break between a naive Gandhi and a mature Gandhi on this issue. Dalton should have enlisted this opposing argument in order to be more persuasive. Indeed, the argument explains why, when the political battle against the British colonial rule was almost won, Gandhi was alienated from the Congress leadership. Although the modernisers who came to define India's anti-colonial nationalism may have been

somewhat embarrassed by the anti-modernist stance of Gandhi, there is no evidence that Gandhi himself gave up his critique of modernity.

Dalton's reading of *Hind Swaraj* has implications for his analysis of Gandhian leadership. Dalton analyses the salt march of 1930 and Gandhi's 1947 fast in Calcutta to protest against Hindu-Muslim conflagration as case studies of Gandhian leadership. He discusses the remarkable symbolism of salt and cites Gandhi to the effect that "next to air and water, salt is perhaps the greatest necessity of life". Yet Dalton views Gandhi's decision to focus on salt production mainly as a masterful political stroke. Thus he trivialises Gandhi's thinking on the subject. What "deserves to be underlined", writes Dalton, is "the symbolism of the issue", that "the image appears of an outrageous injustice" (pp 100-01). But why is it only a matter of image? Why was salt 'symbolic' only in the non-constitutive, shallow sense? Couldn't it be argued that the laws governing salt production touched the foundation of the colonial rule in India? Gandhi's attempt to build Indian political capacity by drawing attention to the persistence as well as the memory of pre-capitalist indigenous modes of production of salt, outside the gaze of the modern state and of organised industry, was not just smart politics. Here one meets the radical Gandhi who, unlike modernists of both the left and the right variety, did not consider pre-capitalist formations to be simply a part of the "world we have lost", but unashamedly fought a relentless battle in their defence.

Dalton misreads an essay on Gandhi by Shahid Amin. Amin's essay, 'Gandhi as Mahatma', emphasises how peasant perceptions of Gandhi in Gorakhpur district were independent of the message that the Congress leadership wanted to convey to the peasants. Actions such as looting of shops by the peasants, Amin points out, were often at variance with Gandhian ideas and methods. Amin argues that there were multiple readings of Gandhi. Yet, Dalton cites Amin's essay as an evidence that Gandhi's message "had dug deeply into the popular consciousness" (p 32), precisely a view that Amin challenges.

A comparison of Gandhi with Martin Luther King and Malcolm X adds value to the book. Gandhi's influence on Martin Luther King is well known. But Dalton makes an interesting connection between Gandhi and Malcolm X. Both struggled with 'personal emancipation' and they wrote autobiographies that are about self-examination and inner growth. By contrast, Martin Luther King's autobiographical *Stride Toward Freedom*, "relates in impersonal

tones the success of a method but without any journey of the self" (p 184).

The book concludes on the note that Gandhi's life rested on the "premise of inclusivity, that we are all part of one another and violence retards that realisation" (p 200). In a world full of ethnic and racial conflicts, it is worthwhile to remember Gandhi's ability to transcend difference. But it is unfortunate that Dalton's emphasis on this theme had to be at the expense of obscuring Gandhi's critique of modernity in the colonies. After all, Gandhi and Franz Fanon, the other

insider-critic of mainstream anti-colonial nationalism, had a lot to say about the false hopes of an emancipatory universal modernity coming to the colonies. To confine Gandhi to the theme of inclusivity is to miss his insights on what ails modern civilisation especially in the capitalist periphery today. If the Gandhian critique of modern civilisation was sometimes 'pure fantasy', as Dalton puts it, that did not bother Gandhi. He relentlessly pursued his utopia, even if it meant that he had to stand 'tragically alone' at the end.

Russia to make concerted efforts to renew her hegemony over central Asia.

The appendices contain two chapters written in the 60s and the author's justification for including them here for their alleged relevance and his desire to "suit the present context" is, to say the least, puzzling, both the relevance and the context remain irritatingly elusive. The bibliography is hailed by the author as "the index of my debt to intellectual property" though the reader is warned against equating the readings contained in the list as a true reflection of the "measure of the range of my readings on central Asia, China and Russia" which presumably, is immeasurably larger.

If the reader hopes to discover the purpose of the volume, the questions it seeks to address and then implications for policy, this volume will come as a disappointment because none of these concerns exist. The book is an incoherent rambling quasi-historical account serving no recognisable purpose. Its conclusions – contained on the last page – provide some idea of the kind of intellectual demands it makes on the reader. "As in 1838, when the 'game' started, the question now seems to be who will have mastery over central Asia? Although the epoch of domination and mastery of one nation over another seems to have ended, its manifestations are not quite so" (p 92). It need hardly be said that this banal conclusion does not require a volume, a newspaper article induced through a gullible editor would have sufficed.

Essentially a colony of Tsarist Russia, central Asia was traditionally a source of raw materials for the factories of central Russia prior to the October Revolution. The region was predominantly agricultural, technically backward and industry was confined to primary processing of agricultural produce. There is some substance to the erstwhile Soviet claim that the face of central Asia was substantially altered during Soviet rule. This is because industrialisation came to central Asia only during the early part of the 20th century.

The central Asian capitals of Tashkent, Frunze, Ashkhabad and Dushanbe have become major centres of diversified industries including mechanical engineering, light and food industry, manufacturing machine tool equipment, instrument making and production of a variety of consumer goods. The region is a remarkable combination of traditional central Asian and Slavic culture and is today an integral part of the process of renewal that is taking place all over the CIS.

In the changed configuration of circumstances today, there is a serious and urgent need to study the evolution of the newly independent countries of central Asia

Managing India's Central Asian Policy

Ramnath Narayanswamy

China, Russia and Central Asia by Ram Rahul: Vikas Publishing House, New Delhi, 1995, pp x+128, Rs 195.

THE blurb on the back cover of this tantalisingly slim volume describes the author as "the foremost scholar on Central Asia" who completed "his entire formal and research education in Delhi" and "also studied in the United States" and eventually "retired from Jawaharlal Nehru University as Professor of Central Asian Studies". For some reason, the discipline of the learned professor is not mentioned; it is therefore not clear whether the author is a historian, political scientist, economist or sociologist. The blurb on the front cover on the other hand describes the volume as a "study of the positions of China and Russia in Central Asia up to 1991 when Russia withdrew from there". Such distinguished credentials about a region which has traditionally been poorly understood by the outside world encourage the reader to pick up the book with the legitimate expectation of gaining insights into the developments that have caused a complete transformation of the political and economic landscape of this strategic region in the wake of the demise of the erstwhile Soviet Union in December 1991.

Such expectations are however soon belied: the book comes as a rude shock and disappointment and the end of the exercise causes one to wonder why Indian publishers have taken it upon themselves to punish Indian readers with such fare or whether there is a more prosaic explanation for this dismal state of affairs which perhaps lies in the fact that area specialists have simply run out of ideas. The author's introductory remarks may serve as an illustration. The two-page preface labours to emphasise the fact that politically, geographically and historically central Asia has always been a vital part of Asia.

This awesome discovery is followed by the information that Buddhism, Christianity

and Islam "spread from Central Asia to East Asia". Further, "it was from Central Asia that science travelled to West Asia and Europe". By this time, the reader would have realised that the little history he had learnt at school was not only woefully inadequate, but discreetly misleading as well. The Mongols (and the Turks though the latter were not quite able to repeat the performance of the former) later united central Asia under one sovereignty but while China escaped their conquest (Timur the Lame died in the frontier town of Otrar while he was on his way to conquer China), Babar of Osh (Ferghana) was able to conquer India and establish an empire. Subsequently however, due to 'strong neighbours' central Asia was unable to expand outwards.

Today, China and Russia – the legend continues – "have possessed central Asia by dividing it equally among themselves by China appropriating its eastern half (Tibet and Xinjiang) and Russia appropriating its western half (Kazakhstan, Kirghizia, Uzbekistan, Tajikistan and Turkmenia)". In 1991, Russia is supposed to "have lost its position in central Asia", while China "still holds on to it". When stated in such bald terms, this is simply not true. It would be more correct to say that Russia voluntarily relinquished its hold over central Asia with the demise of the Soviet Union (I say voluntarily because in 1992, it was fashionable in Russia to view the central Asian economies as being an undue burden on the Russian economy), but subsequent events (including the war in Tajikistan, the fate of ethnic Russians living outside Russia, the failure of the west to live up to Russian expectations of massive infusions of aid and the desire to protect herself from ethnonationalist threats from her southern borders), have caused

including Kazakhstan, Uzbekistan, Turkmenia, Tajikistan and Kirghizia. This is principally though not exclusively because the region is of tremendous strategic importance to India. It is widely known, for example, that Pakistan has been negotiating for the creation of a common economic space in central Asia by creating a corridor through Iran and Turkey though its efforts in this direction have met with little success. The Chinese on the other hand have been making concerted efforts to build their ties with Kazakhstan by helping the latter to build roads that can access central Asia from China. From a strategic point of view, India has to gear itself to meet these challenges; the more secular countries of Kazakhstan and Uzbekistan will have to be actively wooed and this must be followed by bilateral programmes of technical and managerial co-operation.

Secondly, the historical ties between India and central Asia have to be reconstituted along durable strategies of economic and business co-operation. The central Asian countries are enormously rich in a wide variety of mineral resources. Trade credits extended by the government of India to these countries have been paltry sums exceeding no more than a couple of

million dollars. There is a strong case to increase trade credits to the region and this must be complemented by efforts of the ministry of external affairs to secure favourable conditions for Indian businessmen who wish to enter these markets.

Thirdly, the problems of payments and transportation, the former caused by the primitive nature of the financial system and constant currency depreciation and the latter caused by the fact that the entire region is landlocked. The Indian government has been making efforts to secure sea access through Iranian ports as a short-term solution to the problem but clearly the long-term solution lies in building a railway network from Mashad in Iran to Serakhs in Turkmenia.

The ministry of external affairs should – if it has already not begun the process and there are indications that it has – begin to treat the region on a priority basis, seek to understand the factors that promote and militate change in the region, explore ways and means of overcoming problems stemming from poor infrastructure and communication and initiate research studies by specialists who must be called upon to suggest viable alternate policies that could strengthen trade ties between the two regions.

When one comes across a volume on central Asia published in 1995 (the reviewer actually received the book in December 1994), one would imagine that the work would focus attention on some of these issues, the resolution of which is clearly vital to the process of readjustment that is taking place both in Indian foreign policy as well as in the newly independent states of central Asia. The reader is also entitled to expect a discussion of the consequences of the collapse of the Soviet Union in central Asia, the unique nature of the central Asian economy and polity when compared to other regions in the CIS, the problems surrounding the transition to markets in a region marked by strong collectivist historical traditions, the danger of marginalisation that these countries underwent through 1992-93, the civil war in Tajikistan that caused Russia to renew its interest in central Asia to protect herself from fundamentalist threats across her borders and the efforts of the central Asian countries to balance their national interests on the one hand against revivalist tendencies emerging in Russia (which have grown particularly strong in 1994) on the other.

Unfortunately, the volume under review fails to discuss any of the current issues that confront the region.

JUST OUT

Reform of
DOMESTIC TRADE TAXES IN INDIA
 Issues and Options
 by
 A Study Team of the
National Institute of Public Finance & Policy
 New Delhi

1994 * pp xxviii + 145 * Rs. 250 * US \$ 30 * 21 x 27 cms * ISBN 81-900518-0-6

This is a study undertaken by a research team of the NIPFP at the instance of the Ministry of Finance, Government of India to design a suitable system of value added tax for the country.

The study addresses the task by first reviewing the existing system of domestic trade taxes in order to identify its glaring deficiencies and problems. Keeping in view the objectives and the parameters, the study avers that a destination based consumption-type Value Added Tax (VAT) would provide effective remedy for most of the ills of the present system. After briefly describing the principal forms and characteristics of VAT and their mode of computation, it spells out the options in the Indian context and suggests a design of a system of value added tax for India on which there could be broad agreement. Finally, the study provides an idea of the revenue implications and economic impact of the proposed reform alongwith legal, administrative and institutional requirements.

Mail/Fax your orders to

Publication Division
NATIONAL INSTITUTE OF PUBLIC FINANCE & POLICY
 18/2 Satsang Vihar Marg,
 Special Institutional Area,
 Near JNU, New Delhi-110 067
 Phone: 669303, 669780, 669784, 6856087, 6857274, 6857275
 Fax: 91-11-6852548

Beyond 'Surpluses'

Food Security in Changing Context

V M Rao

The present comfortable foodgrain situation should induce some hard thinking on the prevailing food security system rather than an attitude of complacency.

The recent trends in agricultural production and the ongoing policy reforms for liberalisation of the economy and reduction in government deficits are the kind of changes which offer considerable scope for improvements in the food security system. It would be easier to implement such improvements when the food situation is comfortable.

Further, success in reaching food to the poor depends not merely on improvements in the food security system but even more critically on the thrust of the broader development policies affecting agriculture and the rural poor. Here again, years of good foodgrain availability tend to be favourable for implementation of development policies and for focusing their benefits on the rural poor.

Thus the present phase in our economy and agriculture is indeed an appropriate time to give serious thought to the past performance, present status and the priorities for the future directions of change in the food security system.

THE problems of food security hardly attract much attention when, as it is true at the moment, the policy-maker's main concern is to cope with large and mounting stocks of foodgrains which are now literally spilling over on to roads and other open spaces. The stocks on hand are reported to be around 30 million tonnes and it is expected that the kharif procurement would bring in another 10 to 12 million tonnes. Meanwhile, with the narrowing of the gap between the issue price and the market price, the PDS offtake as a proportion of allotments has been going down and is currently reported to be less than 40 per cent. For the last more than a year, the Food Corporation of India has been resorting to open market sales to bring down its holding.

We should know from past experience that the pendulum could easily swing to the other extreme if there are a couple of bad seasons with markets turning panicky and trade going on a speculative spree. Barely two years back, around the middle of 1992, the country had to run in desperation from pillar to post to import a modest quantum of wheat in a season with bumper wheat production owing to, reportedly, withholding of produce by the farmers in expectation of higher prices in the later part of the season. There are, however, two even weightier reasons why the present comfortable foodgrain situation should induce some hard thinking on the prevailing food security system rather than an attitude of complacency. First, the food security system, like any other system, has to continually adjust to changes in the economy to remain effective and useful. The recent trends in agricultural production and the ongoing policy reforms for liberalisation of the economy and reduction in government deficits are the kind of changes which offer

considerable scope for improvements in the food security system. It would be easy to implement such improvements when the food situation is comfortable. Second, the success in reaching food to the poor depends not merely on improvements in the food security system but even more critically on the thrust of the broader development policies affecting agriculture and the rural poor. Here, again, it has been the Indian experience that years of good foodgrain availability tend to be favourable for implementation of development policies and for focusing their benefits on the rural poor. If our luck with monsoon holds for some more years, the situation is likely to be very congenial for major systemic changes in food security which until very recently were considered impractical, and even risky, to implement. Thus, the present phase in our economy and agriculture would indeed be an appropriate time to give some serious thought to the past performance, present status and the priorities for the future directions of change in the food security system. Our endeavour in this paper is to present a rapid and stylised review along with a brief discussion of the reforms needed in the system.

FOOD SECURITY: A RETROSPECT

The mid-60s provide a convenient marker to distinguish the earlier phase of policies and measures designed primarily to cope with localised situations of scarcity from the latter phase characterised by a distinct long-term strategy for evolving policies and structures for the regulations, management and development of the country's food economy. It is not suggested that the policies of the latter phase suddenly emerged in the mid-60s, but an economic historian is likely to discover that the traumatic food crisis of that period along with fears about the political

repercussions of large and persistent dependence on imports did bring about a radical change in the perception at the highest level of policy-making about the importance of having a countrywide system of food security based on domestic capabilities to increase production. It is necessary to remember that in the situation which prevailed during the mid-60s there was ample justification to emphasise the two principal objectives, viz, food self-sufficiency and coverage of the entire population in the public distribution system whose appropriateness is now being questioned as being out of tune with the changing economic scene and policy regime.

A detailed account of changes in the food security system in the post-independence period would need wading through a tiresome lot of contentious statistics. Our intention here is only to bring out the direction and the characteristic features of these changes with a view to indicating how the system evolved from a modest beginning to become a countrywide network for acquiring, holding and distributing foodgrains. For this purpose, we use a typology which focuses on the essentials of the system without going into quantitative details. Famines and droughts causing acute scarcity conditions and the measures taken by the government to help the victims could be regarded as the typical way in which the food security system begins to take shape in a poor country. The measures remain in the nature of fire-fighting operation concerned only with putting out the flames and providing a modest measure of temporary relief to the affected population; such an operation, by itself, would not look into the causes behind the flames or the lasting solution to the recurring distress. The Indian history contains numerous accounts of this embryonic form of food security

system and also its benefits and limitations [Bhatia 1967].

Prolonged periods of economic stress and disruption like wars give rise to a form of food security system which is still concerned primarily with management of scarce food supplies but which finds it necessary to use a more organised and institutionalised approach including drastic measures to suspend the normal activities of markets and trade. This form existed in India for long years in the shape of statutory rationing in selected urban areas and continues to be present even today in a few urban centres.

A developing economy needs a food security system looking much beyond management of scarce supplies and critical situations. India took a quantum leap in this direction in the mid-60s [Tyagi 1990]. The setting up of Food Corporation of India and Agricultural Prices Commission (now Commission for Agricultural Costs and Prices) in 1965 marked the beginning of this phase. The key components of this system were institutionalised arrangements and procedures for procurement, stocking and distribution of foodgrains. What is more important to note is that the food security system evolved as an integral part of a development strategy which brought about a striking technological change in selected food crops, provided effective price and market support to farmers and deployed a wide range of measures to generate employment and income for the rural poor with a view to improving their level of well-being including better physical and economic access to foodgrains.

It is useful to distinguish two sub-periods in the post-1965 phase [Bhatia 1994a]. Up to about the late 70s the emphasis remained on the management tasks, procurement with an element of compulsion, augmenting domestic supplies through imports, zoning and restrictions on movement and trade, etc. However, there was a marked change in the food situation in the later years, particularly during the 80s and the early 90s. The net availability of foodgrains which had increased from 74 million tonnes in 1968 to 99 million tonnes in 1977 witnessed a rapid rise in later years reaching 158 million tonnes in 1991 [Government of India 1994]. In 1968, 10 million tonnes of foodgrains were distributed by the food security system. Net imports were 5.7 million tonnes as against 6.8 million tonnes of domestically procured grains. The position in 1991 was strikingly different. The PDS distributed 20.6 million tonnes in that year and procurement was 19.6 million tonnes. More telling, instead of import, there was a net export of 6 lakh tonnes of foodgrains in 1991. The restrictions on farmers and trade have by then been drastically reduced, exports of foodgrains were not only permitted but also encouraged and PDS received enough and more of

foodgrains from purchases by the public agencies at *minimum support prices* which leave the farmer free to choose the place, time and agency for selling his produce. On the whole, considering the recent trends, it would be reasonable to say that the food security system has brought about a visible change in the economy and its perspective on food. From a situation where the policies remained preoccupied with management of scarce supplies, the economy has now seems to have reached a stage where the foodgrain sector could provide a powerful stimulus to overall growth and development.

This would, however, need major changes in the policies relating to the foodgrains sector. The reforms now being implemented to liberalise the economy including agriculture and the prospects of a technological change in agriculture far more broad-based than the green revolution of the 70s are likely to mark a new phase of agricultural development in India [Rao 1994]. Simultaneously, there are also signs of slowing down in the growth in wheat and rice. More important, the growth in these crops may be on the verge of encountering serious sustainability barriers [Malik 1993]. Such periods of change over in the phase of development are often characterised by persistent stresses and disruptions indicating that the components in the system are out of line with each other and with what they ought to be in the new phase. Let us take a quick look at the distress signals being sent out by the food security system.

SOME BIASES AND WEAKNESSES

The initial thrust and foundation for the later evolution of the food security system were provided by the green revolution in wheat and rice. The disconcerting feature of the system is that, even after nearly three decades, it still remains almost exclusively dependent on these two crops. This has been the source of many weaknesses and distortions. The price support policy for rice and wheat which nurtured the green revolution and promoted its spread is now in need of major revision. The policy has had the effect of prompting the farmer to bring his produce to the public agency almost immediately after harvest. As a result, procurement becomes a gigantic operation to be rushed through within a few weeks leaving little time for essential procedures like grading and checking the produce for its quality and condition. More important, given the anxiety of the government about adequate supply of rice and wheat and the increasing reliance of procurement on purchases at minimum support prices, it is inevitable that pressures cumulate for progressive increase in minimum support prices and, as a consequence, price policy, instead of limiting itself to preventing crash in market prices, may begin to operate as

a factor causing rise in them [Rao 1993]. At the same time, the Commission for Agricultural Costs and Prices has been repeatedly pointing out in its reports instances of price support mechanism remaining inactive in backward areas which do not contribute much to procurement [Government of India].

Another major point of criticism with the food security system is its highly centralised and bureaucratised mode of operation. The very name of Food Corporation of India has become a red rag to some critics. A little reflection would show that only a FCI-like organisation would be able to operate a food security system based exclusively on rice and wheat. The surpluses of these crops and, hence, their procurement are concentrated in a few states and, given the minimum support prices which remain fixed for a crop year, the farmers take the first opportunity to deliver their produce when harvesting starts except when a substantial rise in the price of grain is expected in the latter part of the season. The quantities of grains thus mobilised have to be allocated to areas all over the country maintaining a steady flow of monthly instalments of grains supplied at a subsidised price. Obviously, this has to be a command operation as the normal trade channels working for profit may not find the task sufficiently attractive to undertake [Dantwala 1993]. Researchers have shown that, performance-wise, FCI compares poorly with private trade [Tyagi 1990]. Such comparisons are a little unfair to FCI as it is doubtful whether the Corporation has sufficient measure of autonomy to function like a business organisation. In our view, the persistent weaknesses observed in FCI operations are a clear symptom of overcentralisation. While efforts to tune up the personnel and working of the Corporation need to be undertaken, the more fundamental task is to reorganise the food security system itself on a decentralised basis. In the event of such a reorganisation, FCI, with its specialised experience and expertise, would be in a position to play a major supporting role to help the decentralised food security system to become operational. Hence, as we see it, the problem is one of making effective use of the capabilities of FCI in the changing context.

A third area where the food security system is receiving very low marks, particularly from the academics, is the benefits it provides to the poor. There is a consensus among the observers that the food security system has been able to eliminate famines and, also, bring a substantial measure of relief to the poor during years of acute scarcity. Particularly heartening has been the performance of the system during the recent major droughts [Acharya 1989; Ahluwalia 1991]. The latest available NSS data (1986-87) also show that the indicators of extent of benefits received by the poor from PDS are by no

means low enough to be dismissed as insignificant. According to a recent analysis, out of 141 million poor persons, who reported purchase of rice, 58 million (i.e., a little over 40 per cent) are estimated to have obtained the whole or part of their purchases from the PDS. The corresponding estimates for wheat are 75 million and 22.7 million [Jharwal 1993].

However, assessed against the norm of meeting the full or, at least, the major part of requirements of poor, the achievements of PDS could hardly be regarded as satisfactory. Jharwal's analysis shows that PDS accounted for only 17.5 per cent of rice consumption and 11.8 per cent of wheat consumption of the poor. Tyagi finds that the coverage of poor by PDS tends to be very low precisely in states like Orissa and Madhya Pradesh which are backward and, in terms of per capita income, are much below the national average [Tyagi 1990]. The food security system could also be faulted for pursuing a price policy which goes against the interests of the poor. It has been pointed out by Dantwala and many others that procurement has the effect of raising the market price of rice/wheat above the level which would have prevailed in the absence of procurement [Radhakrishna 1994]. Obviously, this would impose a heavy and regressive burden on the poor who, though intended to be the main beneficiaries of the food security system, have to depend on the market for a major part of their foodgrain requirements. Incidentally, Radhakrishna makes the telling point that during the recent inflationary phase which witnessed a much faster rise in foodgrain prices, particularly coarse cereals, the allocations of foodgrains for the anti-poverty programmes had actually declined!

Lest an impression is created that all that the poor need is increased allocation of foodgrains, it needs to be mentioned that the situation is much more difficult and complicated. A poor person who is hungry could be reached by 'food-for-work' type of programmes which provide foodgrains along with the necessary purchasing power. However, economists find that this safety net may not protect the poor who are not hungry but suffer from serious malnutrition. Once there is enough to satisfy hunger, the poor seem to give diminishing priority to foodgrains. It has been noticed that the proportion of total expenditure spent on foodgrains begins to decrease while the household is still below the poverty line [Rao 1984]. Interestingly, a recent multi-country study based on village and household level investigations comes to the conclusion that "increased income and food availability contribute to a quick solution of the hunger problem but not of the chronic problem of children's malnutrition, which results from a complex interaction of disease and lack

of food" [IFPRI 1994]. Considering the extent of prevailing poverty and its correlates of hunger and malnutrition, it is usual to refer to the present large stocks of foodgrains as "surpluses" not indicative of genuine adequacy of foodgrains. The implication is that the economy is still far from the point of overcoming the food problem [Bhalla 1994b].

A balanced view needs to be taken of the two contrasting pictures presented by the food security system - substantial achievements in building up a development-oriented system as compared to the past policies and programmes, at the same time, failure to adopt policies capable of leading the economy from scarcity to genuine adequacy of foodgrains for the poorer strata. To make sense of this apparent paradox, it is necessary to consider the circumstances shaping the response of the policy-maker to the food crisis. The grave situation during the 60s caused by the food crisis needed a mixed strategy consisting of short-term measures for relief and quick increases in production and equally important, long-term structural adjustment for more growth and equity to remove the roots of the crisis. The short-term tasks formed the relatively easier part of the challenge as during times of crisis technocratic-cum-bureaucratic approaches often bring dramatic results and find wide, even enthusiastic, acceptance among people. On the other hand, the long-term adjustments are difficult to implement, particularly in slow-growing democracies. The elites at the helm in the poor countries, who have to bear the burden of long-term adjustments, do their best to evade the pain of adjustment by thinking up an amazing array of stratagems and slogans. In the case of India, the measures for relief and quick increase in production were so successful that the policy-maker could easily convince himself that the long-term adjustments are best talked about but left to the long run! As a result, while the economy has moved from scarcity to 'surpluses', the vulnerability of the economy on the food front persists and the proneness to panic lying just beneath the claims about food self-sufficiency continues to pop up its head whenever there is even a hint of an approaching scarcity.

Looking ahead, there are signs of continuing build up of pressure on the policy-maker to strengthen and streamline the food security system. The reforms for liberalisation now gathering momentum have already brought in their wake removal of restrictions on movement and trade and freeing of foodgrain markets. It is difficult to see the continuation of the present price policy for much longer without major changes. Also, a suggestive sign of changing times is the acknowledgement at the highest level of the need to reduce food subsidies, to improve the efficiency of foodgrain

operations and to focus the PDS on well-defined target groups [Bhagwati 1994]. Thus, there are fairly clear indications of the direction in which the policy-maker would be under growing pressure to move.

It is also possible to see some factors on the positive side which would be favourable for implementing the changes needed in the food security system. Public investments in backward states to improve agriculture and rural infrastructure would now be getting much larger plan allocations. Equally likely is greater attention to new technologies for rainfed agriculture owing to the awareness that these have been neglected in the past. As a recent study has observed "Central Government's concern for speedy achievement of self-sufficiency in foodgrain manifested itself in biased allocation of scientists, research facilities and financial support for irrigated grain crops. Prolonging of this approach and continued emphasis on irrigated areas and irrigated crops have created some serious distortions and disparities in different areas of the country. It is reasonable to believe that if at the margin more funds were allocated for research on unirrigated crops, it would have perhaps resulted in higher marginal benefit (and) helped minimise the handicap of the rainfed areas" [Johi 1994]. Along with higher public investment and improved research and infrastructure for rainfed crops and areas, the central government is also contemplating making Jawahar Rojgar Yojana (JRY) a panchayat-based programme with considerable expansion in its scale [Government of India 1991]. Substantial agricultural growth in rainfed areas and increase in the incomes of the poor in these areas owing to higher growth and expanded JRY would be very congenial to policies to bring about progressive decentralisation and targeting in the food security system. Given this combination of favourable circumstances, there is a good chance that the situation of "surpluses" in foodgrains stretching over some years might trigger major changes in the food security system. It may be recalled here that large foodgrain stocks and accumulating foreign exchange reserves are often mentioned while making out the case for bold economic reforms ranging from reduction in fertiliser subsidy to convertibility of rupee!

REVAMPING FOOD SECURITY: OPTIMISTIC SCENARIO

In view of the serious economywide repercussions of a breakdown in food security, revamping food security system would need a complicated exercise providing for the necessary safeguards. What is feasible within the limits of a broad review is to indicate how the system would look like after it gets adjusted to a liberalised economy having good growth and broad-based

agricultural development. It is superfluous to say that this would give us an optimistic scenario in which the trends would progressively lighten the burden which the food security system bears. As we are already familiar with the variants of the system necessitated by recurring food crises, it would seem more to the point to look for a model appropriate to an era of adequate availability of food through broad-based growth in production.

In such a model, panchayats and other local-level participatory organisations entrusted with the task of implementing diverse development schemes for their areas by mobilising people would be the natural choice as an apparatus selected for reaching food to the poor. This apparatus would identify the poor, monitor their conditions and implement programmes to meet their employment and food needs. It would be far more economical and effective than the present centralised approach in focusing food security assistance on groups which deserve such assistance. It would obviate the need for universal PDS, help in gathering dispersed small surpluses missed by the present procurement network and broad-base the food security system by adding local staples to the national staples of rice and wheat. It must be mentioned that this grass roots level tier of the food security system would not emerge overnight but, hopefully, it would gradually gather strength and cover more areas along with the spread of panchayati raj and decentralised planning.

The next tier in the food security system would be located at the state level forming a part of the state's development planning and policies. The prominent functions to be covered at the state level would include those connected with agricultural growth like investments, adaptive research, extension and infrastructural reforms and improvements. The planning and financing of special programmes for backward areas and target groups including provision of subsidised food would also be located at this level. In addition, this tier would implement the price policy formulated at the national level and hold operational stocks of foodgrains in dispersed locations to ensure intra-year stability of prices and to reach foodgrains to areas in which the normal trade channels are weak and sluggish. The long-term objective would be to strengthen and extend these channels so that the areas needing regular intervention and help by public agencies could be progressively reduced.

Before proceeding further, a word may be added about the scope for decentralising the food security system implied in the scenario sketched so far. Price support operations, moderation of intra-year fluctuations in prices, reaching food to areas remaining out of mainstream market economy and strengthening the economic access to food

of genuinely needy groups by selective and tight targeting could all be located at the state and lower tiers. Since the tiers in the food security system would be supporting and complementing each other, decentralisation would mean that the centre would be able to concentrate its attention of functions which need a national level perspective and authority for their effective performance. Formulation of price policy, maintenance of buffer stocks to even out inter-year fluctuations and effective use of opportunities for growth and diversification offered by the recent GATT agreement are areas where the centre would have to play the major role. It would also be the responsibility of the centre to evolve the strategic framework for agricultural development capable of guiding, supporting and co-ordinating the state level policies and programmes. It has been a frequent point of criticism with the present food security system that it has led to neglect by the centre of its long-term functions because of its preoccupation with routine task which could be left to the lower tiers. Revamping food security to adjust to the changing context would make it possible for the centre to direct its attention again to areas which ought to be of its prime concern.

While a few broad strokes are enough to bring out the scenario, the far more difficult task is to spell out the policies which would be of help in making the transition from the

present to the new system. The success of the new system would depend on the local-level tier which, obviously, would need considerable time and experimentation to develop. What could be implemented relatively quickly is the transfer of functions to the state-level to reduce the excessive centralisation of the system and to limit the interventions of the centre so as to provide enough room for normal market processes to guide production and trade in food. However, interventions would have to be there to ensure that markets serve and not command and that they help change rather than hinder it through excessive volatility.

A careful review would have to be made of the present price policy. While ensuring a reasonable minimum price to the producer would be a legitimate intervention, raising the administered price to "remunerative" levels could be a costly exercise which would benefit in the end neither the producer nor the consumer but only the trader [Rao 1993]. It also needs to be pointed out that even after nearly three decades of price policy effective support has been given so far only to rice and wheat and that too in the states which are the main sources of procurement [Tyagi 1990]. The price policy would have to be reoriented to serve the objective of broad-based growth, diversification and increased export-orientation of agriculture. While the farm lobbies are often blamed for the present

OUTSTANDING BOOKS

EDUCATION : Comparative Study of Gandhi & Freire.
Kumud Sinha

Deals with the educational Philosophy and Pedagogy of Gandhiji, analyses the Philosophy and methodology of education advocated by paulo freire and presents the critical and comparative study of Gandhi and freire on the problem of education.

1995

ISBN 81-7169-317-2

Rs 300.

OPEN UNIVERSITY EDUCATION SYSTEM : Concept
Structure-management.

Sudarshna Rana

A Fascinating study based on the growth and performance of India's first open university, Known as Dr. B. R. Ambedkar open university established in August 1982 in Andhra Pradesh.

1995

ISBN 81-7169-324-5

Rs 225.

Save Indian Publishing—Buy Indian Books



COMMONWEALTH PUBLISHERS

4378/4B, Ansari Road, Murari Lal Street,
New Delhi-110002 Phone : 3272541

state of price policy, it is our impression that there are by now enough alert sections among the farmers who would favour a less populist and more rational approach to administered prices. However, politicians competing for votes by bidding up minimum support prices could be a formidable hurdle in the way of having a price policy appropriate to the emerging situation.

Another aspect in need of a critical review is the role of the public agencies set up for supporting and stabilising agricultural prices. In the new setting, they would need considerable skill and business acumen as they would have to compete with other market operators on equal terms. Many of them are chronic loss-makers despite special privileges and advantages conferred on them. It would be best to begin by granting them a measure of autonomy along with the responsibility to function as a business organisation. It needs to be mentioned that these agencies have had many occasions in the past to undertake commercial operations [Acharya 1994]. It would be reasonable to hope that, freed of interference, they would be able to discipline the markets much better than now.

With the latest round of agreement among the GATT nations to progressively reduce the barriers to international trade, the food security system could benefit from increased access to international markets through imports of competitive prices and promotion of exports in which the country has a comparative advantage. However, liberalisation of international trade would have to be done in measured steps along with continuing monitoring of world commodity markets which are subject to numerous distortions and a careful assessment of the benefits to the country from the policy of removing trade restrictions [Nayyar 1994]. This is particularly true of the immediate years ahead though in the long run orderly expansion of international trade would make it possible for the country to use trade opportunities to reduce costs and increase effectiveness of the food security system.

CONCLUSION

In the evolution of food security system in India, the transition from scarcity to 'surpluses' marks the end of an important phase signifying the crossing by the country of the Malthusian hurdle of widening gap between the food supplies and the needs of a growing population. The strategy and policies which helped the country in overcoming this hurdle would need substantive changes for the next phase of moving forward from 'surpluses' to genuine adequacy of food. The main lesson to learn is that the situation is now comfortable enough to allow markets to take over the functions which the government performs at greater cost and with much less effectiveness. At the same time, the states

would have to play a more active role by relieving the centre of the responsibility for the day-to-day routine chores. Further, an environment would have to be created in which the local-level participatory organisations would grow, spread and acquire capacity for delivering a wide range of development services to the rural people including implementation of schemes for food security for selected groups. Far from becoming redundant, the public agencies would remain an important component in the system though their interventions would have to be sophisticated enough to keep the market operators on their toes without hindering the legitimate functions of this group.

Looking back on the period since the mid-60s, it would be reasonable to hope that the transition of the food security system beyond 'surpluses' could be relatively fast and smooth provided the momentum gained in the course of achieving 'surpluses' is effectively harnessed for revamping the system in the years to come. While it would be unwise to be complacent about the future, disregarding the achievements so far would hardly be the right perspective for formulating the next phase in strategy and policies. The experiences gained so far in achieving breakthrough in agricultural production – successes as well as failures – would be a relevant input in assessing the future potentialities and opportunities. Equally relevant would be the feedback from the field that, while improved economic access to food is essential for helping the poor, steady increase in their nutritional status would occur only when a substantial rise takes place in their level of living comprising many major dimensions besides access to food. The broader implication for future is that an effective food security system would need not only increase in food production and its equitable distribution but also achievement of these improvements through a development process in which all areas, groups and sectors participate. In a word, moving from 'surpluses' to adequacy of food would need a whole new style of development rather than only so many more tons of foodgrains.

[This paper is based on the author's L. S. Venkataramanan Memorial Lecture given at Institute for Social and Economic Change, Bangalore, in December 1994. Thanks are due to the Institute and P. V. Shenoi, Director, ISEC, for the opportunity given to me to present the paper and to the participants for a useful discussion on the issues raised in the paper.]

References

- Acharya, S. S. (1989): 'Socio-Economic Impact of 1987 Drought in Rajasthan', Department of Agricultural Economics, Rajasthan Agricultural University, Udaipur.
- (1994): 'Marketing Environment for Farm Products: Emerging Issues and Challenges', presidential address delivered to 8th Annual Conference of Indian Society of Agricultural Marketing, Patna, October.
- Ahluwalia, Deepak (1991): 'Drought Proofing in the Indian Foodgrain Economy', *Indian Journal of Agricultural Economics*, Vol 46, No 2, April-June.
- Bhalla, G. S. (1994a): Chapters I and V in *Economic Liberalisation and Indian Agriculture*, G. S. Bhalla (ed), Institute for Studies in Industrial Development, New Delhi.
- (1994b): 'Globalisation and Agricultural Policy in India', presidential address delivered to 54th Annual Conference of Indian Society of Agricultural Economics, Shivaji University, Kolhapur, November.
- Bhagwati, J. and T. N. Srinivasan (1993): 'Indian Economic Reforms' (a report submitted to Government of India), New Delhi.
- Bhatia, B. M. (1967): *Famines in India: A Study in Some Aspects of Economic History of India (1860-1965)*, Asia Publishing House, Bombay.
- Dantwala, M. L. (1993): 'Agricultural Policy: Prices and Public Distribution System: A Review', *Indian Journal of Agricultural Economics*, Vol 48, No 2, April-June.
- Government of India, Reports of Commission for Agricultural Costs and Prices for recent years.
- (1991) *JRY Manual*, Department of Rural Development.
- (1994) *Agricultural Statistics at a Glance*, Directorate of Economics and Statistics, Ministry of Agriculture.
- International Food Policy Research Institute (IFPRI) (1994): 'Food Policy Statement', August 1994 (containing a brief review of Agricultural Commercialisation, Economic Development and Nutrition by Joachim Von Braun and Eileen Kennedy), Washington.
- Jharwal, S. M. (1993): 'Public Distribution System in India: An Empirical Study' (PhD Thesis submitted to the University of Rajasthan).
- Joshi, S. S. (1994): Chapter VI in *Economic Liberalisation and Indian Agriculture*, G. S. Bhalla (ed), Institute for Studies in Industrial Development, New Delhi.
- Malik, R. P. S. (1994): *Groundwater Management for Sustainable Agricultural Development: A Natural Resource Accounting Framework*, Agricultural Economics Research Centre, University of Delhi, Delhi.
- Nayyar, D. and A. Sen (1994): Chapter III in *Economic Liberalisation and Indian Agriculture*, G. S. Bhalla (ed), Institute for Studies in Industrial Development, New Delhi.
- Radhakrishna, R. and K. Hanumantha Rao (1994): 'Food Security, Public Distribution and Price Policy' (Discussion Paper Series No 4), Project of the United Nations Development Programme.
- Rao, V. M. (1984): 'Income Barrier in Reaching Food to the Poor' in *Rural Development in India – A Multi-Dimensional Analysis*, T. K. Lakshman and B. K. Narayan (eds), Himalaya Publishing House, Bombay.
- (1993): 'The Wheat Story: Recent Changes in Price Policy', *Economic and Political Weekly*, October 30.
- (1994): 'Agriculture and Liberalisation', *Economic and Political Weekly*, April 16-23.
- Tyagi, D. S. (1990): *Managing India's Food Economy*, Sage Publications, New Delhi.

Colonial Ethnography of the Kandha

'White Man's Burden' or Political Expediency?

Jaganath Pathy

The Kandha of Orissa have been enshrined in the ethnographic literature as practitioners of human sacrifice and female infanticide in the past, and the British are credited with suppressing these 'cruel customs'. A re-examination of the colonial sources exposes the fact that ethnographic reports were designed to justify the brutal repression of the indigenous people's fierce resistance struggle against colonial invasion and oppression.

THE Kandha¹ have been enshrined in the ethnographic literature as cruel practitioners of human sacrifice and female infanticide. Concurrently British rule is credited with the effective annihilation of such heinous customs within a relatively short time. Almost all the evidence till date on these abominable practices of the Kandha comes from colonial army despatches, police records and administrative reports of the period when the Kandha were putting up fierce resistance against the advancing colonists.

The British conquest of Orissa commenced in 1803 and by 1830 virtually all the Hindu kings had come under British rule. But several 'muthaheads'² of the Kandhamals,³ far from recognising British suzerainty, relentlessly continued to resist the alien invasion. In 1835, the Hindu king of Ghumsar refused to pay any tribute ('peskash') to the British, and the peasants revolted against the foreign encroachment. The rebellion was crushed with military might and the king fled to the Kandhamals with his family and treasury. The Kandha gave him shelter while the British army ravaged dozens of Kandha villages, looted their stocks of grain, and publicly hanged several Kandha leaders. In turn, the first batch of British soldiers was killed [Boal 1963: 1-7]. The ailing king died soon in one of the villages, but the entire Kandha region was in a state of unprecedented insurrection.

In August 1836, Russell, a member of the Board of Revenue responsible for controlling the disturbances, sent a brief note to the Madras government, saying that in the Kandhamals the people were notorious for frequent rites of human sacrifice and female infanticide. He suggested that in order to rule over the Kandha territory, it was necessary to revive the fairs formerly held in different localities, as well as to establish a network of new market centres where the British administrators could conveniently approach the Kandha [Selections 1854]. The officer was perhaps bound to explain the local British failure to annex the Kandha territory. Anyway this constituted the first ever written note on these pernicious practices of the Kandha.⁴

Consequently Colonel John Campbell was appointed as the assistant collector of

Ganjam district to stamp out these opprobrious practices by annexing the Kandha territory at any cost. In 1841, Lieutenant S C Macpherson succeeded Campbell. Both of them wrote and published books on Kandha ignominious rites, and a few other soldiers and administrators prepared local reports on the subject. These happen to be the only sources on the Kandha people and culture, especially on their flagitious customs. Subsequent scholars, including of the post-colonial period, have mostly reproduced, over and over again, the earlier information of the colonial soldiers *ad nauseam*, without any significant or critical evaluation.

It needs to be noted that neither Campbell nor Macpherson had any knowledge of the Kui, the Kandha language. Even their knowledge of Oriya was insignificant. Both depended upon Oriya traders, chiefs and local officers for information regarding Kandha society and culture. Their acquaintance with the Kandha was "confined to military expeditions in the winter seasons" [Bailey 1957: 177]. General Campbell's book was "bombastic, unreliable and fiercely determined to blacken the character and achievements of Macpherson who was dead when Campbell wrote his book" [Bailey 1957: 177]. And Macpherson's letters and official reports were published by his brother as 'an apology' (1957: 177). Indeed there was a prolonged and bitter jealousy between these two administrators. "For various reasons Campbell and Macpherson alternated several times with one another. When Campbell had charge, he reversed the arrangements made by Macpherson and on one occasion succeeded in getting Macpherson and his entire staff put under arrest. When Macpherson had charge, he removed and then imprisoned Sam Bisoye, in whom Campbell had frequently expressed his confidence" [Bailey 1960: 176-77]. Small wonder that little can be systematically or coherently compiled about Kandha history and culture from their writings. Yet astonishingly, their books and reports have been approvingly cited umpteen times by subsequent ethnographers and anthropologists.

Principally standing upon these official reports and books, a number of subsequent British administrators have written a few

pages each on Kandha human sacrifice and female infanticide [Dalton 1872; Hunter 1872; Frazer 1890; Risley 1891; Maddox 1901; O'Malley 1908; Thurston 1909; Russell and Hiralal 1916; Roy 1922 and many others]. Frazer on that basis even asserted that the "best known case of human sacrifices systematically offered to ensure good crops is supplied by the Kandhas" (1890: 1-384). Suffice it to state that hardly any one of them had any direct contact with the Kandha. For instance Dalton acknowledged that his:

...personal acquaintance with the Kandhas is very limited. I have seen a few in attendance on tributary chiefs, and have fallen in with some families of the tribe in the Bonai dependency; but they had been too long dwelling in a servile position amongst aliens to have retained any distinctive or typical characteristics of their race, and could converse only in Oriya (1872: 285).

Any expectation that ethnographers such as Risley and O'Malley could have verified and elaborated on the accounts of the British soldiers is completely belied. In 1885, the British government had asked Risley to make a comprehensive field survey of the tribes and castes of Bengal for better administration and also as a contribution to comparative ethnological research. Though he claimed that his work was "the first attempt to apply to Indian ethnography the methods of systematic research sanctioned by the authority of European anthropologists" (1891, I: Preface), he relied upon the information provided by James Taylor, the Tahasildar of Kandhamals, and Rev Father Schaff. They in turn asked their subordinates to administer an exhaustive interview schedule with as many as 391 questions. There was however not a single question of female infanticide, and three out of the four questions on human sacrifice were of trivial nature. And yet depending largely upon the accounts of the British soldiers, Risley wrote extensively on frequent inter-clan wars to capture wives, female infanticide and human sacrifice. Fortunately he did admit that he had serious "difficulty in ascertaining the precise form of exogamy practised by them, and indeed in getting any information at all on the subject" [Risley 1891: 1-399, emphasis

added]. If on such an unoffending subject the information could not be collected, how could he trust the soldiers to collect information on the atrocious practices of the Kandha half a century earlier?

It is true that Risley had some minor reservations about the earlier colonial accounts, but not with regard to the substantive issue of human sacrifice. He wrote:

Much has been written about the religion of Kandhas, but the subject can hardly be regarded as having yet been fully cleared up. Major Macpherson's account of the matter ascribes to the Kandhas religious conceptions of a very advanced character, quite out of keeping with their primitive social organisation, and one is inclined to suspect that the persons from whom he derived his information must have described to him rather their ideal view of what the religion of the tribe ought to be than what it actually was (1891: 1-403).

The 'meriah' (the person sacrificed) "as a victim rather than a god may perhaps have received undue emphasis from the European writers who have described the Kandha religion" [Risley 1891: 1-407]. With regard to human sacrifice, as he was "not in a position to add any fresh facts to those already on record in the reports" (1891: 1-404), he approvingly quotes from Frazer's description of the rite. The status of colonial ethnography is thus self-explanatory.

The work of another better known British scholar, O'Malley (1908), "bears the stamp of having been written at second hand from the information of local officials, and is quite inaccurate in its account of the history of the region" [Bailey 1957: 177]. This is obviously a very mild criticism. It is not a simple question of finding errors in the colonial accounts of the history of a territory or of the socio-political system, but essentially one of victimisation of an independent people through colonial constructions of customs such as widespread slaying of female infants and the atrocious crime of human sacrifice. Evidently, Bailey's own research was not directed at restoring the dignity of the people by exposing the colonial conspiracy.

That aside, the point is that neither the supposedly independent anthropologists of colonial times [Friend - Pereira 1903, 1905; Elwin 1944] nor those of the post-colonial period [Bailey 1957, 1960; Das 1956, 1960; Raman 1957; Boal 1963; Niggemeyer 1964; Banerjee 1969; Pathy 1976; Patnaik and Das Patnaik 1982] have made any significant effort to demystify the imperial power structure and the Kandha 'vile' customs. Rather by reiterating the colonial justification for annexation of Kandha lands, they have unwittingly provided much needed legitimacy to the colonial army actions and accounts.

In such a desperate ethnographic matrix, it is not easy to reconstruct the history and

culture of the Kandha. The following seeks to utilise the internal and logical contradictions in the colonial ethnography with respect to female infanticide and human sacrifice. The oral tradition is not of much help when the society, being prosecuted and intimidated for generations, has in large part internalised the guilt. Perhaps there may be still some scope for selective recovery of legends and folklore, but we have not been able to explore the possibility.

FEMALE INFANTICIDE

With a few exceptions, the Kandhas are divided into several patrilineal, exogamous septs called *gochis* and some of them are further sub-divided into sub-septs called *Klambu* [Risley 1891: II-68-69]. While septwise territorial grouping might have been common in the remote past, there is hardly any un-clan *mutha* or administrative unit. Campbell and Macpherson "frequently referred to everyone who lived in the hills as a Kandha, although in some contexts it was clear that they were talking about Oriyas" [Bailey 1960: 144-45]. Half a century after the first official reports about the Kandha were made, Risley failed to collect "any information at all" on Kandha exogamy (1891: 1-399). He wrote:

Until comparatively recent times, the contiguous septs were always at war with each other: wives were captured, female infants were slain (1891: 1-4).

By the time of Risley's study, the "brave and resolute" Kandhas of Macpherson's times [Selections 1854: 59] had been transformed into people "shy, timid and hating contact with outsiders" [Risley 1891: 1-397]. Data on exogamy were unavailable and yet clan warfare to capture wives persisted. Hunter went even further to explain the alleged warfare:

The Kandha theory of existence was that a state of war may be lawfully presumed against all tribes and nations with whom no express agreement to the contrary existed.

In a word, the practical spirit of their intercourse is the result of a conflict between the *anti-social spirit of independence which universally characterises a rude people* and the love of security and enjoyment which necessarily attends the *hereditary possession of competence and freedom* (1877: XIX-221, emphasis added).

Contrary to the colonial racist theory, Kandha legends suggest occasional inter-clan conflicts, especially with respect to encroachment on hunting and axe-cultivation territory, but not for the capture of wives [Pathy 1976: 7-8]. Indeed in the clan wars, as a principle "women were never attacked" [Bailey 1960: 15]. Arranged marriages and frequent exchange of women between the clans provided a sort of symmetry and inter-clan harmony (1960: 29-30).

Nonetheless, following the narratives of Major Macpherson of 1842 and 1845, Risley, Thurston and others have explained the prevalence of widespread female infanticide in terms of frequent clan warfare. Macpherson was told by some Kandhas (?) in 1842 that "it was better to destroy girls in their infancy than to allow them to grow up and become causes of strife afterwards" [Selections 1854: 47]. The major evidence for the prevalence of large-scale female infanticide was that during the military expeditions of Major Macpherson in 1842 and Captain Frye in 1855, they did not find a single female child in several villages [Thurston 1909: III-287]. This is no basis for criminalising a whole society. After all when alien troops march into villages, the first to escape for safety will be the most vulnerable sections, the women and children. The Kandha knew well the barbaric crimes committed against their women by outsiders, even before the British raids. On occasion agents of some neighbouring Hindu kings used to take away handsome unmarried girls by force for the king and other wealthy persons' pleasure. The practice was so rampant in certain regions that the Kandha women profusely tattooed their arms, chest and face with crocodiles, lizards, scorpions, etc. and disfigured their otherwise comely faces. This was not for purposes of ornamentation, ritual or medication. Now the practice is that no Kandha girl can marry without tattooing her face [Bailey 1957: 118; 1960: 67-68, 166-69]. The Kutia Kandha, however, appear to be an exception, perhaps due to the inaccessibility of their area [Pathy 1976: 23]. It is more logical to infer that during British military expeditions the female children escaped into the jungle rather than that they were killed at infancy.

After visiting a few Kandha-inhabited areas, Captain A. C. McNeile reported on May 12, 1857 [Selections, Madras Government No. LXXXI] that both female and male infanticide was prevalent to an "appalling extent". The practice allegedly was based upon the prediction of the priest that the child would bring misfortune and grief to the family. Had this been true then the Kandha population of the region would not have survived long, let alone engaged in a struggle for decades against the mighty British power.

Dalton explained the practice of female infanticide among the Kandha in terms of the high expenses of the marriage rites and high prices for wives of their own tribe. Thus "they killed their own girls and purchased wives from other parts of the country" (1872: 289). There is no evidence whatsoever that the Kandha were not a strictly endogamous community. Besides, if brideprices were so high, why would parents kill their daughters? And which neighbouring communities were there to sell their daughters

to the Kandhas? Moreover, as there was no money economy, what surplus goods were exchanged to purchase the girls? Without any scrutiny, Dalton simply relied on Russell's report of 1836, whose real agenda was to victimise the Kandha and legitimise brutal colonial repressions. Of course, recent writers hardly make any departure from the colonial reports. For instance Watts wrote that the Kutia Kandha practised female infanticide as late as 1950, for "their self-esteem did not permit their daughters to marry outside their tribe", and "they were too poor to afford the expenses of wedding ceremony" (1970: 49-50).

It is true that some of the ethnographers doubted the reliability of initial British army despatches and denied its universal character. Female infanticide was said to have been confined to the middle Kandha region, and even there some tracts like Digi and Bodo Ghoru were honourable exceptions [Dalton 1872: 289]. It prevailed in about 2,400 square miles inhabited by 60,000 Kandhas, and on an average between 1,200 to 1,500 female infants were destroyed annually [Thurston 1909: III-385]. As there was no record of births and deaths, one wonders how the figure was arrived at.

To explain why certain Kandha regions were exceptions to the practice, we are told that those Kandhas who offer human sacrifice did not practise female infanticide; the former worshipped the earth goddess whereas the latter neglected her in favour of the sun god [Thurston 1909: III-392-93]. Those who practised female infanticide believed that women made the world suffer and hence avoided the rebirth of deceased female ancestors in the same families [Dalton 1872: 289]. In contrast to this observation that the Kandhas practised either human sacrifice or female infanticide, the earlier records asserted the practice of both customs by the same sections of the Kandhas and indeed most other writers of both the colonial and post-colonial periods made no such distinctions. In other words, not finding any report of human sacrifice in large tracts of Kandha territory, some such as Dalton and Thurston provided this explanation.

Whereas it may be methodologically inappropriate to evaluate colonial ethnography in terms of the contemporary status of female children and women, the near-total absence of any data base left by British administrators leaves little choice. Among the Dongria Kandha, "longing for children, irrespective of any sex, is very common", and a baby of any sex is considered to be the blessed child of Dharani Penu – earth goddess [Patnaik and Das Patnaik 1982: 103]. In fact, "female children are valued most... because women are a great economic asset" (1982: 89). Among the Kuvi Kandha all children are treated with great affection and love [Banerjee 1969: 18]. And "to be

1. **Child Labour in Carpet Industry – A Status Report** by *S. Vujaygopalan*

Price: Rs. 120.00 (Postage charges: Rs. 10.00)

The study analyses the issue of child labour and examines the socio-economic conditions of the carpet children in the Bhadohi-Mirzapur belt of Uttar Pradesh.

2. **Human Development**

Price: Rs. 120.00 (Postage charges: Rs. 10.00)

Special Issue of NCAER quarterly journal *Margin* contains specially commissioned articles on human development.

3. **Household Survey of Health Care Utilisation and Expenditure (January 1995)**

by *Ramamani Sundar*

Price: Rs. 120.00 (Postage charges: Rs. 10.00)

This is the second such study by NCAER. It collected information on the prevalence of illness, utilisation and sources of health services, types of providers, systems of medicine used and the distances travelled to seek treatment. It is a national survey and gives information by states as well.

Available from

Publications Division
National Council of Applied Economic Research
Parisila Bhavan, 11-Indraprastha Estate,
New Delhi - 110002

Fax: (91-11) 3327164

Tel: (91-11) 3317860 - 68

father of many daughters is not a calamity for a Kandha" [Bailey 1960: 94]. The daughters never share in the inheritance of the parental property [Risley 1891: 1-403].

Most marriages require payment of brideprice which includes buffaloes, cows, goats, brass plates, cooking vessels, ornaments, etc [Risley 1891: 1-402]. The brideprice demanded by the girls side is high, but not too high, because when the girl goes to her husband after about a year she must take with her somewhat more than what her family received. The dowry amount cannot be very much more than the brideprice for that would disgrace the groom's family [Bailey 1960: 30]. In case of marriage by elopement or capture, brideprice is still obligatory, although the amount will be less than that of marriage by negotiation. In other words, there is not much justification for marriage by capture.

Instead, marriage by service has been used as an alternative measure to meet the demand of bridewealth. The groom is expected to serve in his future father-in-law's house for some years before solemnising the marriage [Russell and Hiratal 1916: III-467]. The other options are marriage by exchange and levirate or sororate marriage. The cost is much less in case of marriage to a widow, a divorced wife, or to cross-cousin. Some village studies have recently shown that only a fifth of the marriages are by capture whereas one-third are by elopement with mutual consent, one-fourth by negotiation and one-eighth by service [Banerjee 1969]. In brief, the complex nature of brideprice and the alternative forms of marriage, amply demonstrates that clan warfare to capture brides, high cost of marriage and consequent female infanticide, are largely fabrications of British soldiers and administrators. Further, if there were large-scale female infanticide, the consequent shortage of women would have led to some form of polyandry. Instead, polygamous marriages were sanctioned. A micro-study found that 14 per cent of all marriages was polygamous [Patnaik and Das Patnaik 1982: 70].

Curiously, almost all the colonial ethnographers noted that women hold a high position in Kandha society. The Kandhas faithfully observe the marriage tie, adultery is seldom heard of [Hunter 1877: XIX-225-27]. Husbands treat their wives kindly [Risley 1891: 1-402]. The "husband never shows any disrespect to his wife and seeks her advice in all social and economic matters" [Patnaik and Das Patnaik 1982: 72]. When the women enjoyed such a position in the society, why were their daughters slaughtered?

The best way to explode the myth of female infanticide would be by genderwise population data. But unfortunately before 1872, most of the Kandha-inhabited areas, especially the princely states, had no census

[Hunter 1877: XIX-203]. Even the census of 1872 was collected through the kings' officials, police and revenue department. In the Kandhamals, the strength of males above 12 years of age was lower than that of females, although the proportion of males was 51.6 per cent when all age groups are combined. In the tributary states as a whole, females above 12 years outnumbered their male counterparts (51.2 per cent) among the indigenous peoples [Hunter 1877: XIX-205]. Granting the inadequacy of the census data, it is evident that there was no female infanticide as a social practice.

The 1881 Indian census was incomplete; it put the Kandha population at only about 2,50,000, while in the 1891 census, they numbered 6,27,000. Their number increased to 7,41,000 in 1931, 7,45,000 in 1941, 7,50,000 in 1951, 8,20,000 in 1961 and 8,70,000 in 1971. In the Kandhamals their strength increased from 59,000 in 1891 to 80,000 in 1951. In other words, demographic growth has been continuous. Some of the village studies have shown a slight preponderance of females over males [Banerjee 1969: 14, Pathy 1976: 17]. But since female infanticide is said to have been effectively stopped by the 1850s, these figures are not of much significance. Nonetheless, on April 7, 1881, C F MacCartie, the special Assistant Agent of Ganjam, reported from Baliguda that "the Daringbadi census shows 1,229 Kandha girls as compared to 1,127 boys. It is the conclusive evidence that there is no infanticide where 30 years ago not a single girl child was to be found" [cited in Patnaik and Das Patnaik 1982: 303].

If there was female infanticide, it must have been very rare, performed in circumstances of serious external political threat of dishonouring women. Risley, in one of his incisive statements mentioned that "such savage infanticide is an incident of the primitive struggle for bare existence which disappears when the severity of the struggle is alleviated by peace" (1891: II-lxxv). The fact that the practice was effectively prohibited within a short period may imply that either it was a manufactured colonial myth, or a product of the crisis in the political economy emerging from incessant British wars. It had no general social sanction. In short there is neither logical nor substantive support for the theory that the Kandha practised female infanticide and yet colonial as well as contemporary ethnography has wittingly or otherwise accepted it and thereby dehumanised and demoralised a once powerful and independent people.

MERIAH SACRIFICE REVISITED

In order to evaluate the infamous practice of human sacrifice, a brief outline of Kandha religion may be useful. The often cited paper

of Captain Macpherson (1852) holds that the Kandha believed that the supreme god created for himself a consort – the earth goddess, the source of evil. The god of life and his rebel consort contended for superiority until the elements of good and evil became thoroughly co-mingled in man and nature. Hunter adds that "their conception of nature of god is one of chronic hostility to mankind, mitigated at intervals by outpouring of blood" (1877: XIX-232). The Kandha pantheon consisted of the supreme god and 83 gods [Russell and Hiratal 1916: III-473; IV-139, 550]. Hunter noted that there were 14 great deities, 11 minor divinities and a large number of Hindu or mixed ones (1877: XIX-232-33). The gods had neither images nor shrines. A few writers have doubted the authenticity of Macpherson's account of Kandha religion, especially of their belief that every person is endowed with four souls, one of which is destined to suffer punishment for sins and complete the round of transmigration, and one of which will join the gods [Russell and Hiratal 1916: III-227, 230; Ghurye 1943: 265].

The philosophy of any religion survives much longer than the specific rites, hence referring to recent studies on the topic may not be out of place. Among the Dongaria Kandha, the shrine of the earth goddess is lodged in the middle of the village, and near that a wooden post of three to four feet height, representing her husband (Jhankad), is placed. The earth goddess is "respected with high esteem as the creator of the world and does not ordinarily cause any harm to men, and enlivens as well as protects them from pestilence, depravity and evil" [Patnaik and Das Patnaik 1982: 139-41]. My field notes in the early 1970s in the Kandhamals reveal similar conceptions. Colonial information on the absence of a shrine, the theory of irreconcilable contradiction between the supreme god and the mother goddess, and the evil and vindictive nature of the female deity – on which the whole conception of human sacrifice rests – bear little scrutiny.

Descriptions of meriah rite of human sacrifice are to be found in the accounts of soldiers of the East India Company, especially Macpherson (1865) and Campbell (1861). Russell prepared the first report during the raids by British troops to control the uprising in the Hindu kingdom of Ghumsur in 1835 and Kandhamals in 1836, where the first batch of the British troops was killed by the Kandha. He reported that "a whole people practised human sacrifice and female infanticide on a scale and with a cruelty which had never been surpassed by the most savage of nations" [cited in Dalton 1872: 285]. Subsequent ethnographers mentioned a few exceptions. Only one section of the Kandha which worshipped the earth goddess for the fertility of the soil

practised human sacrifice, while the other section which worshipped the supreme god held human sacrifice in abhorrence [Dalton 1872:286]. In addition, there were Kandhas who neither practised human sacrifice nor female infanticide, especially those who lived in the districts of Sarangad, Chandrghari and Degi of Kosadah [Dalton 1872:291]. Even in the Ganjam Maliahs, some muthas like Kurtilli did not practise human sacrifice [Thurston 1909:111-380].

At the same time there were reports of inclusion of non-Kandha people in the practice of human sacrifice. The officers of the meriah agency stated that "there was reason to believe that the Raja of Jeypore in 1860-61 sacrificed a girl of 13 years at the shrine of the (Hindu) goddess Durga in the town of Jeypore" [Thurston 1909: 111-379]. The Hindu king of Bastar had allegedly sacrificed 27 adult males on a single occasion [Dalton 1872:290], as did the king of Anugul. These were some of the kings who provided leadership to the Kandha at different times in their struggle against colonial invasion. The immigrant Oriya settlers of the Kandhamals were also "fully committed in the Kandha ritual of human sacrifice" [Bailey 1957:132]. Given the system of exclusion and inclusion, it is difficult to ascertain which community was the originator of the practice and which one the eventual follower. From the British records, it is even difficult to ascertain who used to sponsor the ceremony for the propitiation of the earth goddess. Russell's report of 1837 mentions that human sacrifice is offered annually by rotation in certain muthas, while Macpherson indicated the group concerned was the clan. But they are not explicit [Bailey 1960:51]. Risley wrote that the periodical sacrifices by the tribes and divisions of tribes was so arranged that each head of a family was able to procure a shred of flesh for his fields once in a year (1891: 1-402). Some others hold that the ceremony united the "whole Kandha race" [Hunter 1877: XIX-234].

Similar confusion exists with regard to the rites and the victims. Based on the accounts of Macpherson and Campbell, Frazer wrote that the victim

...was acceptable to the goddess only if he had been purchased or had been born a victim – that is the son of victim father – or had been devoted as a child by his father or guardian. Knonds in distress often sold their children for victim considering the beatification of their souls certain and for the benefit of mankind, the most honourable possible (1890:1-387).

In contrast, Hunter noted that "Brahmans and Kandhas were the only races whose purity exempted them from sacrifice" (1877:XIX-236). Captain Campbell in 1838 claimed to have released 100 meriah children who belonged to all races, religions, and castes, including several Kandha children

[cited in Dalton 1872: 290]. Risley also noted that Kandhas in distress often sold their children for meriah (1891: 1-406). The Kutia Kandhas of Belghar sacrificed only a man or woman of their tribe who had been dedicated for the purpose from birth [Watts 1970:48]. But among the Kuvi Kandhas, the victims used to be Kandhas other than of their own community [Banerjee 1969: 167].

Leaving aside the confusion as to whether Kandhas were excluded from the sacrifice, it is intriguing that some of them sold their children for the purpose due to economic distress. Given the fact that everyone had the right of access to slash-and-burn cultivation land and to forest produce, the widespread reciprocal exchange of labour and goods among the kin, and the institutionalised obligation of the social or spatial unit to assist a family in want, it is hard to comprehend how some Kandha families found it difficult to survive to the extent of selling their children for the human sacrifice. Besides, due to the prevailing communal responsibility for the repayment of debt, the Kandha considered contracting debt as one of the nine cardinal sins [O'Malley 1934-95]. Hence indebtedness could not be the cause of hardship. Dalton was perhaps a bit sceptical on the issue of selling children as meriah and thus wrote that "as a rule, victims from their own tribe were not procurable", except in very rare cases (1872:286).

Whether it is a Kandha or non-Kandha meriah, he/she should be purchased. Criminals or prisoners captured in war were not suitable subjects for sacrifice. "A rule came down from the remote antiquity that the victim must be bought with a price" [Hunter 1877: XIX-236]. Thus at the time of sacrifice, they chant that "We bought you with a price, no sin rests with us". All accounts suggest that the Kandha purchased meriah through the Hindu low caste Panas, who lived in and around the Kandha villages. Existing evidence points to the immigration of this caste to Kandhaland less than 200 years ago. They came after being exiled from some of the neighbouring Hindu kingdoms for their alleged involvement in thefts and robbery. The Kandhas gave them shelter in their villages, and they in turn acted as mediators between the Kandhas and the Oriyas, and worked as weavers and petty traders [Thiady 1965:7; Pathy 1976:1-9]. In other words, if the Panas were the sole procurers of the victims, the tradition of human sacrifice by purchase of victims can at best be traced to the end of the 18th or beginning of the 19th century, which almost coincides with the East India Company's attempts to annex the territory.

In any case, in order to purchase the human beings – wives or meriahs – the Kandha should have been producing the considerable surplus needed for the exchange. But before

1855, there is no mention of the existence of trade and commerce in the Kandhalands in the British administrative reports. The solitary note of Macpherson is sketchy for it did not specify details of the who, what and where of such transactions [Pathy 1976]. In fact, Hunter stressed that in "Lieutenant Macpherson's time a true Kandha husbandman knew nothing about money, and detested trade of every sort" (1877: XIX-230). Bailey also noted that by tradition the Kandhas were agriculturists and "had contempt for those who engage in trade, and for those who have any dealings at all with foreigners" (1960:205). In the Kandhamals before the 1850s, "there were no markets and... each village was self-sufficient economically... The same goods were produced and consumed within the village. There was so to say no foreign trade" [Bailey 1969: 125-26]. The Kandha did grow turmeric and a little oilseed, but there is no way to know how much of these crops went for exchange. It is reasonable to presume that the turmeric was traded and that some of this trade "was carried on by merchants travelling in the hills – which indicates that the area was safer than one would imagine from other (colonial) accounts" [Bailey 1957: 144]. Probably there was no large-scale turmeric cultivation before the immigration of the Panas. In any case, purchase of human beings by turmeric or by goods exchanged for that – as there was no money in circulation – appears both impossible and illogical.

Turning to the rites as reported by colonial mercenaries, administrators and ethnographers, it may be briefly noted that human sacrifice was offered to the earth goddess, and pieces of flesh were buried in the fields to ensure good crops, especially "the deep red colour of turmeric", and immunity from diseases and accidents [Frazer 1890: 1-386]. The sacrifice was declared for all mankind. Despite the risk of digression, it needs to be noted that the colour of turmeric is not blood red but deep yellow. All societies distinguish between green, yellow and red, and certainly the Kandha could never have confused red with yellow. Obviously then, it was the colonial characterisation of them as 'savage primitives' that legitimised the myth of such a confusion.

The victims purchased from the Panas were treated with extreme affection for years together. On the day of the sacrifice he/she was anointed with oil, ghee and turmeric and adorned with flowers. The victim must not die in bonds; and to prevent escape the arms or legs were broken [Dalton 1872:287] or he/she was stupefied by a large dose of opium [Campbell, 1861:113; Macpherson 1865:119], or drowned first in the blood of pigs [O'Malley, 1908:90]. He/she was systematically tortured and mutilated in a most gruesome manner. All efforts were

made to prolong the life as long as possible for the "more the tears shed more the rain would fall on the crops" [Watts 1970: 49]. The sacrifice was carried out by strangulation with a slit bamboo [Thurston 1909: III-368], or by cutting up alive [Dalton 1872: 288], or by violently beating the head with heavy metal. Then the flesh was taken by representatives of different villages for distribution and put in their fields. The rest of the victim's body was either burnt and ashes scattered over the fields, or sometimes buried [Russell and Hiralal 1916: III-471-75]. The meriah's flesh and ashes were believed to be endowed with the magical power of fertilising the land and the blood and tears for the redness of the turmeric and production of rain respectively. The meriah thus appears as divine but is treated as a victim by the European writers [Russell and Hiralal 1916: III-478].

Astonishingly some nationalist scholars such as Ghurye (1943: 263-67) treated the Kandha practice of human sacrifice as agricultural magic to restore the exhausted fertility of mother earth. But why would predominantly shifting cultivators in the hills be concerned with agricultural magic to restore fertility? It might be more appropriate for settled plough cultivators than for swidden cultivators. The mountains are controlled by other gods. In any case, if the sacrifice were offered to the earth goddess then the women would have been prohibited from disturbing the land surface, but Kandha women are free to dig and plant seeds in swidden plots. One therefore presumes that the Hindu conception of agricultural magic in the scriptures was inadvertently extended to the Kandha context without any scrutiny. Incidentally, in the first reports it was an earth god but later on was called earth goddess.

The horrifying details of the sacrificial rites are not recounted here. The most important point to be stressed is that nowhere in the voluminous reports is there a single eyewitness account. All the narratives are based on information collected from Oriya and Bengali subordinate officers and liquor traders. The Oriya stereotypes and images of the Kandha must have influenced the stories told by them.

Evidence also came from the existence of a sacrificial pillar in a village of Baliguda which is currently kept in the Madras museum. But if it was so widespread, why were not a few more located? The major support is derived from the surrendering of a large number of meriahs to the British authorities. In 1837, Russell reported that 29 meriahs were surrendered, and the following year Captain Campbell managed to release 100 meriah children. In 1848, after the Kandhas were subjugated in Anugul, 235 meriahs were handed over to Campbell. Again in 1855, he rescued 294,

including 117 females. In 1859, 206 more were handed over, and Captain McNeile rescued another 100 meriah children [Dalton 1872: 289-93]. Presuming that a much larger number might not have been formally surrendered, one is tempted to presume that the Kandhas were rich enough to buy thousands of humans for sacrifice.

Most of these surrenders occurred in those parts of Kandha country where resistance struggles against the British annexation were fierce and guerrilla warfare formidable. It is thus difficult to distinguish the number of meriah victims surrendered from those taken as captives or prisoners of colonial war. Of course, the army despatches imply there was very little use of force to achieve the surrenders [Patnaik and Das Patnaik 1982: 3]. The "Kandhas were inclined to yield to mild coercion" [Dalton 1872: 289]. It seems during the military expeditions in the winter months the British soldiers effectively persuaded the Kandhas that "fertility and prosperity could be had without human sacrifice." But inadvertently perhaps, "the same officers described how villages were burned, stores of grains destroyed and the leaders of the Kandhas flogged or hanged" [Bailey 1960: 176]. Besides, if human sacrifice was the integral rite of the Kandha, why did they hand over their prized possession of victims without any resistance, and that too from the very first years of British involvement?

The practice is said to have continued longer in some parts such as Ghumsar, Boad, Kandhamals, Kimediy, Jeypore, Anugul, Kalahandi, Patna and Bastar. As a final sacrifice the Boad Kandhas are said to have killed 125 meriahs in 1844 [Macpherson 1865: 246]. The last recorded meriah sacrifice in the Ganjam Maliahs occurred in 1852, and among the Kutia Kandhas in 1880 [Thurston 1909: III-378]. Nonetheless, in 1902 the Ganjam Kandhas seem to have petitioned the district magistrate "to allow the resumption of human sacrifice as an emergency measure on account of drought and scarcity" [Thurston 1909: III-380, O'Malley 1934: 94]. Despite all efforts neither Bailey nor I were able to trace the petition. There is reason to doubt whether such a petition was ever made, and in any case, who petitioned and why is this alone missing from the record?

When the Rampa rebellion of 1879-80 spread to Vizagapatnam district, it seems "several cases of human sacrifice occurred in the disturbed tracts" [Thurston 1909: III-379]. It needs no reiteration that whenever and wherever Kandha insurgency increased, the practice of human sacrifice appeared in the official reports, and on that basis repression was let loose.

Evidence for the revival of human sacrifice is even flimsier. For instance:

In 1883, a man was found at daybreak murdered in one of the temples in Jeypore in circumstances which pointed to his having been slain as a meriah, and as late as 1886, a formal enquiry showed that there were ample grounds for the suspicion that the kidnapping of victims still went on in Bastar [Thurston 1909: III-379-80].

These were only suspicions. Moreover, sacrifice in a temple and kidnapping of the victims for sacrifice stand in contradiction to the earlier writings on the Kandha system of sacrifice.

The fragile data base, the internal and logical contradictions in the reports, and the association of such reporting with Kandha uprisings against annexation of their territory, encroachment on their land and forest resources, imposition of forced labour and increasing taxations, imply that there were more significant facts concealed by the myth of suppression of meriah sacrifice. From the foregoing discussion, though one cannot be totally confident of the absence of any human sacrifice or female infanticide in the region, the fact of its exaggeration and distortion for colonial partisan ends, is beyond doubt.

ETHICAL QUESTION OR POLITICAL EXPEDIENCY

In conformity with the then popular indological theory of the Aryan invasion either annihilating or pushing back the indigenous peoples into the interior inhospitable jungles [Bhowmick 1982: 297], British administrators such as Macpherson (1842) noted that the Kandhas were pushed into the hills by the Aryans who in turn displaced the docile Kurmo of the region. There is no way of knowing the actual history. There is no trace of the Kurmo in the recorded history of the area, and the economy of the Kandha is best suited to their present habitat than to the plains [Pathy 1984: 44-52; Kosambi 1975: 41]. In any case, the Kandhas were in entire possession of the territory and were the rulers of the country when the Oriyas arrived [Russell and Hiralal 1916: III-465]. After the 9th century, the numerous surrounding Hindu kingdoms were periodically engaged in wars among themselves as well as with the Kandha to assert their rule over the hills of adjoining territories [Bailey 1957: 178]. The Kandha strongly opposed any alien political domination, but eventually around 350 years ago, some of the kings managed to send some of their subjects from the plains to curb the resistance struggle of the Kandha and protect their own frontiers from Kandha raids and guerrilla warfare. These immigrants established a few fortified and separate settlements in the hills [Pathy 1976: 5-7]. Depending upon their power and popularity,

they were able to expand their domination beyond these Hindu settlements. This history is based on British accounts; the immigrant Hindu people opine that their ancestors were pushed into the area due to their inability to survive in the plains as well as intra-village factional fights [Bailey 1960: 25-26].

Some Hindu kings divided the annexed parts of Kandha land into several muthas, mostly on the basis of a single clan or of several fraternal clans [Behura and Sahu 1970: 13-21]. The muthaheads were recruited from among different communities. Knowing both Oriya and Kui, they were made responsible for controlling the Kandha movements for independence and were supposed to pay a certain amount of annual tribute to the Hindu kings. But given the fluctuating power of the kingdoms and the difficult terrain, in course of time the muthaheads retained only the loosest ties with the Hindu kings [Bailey 1957: 7]. There is also reason to agree with Bailey that the "actual influence of the Oriya chiefs may have been exaggerated because the servants of the East India Company" depended upon the Oriya speakers (1957: 27).

While neither the kings [Selections 1854: 78-89] nor the muthaheads enjoyed overwhelming power of domination in the Kandhalands, the Kandha had customarily good relations with a few kings. In Kalahandi, for instance, the prince on his accession to the throne had to sit on the lap of a Kandha and ritually marry a Kandha girl. This may denote that the kingship derived its power from the Kandhas [Russell and Hiralal 1916: III-465]. Until the Kandha installed the king, he was not formally recognised as such [Patnaik and Das Patnaik 1982: xiii]. Suffice it to state that the Kandhas were not subjugated by the Hindu states, and they were also credited with driving away the Muslim invaders again and again from their territory [Hunter 1877: XIX-219].

After bringing Orissa under its control in 1803, the East India Company unsuccessfully tried intermittently to annex the Kandha inhabited territory. In 1835, the company acquired the Ghumsar kingdom. But neither the king nor the subjects were prepared to accept British domination. The revolt was suppressed and the king fled with his family and treasury to the Kandhamals. The Kandha refused to give up the Ghumsar king to the British troops. Hunter wrote: "The country was laid utterly desolate. The population was unceasingly pursued by our troops, and it was only the treachery of Hindu borderers that, by betraying them into our hands, brought the sickening struggle to a close" (1877: XIX-229). Many hill chiefs were caught and publicly hanged as testimony to British power. The Kandha in retaliation massacred scores of British soldiers in several encounters; this was when human sacrifice and female infanticide were discovered.

The resistance struggle was continued under the leadership of both Kandha and Oriya chiefs. The most influential Kandha leaders were Mahadeb Khonro and Nowbhum Khonro in the Boad region [Huttmann 1847: 273-341] and Oriya chiefs Dora Bisoi and Sam Bisoi [Macpherson 1865: 47]. When Dora Bisoi was shot dead, Onkaro Chokro Bisoi, a former muthahead, led the struggle, and hundreds of British soldiers were killed in the encounters. These leaders were instrumental in keeping away the East India Company from the Kandha lands from 1844 to 1855.

Meanwhile the people of Anugul rebelled and resisted fiercely British annexation. The king was implicated in 1846 as a party to human sacrifice. Troops were employed on a large scale, and all authority was temporarily transferred from the agent to the officer in command, Brigadier General Dyer. For two years the repression continued, and the king was captured and his estate confiscated [Dalton 1872: 289]. Then the British soldiers claimed on April 1, 1848 that 235 meriahs were handed over in Anugul [Selection 1854].

Again in 1856, following the British annexation of Kandhamals (1855), struggles erupted there and spread to Ghumsar under the leadership of some Oriya muthaheads. Guerrilla warfare continued until about 1874. During this long period, the Kandha had established areas liberated from both the British and the feudal rulers of the plains. After 1869, the British subjugated a few Oriya muthaheads and a few village headmen in other muthas [Pathy 1976: 11-19]. It seems the Oriya muthaheads played a dual role, some siding with the Kandha and some with the company, while the majority kept an uneasy balance until it was clear that the Company was going to win. In brief, the Kandhas of Kandhaland fought a long battle for several decades and made great sacrifices before they were defeated by the mighty British power.

Elsewhere, there were also movements against British policy. In 1865, the Kutia Kandha revolted against police excesses and forced unpaid labour for construction of roads during the agricultural seasons. This was repeated again in 1866 and 1877. In 1872, the Kandha of Chandragiri mutha rose in revolt against the arrest of their fellow villagers. In 1881-82, the Kalahandi Kandha rebelled against the mismanagement of the king. The king had encouraged the settlement of the agricultural caste of koltas, who alienated their fertile lands and were involved in usury. The Kandhas killed a few hundred kolta landlords and traders. The British repressed the anti-feudal struggle with many untold excesses and much bloodshed. Seven of their leaders were hanged and another was convicted and executed for allegedly offering a five-year-old girl as meriah to the earth

goddess. Similarly in 1894, the Kandhas of Nayagarh revolted against the involvement of the British in the selection of the king. In 1898 near Gudar, four constables were thrashed and looted. These are only a few of the recorded revolts; many more remain to be recorded.

The Kandha struggles of the 19th century can be best understood in relation to British policies. Initially the colonial strategy was to subjugate the Kandha by the use of force, and afterwards a mixture of force, concessions and indoctrination followed. Macpherson strove to buy the village heads and priests with presents. A few plains Kandhas were recruited to an irregular police force on the belief that who else can better "bully their fellow Kandhas on the strength of their police uniforms" [Patnaik and Das Patnaik 1982: 306]. This helped the colonial system. Macpherson advocated raising a Kandha battalion to deal with the mountain races of Orissa. Campbell was anxious to see the penetration of Christian missionaries, and all officers pressed for the expansion of roads and markets.

In 1855, the East India Company issued a proclamation that the Kandhas would not be taxed, there would be no forced labour, and the existing social and political institutions, including the hereditary authority and privileges of the leadership, would be retained. Also it was assured that the British government would not interfere in any way with the "established usages and principles of justice" [Bailey 1960: 181]. Where movements erupted intermittently, the British administrators promised more and more safeguards. For instance, following the Kandha war of resistance in Angul, the Angul Laws Regulation was passed in 1897, which provided economic protection from Oriya exploiters and restricted land alienation and money-lending. In the agency tracts of Madras presidency following the Kandha struggles against land alienation in 1869-70, the Agency Tracts Interest and Land Transfer Act-I was passed in 1870, which legally prohibited the transfer of Kandha lands to non-Kandhas without the express permission of the British authorities. Meanwhile after several decades of warfare, the British administration at last acknowledged in the late 1850s that the Kandha resistance struggles were not so much to protect their customs but "because they feared their land would be taken or taxed" [Bailey 1960: 181].

It may be added that the British conception of property being one of individual ownership, the administrators never comprehended the local corporate-based occupation and use of land and land-based resources. The notion of 'res nullius' was adopted to usurp the corporate resources of the indigenous peoples. Risley wrote that the Orissan Kandhas,

... claim full rights of property in the soil in virtue of having cleared the jungle and prepared the land for cultivation. In some villages individual ownership is unknown, and the land is cultivated on a system of temporary occupation subject to periodical redistribution under the orders of the headman or malik (1891: 1-408).

Given such ignorance of the concept of group rights and the nature of axe cultivation, it was not surprising that the company thought initially that prolonged military expeditions into Kandhaland was costly. The local administrators could persuade the Company only on the moral grounds of suppression of female infanticide and human sacrifice [Bailey 1960: 70].

The aforementioned promises were given when the British were finding it difficult to conquer the people and there was a clear danger of uprising in the recently annexed territories [Bailey 1960: 182]. But once the colonial system consolidated itself through the recognition of the muthaheads, all the promises of Kandha rights and property were violated unilaterally. The Kandhas were forced to pay plough tax, cess tax and watchman tax in 1875, besides a large number of dues ('mamuls'), such as when someone dies or marries, for mediating in marital and land disputes, and so on. Around 1870, they were prohibited to distill liquor, practise axe cultivation, marry by capture and perform many religious rites. Several Christian missionaries infiltrated the area and started proselytising and deculturalising the Kandha. The first church was established at Digi in 1894 and the second in Katinga. Several roads, bridges, schools and government rest houses were constructed with compulsory unpaid labour ('bhetti') of the Kandha. And since 1875, every household was forced to pay one-fourth of a rupee for the road construction fund, which was increased and continued until independence [Thiady 1965: 25-31, 59-60]. In addition, at frequent intervals Kandhas (including the recalcitrants) were sent to work in the Assam tea plantations. In 1917, several thousands were taken to Mesopotamia to serve in the world war [Boal 1963: 61].

Oriya migrant distillers were given licences to open liquor shops in the Kandhamals. This was aimed at increasing the excise revenue and controlling and contacting the as yet unsubdued Kandhas. It may be noted that the Oriya intelligentsia were reluctant to enter the bidding precisely because service in the region was considered "almost equivalent to death sentence" [O'Malley 1908: 77]. The Ganjam distillers, having lost their profession, were too delighted to open their shops with British patronage. There were as many as 470 shops in the 800 square miles area of the Kandhamals. Very soon many Kandhas lost their land. That is why at least since 1887, there were sporadic

agitations against the excise policy and the Oriya liquor merchants. Consequently the British government was forced to enforce prohibition and to close all the liquor shops in 1910.

After annexation of the Kandhamals, Dinabandhu Patnaik, who had been a corporal in the irregular cavalry, became the tahasildar. He ruled with great ferocity and indulged in systematic pillage for almost a quarter century [Bailey 1957: 32]. The Oriya muthaheads were encouraged to expropriate at will, including perquisites such as a share of the harvest, a gift on the occasion of a wedding or a funeral feast; contributions to the funerals and weddings in the muthahead's, tahasildar's and his subordinates' families; free hospitality, labour and entertainment during the tour of officials in the villages, and so on. This was colonial exploitation with the greatest degree of excellence.

CONCLUDING COMMENT

What does this add up to? And what can be drawn out for a meaningful critique of colonial ethnography? There are three obviously simple points with which I would like to conclude.

First, the task of re-examining colonial ethnography and demystifying and exposing the colonial conspiracy is far from easy, especially when post-colonial scholars remain captives of the premises of colonial soldiers, administrators and ethnographers. This paper has indulged in some polemics; but polemics are of crucial significance in bringing down the facade of truth and exposing political abuse in the name of 'white man's burden'. Though primarily based on colonial texts, an attempt is made to go beyond, to the context of asymmetry of power and frequent resistance. Highlighting logical inconsistencies and internal contradictions in the colonial texts does contribute to the unravelling of colonially constructed falsehoods and exposing the discursive partiality of cultural and historical 'truths'. But this is not sufficient to demystify colonial ethnography and exhume the long buried truths of the indigenous peoples' fierce resistance against colonial invasions and oppressions. It is obviously more than a simple matter of noticing an error, bias or omission.

The crucial issue is to expose the extent of enmeshment of ethnographic reports with imperial power as reflected in colonial brutalities to silence the indigenous peoples' struggles for autonomy, survival and independence. Several post-colonial anthropologists concerned with the Kandha, having treated colonial ethnographic knowledge as distinct from colonial domination, inadvertently became the inheritors of the colonial system of hegemony. As we may recall it was only

when the British tried to encroach upon the territory of the Kandha people and faced recurring retaliations that the colonial soldiers discovered the Kandha practices of female infanticide and human sacrifice. This gave them a free hand to embark upon a medieval war of extermination and subjugation. The Kandhas were characterised as savage, bloodthirsty marauders, the objects of guilt. And not astonishingly, the same people, once subjugated, were portrayed as shy, timid, passive, hospitable and cheerful. In either case, the uncritical 'absolute' dependence on some of the Oriya middle class and traders, who were inherently and intentionally prone to misrepresentation and exaggeration due to their long hostility to the Kandha and who thus had the urge to provide information palatable to the British soldiers looking for legitimacy for terror, annexation and hegemony, provides little trustworthy clue to the society and culture of the Kandha.

The distorted ethnography not only legitimised colonial terror and brutalities but also dehumanised the Kandha, who eventually internalised the degradation and transformed the conquerors into altruistic benefactors and self-sacrificing partners striving for the good of humanity and civilisation. That is why Kandha ethnography cannot be fully demystified through an examination of folklore and oral traditions. Careful utilisation of such sources may at best tangentially help to locate the broad historical tendencies affecting the material and cultural life of the Kandha. The best course to pursue is to locate ethnographic and administrative reports with reference to forms and periods of Kandha militancy, confusion, submission and compromise. Unfortunately this paper has not been able to enter into such a demanding complexity.

Second, by outright exaggeration of exotica - manufactured or otherwise - and subtle distortion of events, colonial ethnography has been able to capture the minds of the Kandha. Put simply, the tragedy of the Kandha is alienation from the past and internalisation of one and a half centuries of colonial and post-colonial propaganda about their cultural inferiority and their ancestors' heinous crimes and barbaric customs of female infanticide and human sacrifice. The memory assigned and the ethnography produced about their past, even if totally false, is contemporarily rooted, at least among the 'acculturated'. No serious analyst can separate this out of the context of their half century-long resistance against the intrusion of the mightiest power of the world, the subsequent intimidation, persecution and general trauma plus the repeated circulation of unsubstantiated accounts of customs and crimes of their forefathers even in the post-colonial era. In sum, several generations of the Kandha,

their society and culture have been victimised by manufactured myths and colonial partisan interests, and there is little respite even now

Third, the task is to present the Kandha with their own history and ethnography, written from their own point of view. Such a possibility can only be contemplated in the context of a Kandha national struggle for safeguarding their identity and resource base. But such a development is yet to materialise. Meanwhile liberal and radical scholarship could and should try to dismantle and demystify the so-called truths of colonial times by associating so-called heinous practices with the existing systems of political, economic and institutional power, which produced and sustained the information or myths. It is not "a matter of emancipating truth from every system of power, but of detaching the power of truth from the forms of hegemony, social, economic and cultural, within which it operates." [Gordon 1980: 133].

The task is formidable and of crucial significance, not simply with regard to the Kandha but also to hundreds of other indigenous peoples who have been criminalised in the name of knowledge, science and civilisation.

Notes

1 The Kandhas are also known as Kandh, Kando, Khond, Khondho, Kondhy and Kondh. These epithets are likely to be exonyms bestowed by their Hindu neighbours that were subsequently accepted by colonial and post colonial ethnography. In fact Risley mentions a purely Hindu term, 'Skandhasura', which implies strong aspersions and stereotypes. Macpherson argued that the term was derived from the Telugu word 'konda' - hill or highlander. G A Grierson however noted that they call themselves 'Ku', and their language Kui or Kuvi belong to the Dravidian linguistic group. Thus their self-identification as 'Kui-loka' or 'Kui-enju' appear more appropriate. But as these terms are not yet popular, either among the concerned people or anthropologists, the common term Kandhas is reluctantly adopted in this paper.

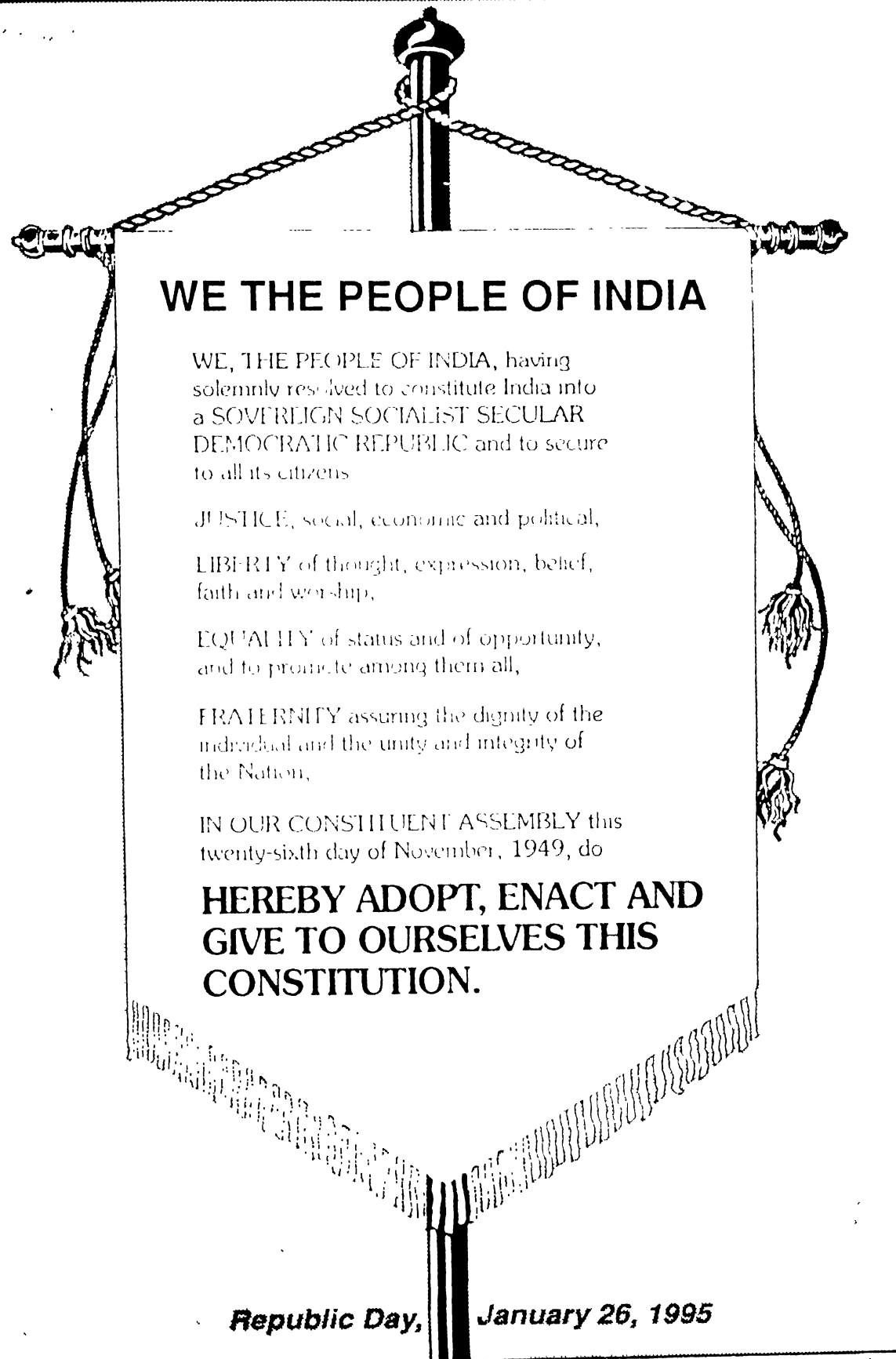
In addition, there is such wide diversity in the community in terms of rites, social customs, economics and even language [Schulze 1911: Winfield 1929: VII-X] that any single name to encompass this complexity would seem inappropriate. Ethnographers have divided the Kandha into several categories such as Kutia, Jhadua, Mahia, Dongaria, Siddha, Sankalia, Pansulia, Taria, Paroja, Kuvi, Bemah and Desta. Though these are overlapping categories, the heterogeneity is obvious. Some of these categories such as Desta Kandha are further subdivided into Raj Kandhas with landed property, Dal Kandhas as Hindurised warriors, and Pakhia Kandhas who eat buffalo flesh and grow turmeric [Russell and Hiralal 1916: 460-62]. Suffice it to note that it is difficult to speak about the Kandha people as a whole, and the names currently in circulation

reflect the superimposition of alien categories, often with derogatory connotations.

- 2 Before the British annexation, most of Kandha territory was divided into several administrative units, each containing a circle of villages, called 'mutha'. The 'muthaheads' belonged to both indigenous and Oriya communities. In the first half of the 1830s, several muthaheads revolted against British attempts at annexation [Thiady 1965: 15-25].
- 3 Though the Kandha currently reside in the Orissa districts of Phulbani, Ganjam, Koraput, Dhenkanal, Kalahandi, Bolangir, Keonjhar and also Visakhapatnam Agency of Andhra Pradesh and the south-eastern part of Madhya Pradesh, they believe that their cradle was in Phulbani [Pathy 1976: 1-36].
- 4 Though mention was made of human sacrifice among the Nagas [O'Malley 1934: 69] and head-hunting among the Kuki, Garo, Lushai, Dyak and Naga, there is not much literature on this.
- 5 'Meriah' refers to the victim of the Kandha rite of human sacrifice, but it is not a Kandha term. Dalton wrongly thought that it was an Oriya term (1872: 286). Bailey noted that his Kandha informants thought the word might have been derived from English, like 'Christian' (1957: 286).

References

- Bailey, F G (1957) *Caste and the Economic Frontier*. University Press, Manchester.
- (1960) *Tribes, Caste and Nation*, Oxford University Press, Bombay.
- (1969) 'An Oriya Hill Village II' in M N Sinivas (ed), *India's Villages*, Asia Publishing House, Bombay.
- Banerjee, Sukumar (1969) *Ethnographic Study of the Kandha*. Anthropological Survey of India, Calcutta.
- Behura, N K and B N Sahu (1970) 'Mutha: The Traditional Political Organisation of the Kondh Adivasi', XII (1-4): 13-25.
- Bhowmick, P K (1982) 'Approach to Tribal Welfare' in B Chaudhury (ed), *Tribal Development in India*, Inter India Publications, Delhi.
- Boal, B M (1963) *The Church in the Khond Hills: An Encounter With Animism*, NCCI, Nagpur.
- Campbell, J (1861) *Narrative of Operations in the Hill Tracts of Orissa for the Suppression of Human Sacrifice and Infanticide*, Hurst and Blackett, London.
- (1864) *Among the Wild Tribes of Khondistan*, Hurst and Blackett, London.
- Dalton, E T (1872) *Descriptive Ethnology of Bengal*, Superintendent of Government Printing, Calcutta.
- Das, M N (1956) 'Suppression of Human Sacrifice among the Hill Tribes of Orissa', *Man in India*, 36(1).
- (1960) 'Female Infanticide among the Khonds of Orissa', *Man in India*, 40(1).
- Duff, A (1851) 'The First Series of Government Measures for the Abolition of Human Sacrifices among the Khond', *Calcutta Review*, VI: 45-108.
- Elwin, V (1944) 'Notes on Kondh Tour', *Man in India*, 24(1): 40-58.
- Frazier, J G (1890) *The Golden Bough* Vol I, London.
- Friend-Perera, J E (1903) 'Marriage Customs of the Khonds', *Journal of Asiatic Society of Bengal*, LXXIII(3): 18-28.
- (1905) 'Totemism among the Khonds', *Journal of the Asiatic Society of Bengal*, LXXIII(3): 39-56.
- Ghurye, G S (1943) *The Aborigines So-called and their Future*, Popular Press, Bombay.
- Gordon, Colin (ed) (1980) *Power/Knowledge: Michel Foucault*, Pantheon Books, New York.
- Hunter, W W (1872) *Orissa*, Smith, Elder and Co, London, Vol II: 67-103; 213-18.
- (1877) *A Statistical Account of Bengal*, Trubner and Co, London, Vol XIX: 203-38.
- Huttmann, G H (1847-48) 'Macpherson's Report upon the Khonds of the Districts of Ganjam and Cuttack', *Calcutta Review*, VIII: 1-51, X: 273-341.
- Kosambi, D D (1975) *The Culture and Civilisation of Ancient India in Historical Outline*, Vikas Publishing House, Delhi.
- Macpherson, S C (1852) 'An Account of the Religion of the Khonds in Orissa', *Journal of the Royal Asiatic Society of Great Britain and Ireland*, XIII(2): 216-74.
- Macpherson, W (ed) (1865) *Memorials of Service in India from the Correspondence of the Late Major S C Macpherson*, John Murray, London.
- Maddox, S B (1901) *Final Report on the Survey and Settlement of the Province of Orissa*, Board of Revenue of Orissa, Bhubaneswar Vol I.
- Niggemeyer, H (1964) *Kuttia Kond Klans*, Renner, Verlag.
- O'Malley, L S S (1908) *Anugul, Bengal Secretariat Book Depot, Calcutta*.
- (1934) *India's Social Heritage*, Clarendon Press, Oxford, pp 93-97.
- Pathy, Jaganath (1976) 'Political Economy of Kandhaland', *Man in India*, 56(1): 1-36.
- (1984) *Tribal Peasantry: Dynamics of Development*, Inter-India Publications, New Delhi.
- Patnaik, N and P S Das Patnaik (1982) *The Kondh of Orissa*, Tribal and Harijan, Research cum Training Institute, Bhubaneswar.
- Raman, L V (1957) 'The Khonds of Phulbani', *Adivasi*, II(1): 35-39.
- Risley, H H (1891) *Tribes and Castes of Bengal*, Bengal Secretariat Press, Calcutta I: 397-413.
- Roy, S C (1922) 'Ethnography in Old Official Records: Khond Human Sacrifices', *Man in India*, II: 67-81.
- Russell, R V and Hiralal (1916) *The Tribes and Castes of the Central Provinces of India* Vol III: 464-81, reprinted in 1975 by Cosmo Publications, Delhi.
- Schulze, F V P (1911) *Kuvi Grammar*, Madras Selections from the Records of the Government of India (1854): *History of the Rise and Progress of the Operation for the Suppression of Human Sacrifice and Female Infanticide in the Hill Tracts of Orissa*, No. V, Bengal Military Orphan Press, Calcutta.
- Thiady, S (1965) *Phulbani the Khondland*, Arun Press, Berhampur.
- Thurston, Edgar (1909) *Castes and Tribes of Southern India*, Vol III: 356-415, reprinted in 1975 by Cosmo Publications, Delhi.
- Watts, N A (1970) *The Half-clad Tribals of Eastern India*, Orient Longman, Bombay.
- Winfield, W W (1929) *A Vocabulary of the Kui Language*, Asiatic Society of Bengal, Calcutta.



WE THE PEOPLE OF INDIA

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens

JUSTICE, social, economic and political,

LIBERTY of thought, expression, belief, faith and worship,

EQUALITY of status and of opportunity, and to promote among them all,

FRATERNITY assuring the dignity of the individual and the unity and integrity of the Nation,

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do

**HEREBY ADOPT, ENACT AND
GIVE TO OURSELVES THIS
CONSTITUTION.**

Republic Day,

January 26, 1995

davp 94/562

PUBLIC ISSUE OF 86,75,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 90/- PER SHARE AGGREGATING RS. 8675 LACS TO INDIAN PUBLIC AND NRIs/OCBs.

HIGHLIGHTS

- Flagship Company of CRB Group.
- A diversified, well established, professionally managed Financial Services Company.
- Existing profit making and dividend paying Company with an impressive track record.
- A wide network of 11 Branch Offices and Franchise set-up all across the country which enables effective deposit mobilisation and deployment of funds.
- Globalisation of Network-Overseas office at Hong Kong in operation and proposed to set up branches at London, New York and Dubai.
- Joint Venture in associate companies with Daewoo Securities Co. Ltd., a Company belonging to Daewoo Group of South Korea and Keystone Group Inc., Boston, U.S.A.
- Ranked No. 2 amongst the Private Sector Merchant Bankers for handling largest No. of public issues for the year ended 31.3.94 (Source: Prime Database).
- Synergy in Operations - membership of Bombay Stock Exchange and National Stock Exchange in Associate concerns
- Easy Liquidity - Listing at Bombay, Calcutta, New Delhi, Jaipur and U.P. Stock Exchange at Kanpur.

Note.

Investors may note that in case of oversubscription the allotment will be done on proportionate basis

RISK FACTORS : INTERNAL

1. Risk is an inherent aspect of the Company's activities - Investment risk due to its exposure in securities, stocks & debentures
Credit risk - Intrinsic to the lease financing and asset based businesses
2. The money mobilised from Institutions, Banks and others for funding long term and short term business requirements is subject to interest rate fluctuations which could affect the profitability of the Company.
3. The Company is yet to tie up part of working capital limits to the extent of Rs. 16 crores
4. The Company is yet to place debentures to the tune of Rs. 18 crores. The profitability of the Company may be affected if there is any delay in tying up of NCD portion.

EXTERNAL

1. The financial services sector is highly regulated. Hence, many of the Company's activities could be subject to frequent regulatory changes
2. The Company is operating in a competitive environment with a large number of players in the hire purchase, leasing and merchant banking industry.

MANAGEMENT PERCEPTION OF RISK FACTORS

- The Company's Risk Management Systems & Technology will constantly monitor and control risks while ensuring a favourable Risk-Return ratio
- The Company has an inherent strength and is well diversified to withstand the impact of policy changes.

Investors are advised to refer to para on 'Justification of Premium' before making an investment in this issue.

An investor can apply for a maximum of 400,000 equity shares in the public issue.

LEAD MANAGERS TO THE ISSUE



Indian Overseas Bank
Merchant Banking Bureau
5th Floor, Maker Tower 'F'
Cuffe Parade, Bombay 400 005
Tel. No. 022 2189226/2187051 Fax 022 2180179



The Industrial Finance Corporation of India Ltd.
Bank of Baroda Building 16 Sansad Marg
New Delhi 110 001
Tel 011 3322052 Fax 011 3320425

PCS

REGISTRARS TO THE ISSUE

PCS Industries Limited

Plot No. 4 PCS House, Saki Naka, Andheri (E), Bombay 400 072
Phone: 5780875/177 Fax (022) 5780195

If the Company does not receive the minimum subscription amount of 90% of the issue amount within 60 days from the date of the closure of the issue, the Company shall refund entire subscription amount received. For delay beyond 78 days from the date of the closure of the issue, at any or refund of such subscription, the Company shall pay interest @ 15% p.a. If there is any delay in the refund of the amount collected, the Company and the directors of the Company shall be jointly and severally liable to pay the amount due, by way of refund with interest @ 15% p.a. for delayed period beyond 78 days from the closure of the issue.



CRB CAPITAL MARKETS LIMITED

Regd Office:
Bhansali Bhawan, F-33, Mansarovar Garden, New Delhi - 110 015
Phone 011-594289/5418553 Fax 011-5460453
Corporate Office
DBS House, 31 Marzban Road, Fort, Near Bombay Gymkhana
Annexe, Bombay 400 001
Phone 022-2855133, 2856056 Fax 022-2833803

FIRM ALLOTMENT TO:
INDIAN OVERSEAS BANK
THE BANK OF RAJASTHAN LTD.
BOI MUTUAL FUND
[AT A PREMIUM OF RS.115/-]



Issue Opens On
31st Jan. 1995

ECONOMIC AND POLITICAL

WEEKLY

Sameeksha Trust Publication

Rs 15.00

Vol XXX No 5

February 4, 199

**INTELLECTUAL PROPERTY RIGHTS
IN URUGUAY ROUND: AN INDIAN
PERSPECTIVE**

**STRUGGLE FOR PANCHAMA LANDS:
DALIT ASSERTION IN TAMIL NADU**

**COMMUNALISM AND COMMUNAL
VIOLENCE IN 1994**

POLICE AS FILM CENSORS

**TOWARDS A NATIONAL
REHABILITATION POLICY**

**MASTER-SERVANT RELATIONSHIP
IN A CROSS-CULTURAL
PERSPECTIVE**

**FROM LITTLE ROCK TO WALL
STREET: CLINTON'S JOURNEY
BEYOND REAGANISM**

**THE NATIONAL FLAG AT IDGAH
MAIDAN: SOME ISSUES**

ijdb
INTERNATIONAL
JOURNAL
OF DEVELOPMENT
BANKING

Half-yearly published in January and July
Vol. 12, No. 2, July 1994

Kanhaya L. Gupta

Interest Rates and Private Investment in India

Julia V. Shvets and John S. Jahera (Jr.)

Development of Investment Opportunities in the
"New" Russia: An Inside Perspective

Cecil R. Dipchand

China: Trust and Investment Companies in the
Reform Era

Deepak Vakil, John R. Hall (Jr.) and Stephen P. Ferris
Equity Return Behaviour in an Emerging Market: The
Case of the Bombay Stock Exchange

I.M. Pandey

Relevance of Factoring in a Developing Country:
Case of India

V.V. Bhatt

Institutional Structure for Economic Evaluation of
Projects in Developing Countries

Duncan Thomas

The Distribution of Income and Expenditure within
the Household

Note

Gert Vogt

Eastern Europe Needs Promotional Banks

Book Reviews

Arun Banerji

Japan's Success: Under a Microscope

Arun Banerji

Policy-making in the Open Economy: For Whom?

V.V. Bhatt

Independent India: Unutilized Potential

C.P. Chandrasekhar

Markets: In Search of a Theory

L.K. Deshpande

Unemployment: New Explanations

N.A. Mujumdar

Debt Capacity: Lack of Focus

M. Govinda Rao

Tax Reforms and Policy: Some Insights

Tapas K. Sen

Public Economics and Taxation: Competent Research

T.K. Velayudham

Banks and Foreign Investment: The Symbiosis

Charan Wadhva

Regional Economic Cooperation: A South Asian
Perspective

Book Briefs

Annotated Bibliography

Editor: N. J. Jhaveri

Associate Editor: Dr. Nita Mukherjee

Publishing, Subscription and Editorial Office:

Publications & Public Relations Department
The Industrial Credit and Investment Corporation
of India Limited
163, Backbay Reclamation
Bombay 400 020
INDIA

Subscription Rates (inclusive of postage by air mail)

India Rs. 100

All other countries US\$ 40

Demand Drafts/Cheques should be made payable to

"International Journal of Development Banking" and drawn
on a bank at Bombay.

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

Organs for Sale	231
Balance of Payments: Cleaning up the Data – Human Rights: Diversionary Tactics – Orissa: Congress to JD's Rescue	232
Current Statistics	234
In the Capital Market	236
Companies	237
Civil Liberties	
Police as Film Censors —A G Noorani	240
Commentary	
National Rehabilitation Policy: A Critique —Jai Sen	241
Kuvempu: End of an Era —V K Natraj	245
Karnataka: Hoisting National Flag at Idgah Maidan —Ambrose Pinto	246
Struggle for Panchama Lands: Dalit Assertion in Tamil Nadu —Brindavan C Moses	247
Communalism and Communal Violence 1994 —Asghar Ali Engineer	249
From Little Rock to Wall Street: Clinton's Journey Beyond Reaganism —James Petras Steve Vieux	251
Reviews	
Beyond Alterity —Vinay Lal	254
Including North-East in Nation's History —Sajal Nag	256
Special Articles	
Intellectual Property Rights in the Uruguay Round: An Indian Perspective —D M Nachane	257
Master-Servant Relationship in a Cross-Cultural Perspective —Lakshmi Srinivas	269
Discussion	
End of Demographic Transition by 2003 AD? —P N Mari Bhat	279
Letters to Editor	230

ECONOMIC AND POLITICAL WEEKLY

Hitkari House

284 Shahid Bhagatsingh Road, Bombay 400 001

Phones 261 6072/73 Grams Econweekly

FAX: (022) 261 6073

Editor

Krishna Raj

Senior Assistant Editor Padma Prakash

Editorial Staff Cleatus Antony, Prabha Pillai

Gautam Naviakha (Delhi)

Circulation A S Shetty, B S Sharma

Advertisement Manager M K Ansari

Manager K Vijayakumar

EPW RESEARCH FOUNDATION

C 212, Akurli Industrial Estate, Kandivli (East)

Bombay 400 101 Phones 887 3038/3041

FAX: (022) 887 3038

Director

S L Shetty

Vol XXX No 5

February 4, 1995

Protecting Intellectual Property Rights

The acceptance of the GATT proposals in the Uruguay Round with its endorsement of the US viewpoint is probably a reflection of two phenomena – the emergence of the US as a political as well as economic hegemon and the breakdown of LDC solidarity. What is the scope and magnitude of adjustment that the Intellectual Property Rights regime in third world countries, particularly India, will have to undergo under the imperative of the Dunkel Draft? In what way will these adjustments impinge on India's medium- and long-term economic prospects?

257

Displaced by 'Development'

Since independence the government of India has been responsible for uprooting two to five crore people in the cause of 'development'. Now, partly because of pressure from World Bank and largely in response to the growing movement of the displaced, it has attempted to evolve a national rehabilitation policy.

241

More Idgahs?

While the Karnataka government has successfully resolved a potentially volatile issue by persuading the Anjuman-e-Islam to hoist the flag at the Idgah maidan at Hubli, it may not necessarily have contributed to stalling the communalisation of politics.

246

A Different Perspective

Studies on master-servant relationship tend to focus on the one-sidedness of the relationship – the domestic worker as an oppressed mental, fully exploited by the employer. This leads to either a focus on the material aspects of the relationship or on questions of power and dominance. There is a need to explore the master-servant relationship at the interactional level with due regard to the role of culture.

269

Dalit Assertion

Dalits in Chengalpattu district of Tamil Nadu have been waging a struggle to regain lands originally in their possession, but subsequently usurped. The state has let loose a reign of terror to block the agitation.

247

Kuvempu

The display of unseemly conduct by the self-proclaimed Kannada enthusiasts on the death of K V Putappa (Kuvempu) recently, adds a touch of irony to the message he sought to project.

245

Police as Judge

The censor board, by referring Mani Ratnam's *Bombay*, a story located in the city during the communal riots of December 1992-January 1993, to the police on the ground that it dealt with a sensitive subject, has made a mockery of the law.

240

Wall Street Populism

President Clinton's presidency has marked a new phase in the 'right turn' of the Democratic Party: no longer on the defensive against Republican attacks on social welfare policies, he has turned to an offensive strategy going beyond Reagan and Bush in pushing the neo-conservative agenda.

251

Peace of a Kind

While 1994 was not entirely free of communal incidents, it was relatively peaceful. However, secular forces need to work with a sense of mission now to spread the message of communal harmony.

249

Opening Windows

With the various official agencies vying with one another to publish data on foreign trade, balance of payments and external debt statistics fairly regularly, India's external transactions can be better understood. How accurate and comprehensive is the data compilation?

232

LETTERS TO EDITOR

Jobs Matter

JACQUE DELORS, president of the European Commission is not a person who can easily be quietened, whatever the odds. People had thought of writing him off when early last year the European exchange mechanism virtually broke down. But at the latest European summit the main item on the agenda was the Delors plan to revive the European economies.

The past decade – particularly the last three or four years – has been characterised by extremely slow economic growth and rising unemployment in Europe. It is estimated that the overall rate of unemployment in the Common Market as a whole has gone past 10 per cent of the labour force, with the total number of the unemployed exceeding 17 million. Also, there is little, if any, sign of any let-up in the economic situation, at least not for the group as a whole, though for individual countries the forecast varies.

What the Delors plan suggests for the revival of the Common Market economies is a programme of massive public investment of \$ 150 billion over the coming five to seven years in the area of infrastructure, primarily in communications and information technology, so that Europe becomes more competitive, grows faster and generates more jobs. Delors predicts that as a consequence of an investment of this order, not only will the slack in employment be possible to rectify but also unemployment could be reduced to what may be considered as an acceptable level of less than 5 million as against 20 million, the figure forecast for the year 2000 if the pace of economic growth were to remain at the level currently obtaining.

Not that the Delors plan had an easy passage at the European summit. Indeed, it had strong adversaries and the opposition to it brought together the unusual combination of UK and Germany, the former because of the present British administration's distaste for any idea of raising the level of public investment, involving as it would increase public borrowing and therefore fiscal deficit, and the latter because of the perceived limit to further public investment, keeping in mind the ongoing investment in the rehabilitation of the economy of what formerly constituted East Germany.

The remarkable thing however is that the Delors plan was not thrown out despite such opposition. In fact, the logic of the plan seems to have been fully endorsed and Delors was asked to explore how the funds required for the investment his plan envisaged could be mobilised without igniting the fires of inflation. However much the present European leadership hates the idea of increased public investment, it simply cannot overlook the lengthening lines of job-seekers. It is only in countries like India that however negative the growth in employment it seldom gets reflected in the figures of

open unemployment, and that too very partially and after a considerable time-lag, so that little is sought to be done in regard to employment generation. The leadership in Europe has at least to look like doing something tangible in the direction of job creation and the Delors plan offers a concrete proposal in that direction.

A READER

Trivandrum

Tribals Protest

THE forest department (FD) and the J K Group's Central Pulp Mill (CPM) of Songadh have now started adopting ugly means to crush the tribal movement against the Surpaneshwar Wildlife Sanctuary in Dediapada, Bharuch. Disregarding the protest of the local tribals and the Wild Life (Protection) Act the FD has once again issued orders allowing CPM to cut away thousands of tonnes of bamboos from the sanctuary area. While doing this it has not even bothered to acknowledge the questions raised by the local tribals: How can it allow such bamboo cutting in the sanctuary area when the basic rights of the local tribals are taken away; what about preserving biodiversity and if all such activities are to be allowed why continue the facade of the 'sanctuary'? The tribals in many villages had decided to stage a peaceful protest against this activity until these questions are satisfactorily answered by the FD and were resisting the work of bamboo cutting.

On January 7 they brought outside labourers with police force to start bamboo cutting in village Dabka, where the local villagers were resisting this work. High level forest officers moved around in the villages threatening the people of dire consequences. Two leaders, Maragiyabhai and Ubadiabhai, of village Sankli, were gheraoed and roughed up by the watchmen

of the FD. A forest officer was specially stationed at Motisingloti check point to prevent Trupti Parekh of Arch-Vahini from entering the sanctuary area. This, despite the claims of the FD that no restrictions on people's movements are being enforced in the sanctuary area. She was finally allowed to go in after heated arguments for about an hour at Juna Mozda. The FD and the CPM had kept ready about 50 to 60 persons in a fully drunken state. These persons were the watchmen and the leaders of the forest committees of the FD. They were brought there from different villages in the tempos hired by the CPM and were provided about two gallons of free liquor. In a drunken state they stopped Trupti and started abusing her. She tried to persuade them but to no avail, so she decided to wait there, until these goons left.

The following day, these persons were again assembled to prevent Trupti from going inside. But this time about 500 men and women from organisation villages had also started assembling. On seeing this development the hired hoodlums went away. The villagers had a long meeting with Trupti and resolved that they would not be browbeaten by such dubious tactics. In the evening, Trupti's vehicle was again stopped on the way by the hoodlums when she was coming back from the meeting. She was again abused and told that she should give a commitment that she would not come back in this area and only then would they allow her to go. She told them that there was no question of giving such commitment. They finally allowed her to go. By adopting such repulsive means against the peaceful movement of the tribals the FD and the CPM have only shown their true colours. This will only further strengthen the people's resolve to continue their fight against the arbitrary and partisan imposition of the sanctuary laws, curtailing their basic human rights.

AMBRISH MEHTA

Mangrol, Rajpipla

Revised Subscription Rates

Inland

(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	-	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	-	325	-	900
Students	-	225	-	-

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign

(in US \$)

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe, Japan, New Zealand, Australia & Russia	150	100	90	65
All other countries	100	70	70	50

All remittances to Economic and Political Weekly

Organs for Sale

THE kidney 'racket' in Karnataka reveals the extent of accommodation granted to medical practitioners and medical institutions by the state, the regulatory bodies and the general public. The issue encompasses not only ethical questions in the practice of medicine, but the state's neglect of the need to create instruments to institutionalise the practice of ethical medicine and the consequences of the lack of regulation of the private sector in health. In addition, of course, it spotlights the devastations visited upon an impoverished population and the failure of the welfare state to provide the wherewithal to keep 'the body' in tact.

The scandal apparently came to light as a result of 'rigorous' police investigations over the fortnight. According to the police over a 100 people have fallen victim to the nexus of doctors-middlemen-recipients-hospitals. The police allege that the victims were misled into believing that they were blood donors and then, anaesthetised and divested of their kidney. They have arrested four of the accused: the head of the nephrology department at the government Victoria Hospital who participated in the operation which was conducted at a well known private institution, the Yellamma Dasappa Hospital; a private practitioner who assisted in procuring the victims, and; two other non-medicos who acted as agents. The cases have been registered under the Indian Penal Code. The urologist assisting in the operation is absconding. Curiously, the police were reportedly in receipt of an intelligence report on the racket over a year ago, but departmental transfers, officials say, prevented action from being taken.

The role of the Karnataka Medical Council (KMC) in all this is even more curious. Apparently, it had received a complaint on the issue almost two years ago, but took its own time investigating it. Five days after the racket came to light it decided to suspend the registration of the private practitioner, stating that no complaint had been received about the government nephrologist. The KMC has also taken action against the managing director of the hospital. The absconding urologist is apparently not registered with the state council, but in Maharashtra, and so is safe from the actions of the Karnataka council, which can only 'instruct' its Maharashtra counterpart to "keep an eye on this doctor". That a doctor can apparently practise in any state, but not be liable for punishment for misconduct if s/he is not registered under the particular state body, is a shocking statement on the state of regulation of medical practice in the country.

The state government on its part has set up a fact-finding committee headed by the superintendent of Victoria Hospital with the director of medical education as one of its members. But even before the committee could start investigations it has been told in no uncertain terms to confine its enquiries to the government hospital. Given that neither were the donors ever in the public hospital and nor was the operation conducted there, the directive effectively confines the investigations to the head of nephrology who assisted in the operation at Yellamma Dasappa. Ironically, according to the state government spokesperson no action can be taken against the hospital because, lacking any sort of legislation on private medical institutions, the government has apparently not even a monitoring role in private hospitals leave alone, a regulatory one.

In June last, the parliament passed the Organ Transplantation Bill, which has been ratified in many states including Maharashtra. In fact, the kidney scam is, according to the KMC a result of such nefarious activities shifting to Karnataka because of the ratifying of the act in the neighbouring state. But even if the act were to be uniformly implemented in all the states, it is unlikely to kill such unethical practices, although it will certainly curb them. For, such activities are made possible by the current ethos of medical practice. In a society where health care is at a premium, those who practise medicine have inevitably garnered extraordinary social prestige and/or wealth and therefore, power. Moreover, the dominant operating principle of medicine today is not to deliver health care but to repair the body, and at a price. Organ transplantation becomes ethical only in the context of a mechanistic view of the human body, which permits such repair. Further, in a society geared increasingly towards catering for those who can pay, it is inevitable that such repair through replacement will occur at the cost of those who are able to sell the replacements, in this case, organs. At a more functional level, legislations to regulate particular medical practices can be operational only in institutions which are under general surveillance and control by the state. This is a point which has been repeatedly made with reference to the legislation banning sex-determination tests. As in the Karnataka case, there are many other states which have no legislation to monitor or regulate private institutions. Inevitably then, the issue is the regulation of private sector in medicare, whether it is the practice of individual doctors through such agencies as the medical council, or the functioning of hospitals and nursing homes through well-armed state legislations.

Cleaning up the Data

UNTIL recently India's external transactions were shrouded in mystery. Apart from the complexity of data involved, it was the inordinate delay in publishing current statistics on balance of payments, external debt and such other transactions that has been contributing to the difficulties in making a correct assessment of the evolving trends. Of late, however, there has been a refreshing change in this respect – official agencies, namely, the Reserve Bank of India (RBI) and the ministries of finance and commerce, have now begun to publish foreign trade, balance of payments and external debt statistics, fairly regularly. The ministry of commerce has already published the foreign trade statistics, though very provisional, up to December 1994, that is, within a month's lag, and the RBI has released its quick estimates of India's overall balance of payments for the first half of 1994-95 – a record achievement, considering the fact that the final estimates of BOP are available only for 1981-82 and the partially revised estimates only up to the quarter ending January-March 1991.

However, one is not sure if the data base for many weak components of BOP such as, travel, transportation, private transfer payments, and the so-called miscellaneous items on the current account, as also 'other capital (net)' on the capital account, are being firmed up. It is very likely that under the present liberalised system of external transactions, information which was in the earlier regime a by-product of controls is no more available. More importantly, much of the current and capital receipts below such a high-level as \$ 50,000 (or roughly Rs 15 lakh) is based on surveys of unclassified receipts, the results of which are finalised with considerable time-lag. Tourism receipts for the current data are probably based on some historical information on the average spending by tourists.

The RBI press release argues that there was a significant rise in private transfer receipts in response to the price incentive of the market-based exchange rate. Besides, the improvement in private transfer receipts and tourist earnings more than compensated for outflows on account of investment income and non-factor services payments. Details of specific estimates in this respect would have been extremely helpful, for private current transfers based on market-based exchange rate is essentially an euphemism for reverse capital flight. Secondly, with sizeable foreign currency assets having been built up, the country's receipts under investment income should have been large and therefore, net outgo on investment income should have come down

rather significantly. Dividend incomes received by the foreign institutional investors (FIIs) may, to an extent, have contributed to the investment income outgo. In the absence of any specific information either on the numbers involved or on the data sources, it is difficult to make any worthwhile comment. Students of external transaction accounts would also be curious to know about the quality of data relating to sizeable receipts under 'other capital (net)': \$ 2.441 billion during April-September 1994 as against \$ 2.148 billion during the whole of 1993-94. It is very likely that a significant proportion of such inflows may again constitute inward remittance out of the funds stashed away in Swiss accounts. Some attempt to provide information on the nature of these unidentified capital flows should be useful for a more accurate review of the BOP data. In the first place, if they do represent reverse capital flight it is unlikely that they have come in the form of capital transfers; they should be treated as current transfers. Secondly, the item 'other capital (net)' in effect essentially represents 'errors and omissions' on the BOP, that is, exactly one-half (\$ 2.441 billion) out of a capital account surplus of \$ 4.892 billion, remains to be classified rather accurately.

In assessing the recent trends in BOP transactions, a feature on which concrete data have not been forthcoming relates to the return of earlier capital flight. A detailed account of the phenomenon of reverse capital flight which the authorities have obviously been able to achieve by implementing the policy of the so-called market-based exchange rate system and other elements of stabilisation and structural adjustment programmes would be useful. It is said that to an extent even the global depository receipts and other forms of Euro equities which have already touched US \$ 3 billion represent such reverse capital flight. Some attempts to get at the truth in this respect would be helpful as a guide for policy formulation.

Except for the above, the Indian data on BOP are generally of a high quality. However, there are still a few drawbacks in data compilation which need to be sorted out by the authorities. First, despite the recommendations of the IMF Manual to present both exports and imports on free-on-board (fob) basis, the Indian data on imports continue to be provided on cost, insurance and freight (cif) basis, which has the effect of overstating imports and merchandise deficits and understating the invisible figures of transportation and insurance. Secondly, under the liberalised foreign exchange policy, exporters as well as returning Indians are allowed to keep foreign currency accounts abroad including facilities to invest the funds in physical and financial assets abroad. It is hoped that the RBI has a definite scheme of

collecting such data and providing these separately in the BOP statistics. The RBI's regular format for such statistics, as published in its regular monthly *Bulletins*, needs to be expanded so that such details under private or banking capital can be made available to the users of data. Finally, the BOP statistics or import data furnished by the Directorate General of Commercial Intelligence and Statistics do not include the officially-permitted imports of gold and silver; they would have constituted over \$ 1.5 billion each during the past two years. Though a good part of it is obtained by the NRIs which would provide the counterpart entry under private transfer receipts, this is not entirely so because (a) there are tax receipts – which cannot be included under import; and (b) there are now also imports under special import licences (SIL) as an incentive for exporters. Therefore, in the interest of the purity of concepts and data, it is necessary that an approximate classification of imports of gold and silver is made in the external trade and BOP statistics.

HUMAN RIGHTS

Diversionary Tactics

A single *faux pas* by Amnesty International has come as a windfall for the Indian government which has been trying desperately all these years to disprove the allegations made by the organisation about its human rights record. The Indian home ministry and the journalists who depend on the staple dished out by the ministry officials, have swooped down upon Amnesty, branding it as biased against the Indian government.

It all started with the discovery that a journal called *Amnesty*, produced by the British section of Amnesty International, carried a cover photograph in its November/December issue of 1994, captioned 'A Kashmiri Woman in Mourning', which turned out to be – after investigations following a complaint by the Indian High Commission in London – the picture of a Tamil Muslim woman visiting a shrine to pray for help in a place near Kanyakumari. The bloomer was a typical example of the frequent western journalistic practice of taking liberty with geographical and cultural differences in third world countries – a practice born out of the traditional colonial education to treat such differences in a presumptuous way on the assumption that they are not worth any serious attention or investigation. Yet, if any Indian writer or photographer mixes up a Scottish Highlander dress with English attire, or Oxford accent with Yorkshire accent, it immediately provokes derisive comments from the British commentator. We expect Amnesty

International, which had been meticulously recording incidents of human rights violation in third world countries, to be more careful in future in selecting reports or pictures for its publications – so that the Indian government does not get an opportunity to discredit it.

It is good to learn that Amnesty International has already announced an apology and a correction for the controversial cover photograph of its British journal. But have the Indian home ministry and the Indian journalists who are too willing to publish whatever these ministry spokesmen brief them apologised for the misreporting and glossing over of facts of human rights violation that continue to plague Kashmir, Punjab and various other parts of India? In response to Amnesty's exposure of deaths and torture in Jammu and Kashmir, the Indian government continues to dismiss all allegations as false. Of the details of 28 men who had died in the custody of the security forces in Jammu and Kashmir between May 4, 1989 and September 13, 1991, as submitted to the government by Amnesty, till date the Indian authorities had responded to 21. In 18 out of these, the government has simply stated that "it has not been found possible to verify allegations", while in the case of the remaining three, it has denied the Amnesty charge of their being killed in custody.

The Indian government's negative attitude in responding in real and effective terms to such allegations is not confined to Amnesty International, but is also demonstrated in its reaction to UN bodies dealing with human rights in India. The UN special rapporteur on torture and the UN special rapporteur on extrajudicial, summary and arbitrary executions have in recent years submitted numerous cases to the Indian government, highlighting their concern that prisoners are routinely tortured in police stations and that many have died as a result. New Delhi's responses have either been outright denials, or statements that the allegations were being investigated, or that they were 'sub judice'. But the UN special rapporteurs are not known to have been informed of the outcome of these investigations. New Delhi also continues to refuse to allow the two special rapporteurs to visit India, in spite of their official request to conduct on-site investigations "with a view to being in a better position to evaluate the situation and, consequently, proposing constructive recommendations that may help prevent the recurrence of such violations".

Clearly, by seizing on one mistake of Amnesty's the Indian government cannot expect the world to forget and forgive the thousands of acts of human rights violation that its police and security forces have been indulging in all these years.

ORISSA

Congress to JD's Rescue

UNTIL the assembly elections of Karnataka and Andhra Pradesh and the rout of the Congress(I), Biju Patnaik's political prospects were pretty dim. His party, Janata Dal (JD), had lost the Mayurbhanj Lok Sabha bye-election to a Congress contestant in May last year; in June, Khond adivasis of Phulbani a scheduled caste constituency attacked Pano harijans and retaliations and counter-retaliations resulted in the death of 14 people. The adivasis were demanding the renaming of the district as Khandmala, and that it be declared a scheduled tribe constituency. Soon after that a liquor tragedy rattled Ganjam, the home district of the chief minister, reviving unpleasant memories of the Cuttack hooch incident of 1992 in which more than 200 people died. As a sequel, the nexus between liquor mafia and the ruling party politicians again assumed significance. On the political front, Rabi Ray, the former speaker of the Lok Sabha and now the state leader of Samata Party, began to gather the dissidents in the state on the platform of the third front. Among the dissidents were Ramkrushna Patnaik who resigned from the Biju Patnaik ministry two years ago, Biswabhusan Harichandan, the leader of Samajwadi Janata Party (SJP) and Sirkanta Jena who was calling the shots against the chief minister from the periphery of Janata Dal. The dissidents were dissatisfied with the chief minister's style of functioning and charged the state Janata Dal as 'Biju' Dal. They were particularly annoyed over the chief minister's reluctance in seeking the resignations of his two cabinet colleagues, Bijoy Mahapatra and Nalini Mohanty, who were alleged to have links with Belu, the liquor don behind the Cuttack hooch mishap. Even the left parties, CPI and CPI(M) had spurned Biju Patnaik's offer to re-enter into an alliance for the forthcoming assembly elections. Both the left parties had formed an alliance with the Janata Dal in the assembly poll of 1990 and had secured altogether six seats. But the utter failure of the Patnaik ministry to implement the 18 poll promises of the election manifesto compelled the left parties to terminate their alliance in January 1992. The CPI also seemed to be nursing a grudge against Biju Patnaik after an entire party unit of Koraput district went over to Janata Dal last year.

The rout of the Congress in the assembly elections of Karnataka and Andhra suddenly changed the shape of the things to come for Biju Patnaik. Capitalising on the success of the Karnataka state JD and Telugu Desam, Biju Patnaik organised a massive rally, 'Jan Samabesh', on December 30 in Bhubhaneswar as a show of strength.

Political celebrities like NTR, S R Bommai, Ramkrishna Hegde, V P Singh and Laloo Prasad Yadav shared the dias. Influenced by the success of the populist measures of NTR, Biju Patnaik, too, announced Rs 2 per kg rice scheme for eight lakh populace quite without regard to the fact that eight lakh people have been beneficiaries of this scheme since 1990 and the addition will increase the burden on the state exchequer to Rs 80 crore. Worse, under Patnaik's governance rice production suffered a decline and the total area under rice cultivation is reported to have decreased. Moreover, there has been no separate cabinet minister for agriculture since Jagannath Mullick was dropped two years ago.

The other two sops announced by Biju Patnaik include the increase in the reservation quota for the backwards of the state from 12 per cent to 27 per cent (Biju Patnaik incidentally had initially opposed the Mandal recommendations) taking reservations to 65 per cent, and subsidies for farm inputs. Patnaik has announced under his Kalinga Rojgar Yojana, a stipend of Rs 200 per month to unemployed youth so as to organise them against social evils like violence against women and liquor addiction. Though Patnaik prides himself on giving 30 per cent reservations to women in panchayats and urban local bodies the status of women in Orissa remains depressingly low. Not surprisingly, Patnaik's Janata Dal does not have a women's wing.

Despite this 'non-performance' of his government what really is proving advantageous to Biju Patnaik is the tainted image of his major rival and the leader of the state Congress, J B Patnaik. Within the Congress fold there are many disgruntled elements including Nandini Satpathy, Girdhar Gomango, Chintamani Panigrahi and K C Lenka, who want J B Patnaik to be removed from the state leadership. He is also reported to have played a dubious role in the post-rath yatra and Mandal riots in the state. Further, the Congress manifesto merely extends the schemes announced by Janata Dal to a still larger population, for example, 33 per cent reservation for women. The other two opposition parties, the BJP and the Left Democratic Front (LDF), formed out of an alliance of six parties excluding the CPI and the CPI(M), have small pockets of influence and are not expected to create any major problems for Biju Patnaik. The anti-Congress swing in Karnataka and Andhra forced CPI and CPI(M) to rethink and ultimately decide against joining any anti-Biju alliance, a step dubbed as 'sheer opportunism' by the LDF. Nevertheless, there are 672 independent candidates in the fray giving credibility to the grouse that both JD and the Congress, have fielded candidates having either kinship ties with the leadership or anti-social backgrounds.

CURRENT STATISTICS

EPW Research Foundation

The rates of expansion in currency, deposit money and M₁ have all been arrested during the past few weeks as a result of moderation in foreign exchange accruals and the RBI's open market operations, though in the more recent period the foreign exchange accruals have begun to look up. In general a severe liquidity crunch is noticed giving rise to a firming up of the money market rates of interest. Cut-off yields on primary auctions of 91-day and 364-day treasury bills have crossed or come close to 11 per cent as against 8.25 per cent and 9.49 per cent respectively, two months ago. Liquidity crunch in the domestic money market has also been reflected in the firming up of the forward premia for the US dollar in the domestic inter-bank market.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Jan 14, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	280.1	1.2	10.6	9.5	8.4	8.6	10.8	7.0	13.6	12.1
Primary Articles	32.3	291.3	2.2	14.0	8.7	12.5	10.1	11.5	3.0	15.3	17.1
Food Articles	17.4	318.7	0.9	12.6	4.5	13.7	5.4	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	313.7	4.5	18.5	14.6	12.0	18.0	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	281.4	0.0	4.3	14.9	1.2	9.7	13.1	15.2	13.2	14.4
Manufactured Products	57.0	273.6	0.8	10.0	8.8	7.6	7.6	9.9	7.9	12.6	8.9
Food Products	10.1	272.9	1.8	10.1	11.5	8.3	10.4	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	301.9	1.2	11.8	6.8	11.8	7.0	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-January 14, 1995)	100.0	271.5	-	10.4	7.8	10.5	7.9	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	291 ¹¹	0.3	9.8	8.6	9.0	9.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	238 ^v	0.8	9.7	6.4	7.2	5.9	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1285 ¹¹	1.6	11.2	6.5	9.4	9.8	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Jan 6, 1995	Variation					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M ₂)	495672	1319 (0.3)	62106 (14.3)	50931 (13.9)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	96534	592 (0.6)	14336 (17.4)	11288 (16.5)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	396444	1261 (0.3)	47604 (13.6)	39294 (13.2)	51601 (17.4)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt Sector	217084	-4204 (-1.9)	13298 (6.5)	29362 (16.7)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comm'l Sector	267414	11392 (4.3)	30211 (12.7)	12673 (5.8)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	69796	-522 (-0.7)	16069 (29.9)	10700 (42.9)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money	164054	4128 (2.5)	25432 (18.3)	18942 (17.1)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	96188	-1452 (-1.5)	-595 (-0.6)	10167 (10.5)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	358614	1053 (0.3)	43482 (13.8)	36185 (13.5)	46560 (17.3)	37814 (16.4)	38216 (19.8)
Advances	190076	8002 (4.2)	25658 (15.6)	9907 (6.5)	12436 (8.2)	26390 (21.0)	9291 (8.0)
Non-Food Advances	176214	7356 (4.2)	22703 (14.8)	5572 (3.8)	8272 (5.7)	24317 (20.1)	9127 (8.2)
Investments	148468	-2532 (-1.7)	15945 (12.0)	21136 (20.0)	26867 (25.4)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Sept 1994	Average for Fiscal Year So Far				Variation (Per Cent): Fiscal Year Averages				
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	241.5	231.7 (8.1)	214.4 (3.4)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	214.5	213.6 (4.1)	205.2 (3.3)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	236.3	224.1 (8.8)	205.9 (2.4)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	303.6	300.7 (7.0)	281.0 (8.6)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Feb 3, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3638	3766*	4001	3600	4604	2037	4286	3779	2281	4285
	(-9.1)		(50.4)					(65.7)	(-46.8)	(266.9)
National Index (1983-84=100)	1759	1800*	1934	1765	2176	934	2050	1830	1021	1968
	(-9.0)		(60.2)					(79.2)	(-48.1)	(234.1)

* data pertaining to January 6, 1995

Foreign Trade	Nov	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
	1994	1994-95	1993-94				
Exports: Rs crore	6657	50012 (15.2)	43405 (31.3)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2121	15941 (15.2)	13840 (19.5)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	7495	55227 (22.5)	45075 (7.6)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2388	17603 (22.5)	14372 (-2.2)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	1832	13908 (32.2)	10524 (-2.9)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-838	-5214	-1669	-3259	-9687	-3809	-10640
US \$ mn	-214	-1662	-532	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Jan 20,	Jan 21,	Mar 31,	Variation Over							
	1995	1994	1994	Month Ago	Year Ago	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
						1994-95	1993-94				
Rs crore	61557.1	32383.1	47626.0	805.0	29174.0	13931.1	12187.0	27430	5385	10223	-1383
US \$ mn	19756.0	10343.0	15176.0	364.0	9413.0	4580.0	3891.0	8724	731	3383	-1137

Money Market Rates of Interest

Instrument	January 1995				December 1994				November 1994				(Per cent per annum)
	27	20 (RF)	13	6 (RF)	30	23 (RF)	16	9 (RF)	2	25 (RF)	18 \$	11 (RF)	4@
Call money rate (weekly weighted average)	na	na	14.89	20.03	15.24	7.4	12.13	5.59	8.16	8.11	9.79	7.41	7.01
Call money rate (Range: weekly)	17.00-13.50	13.50-0.25	27.00-11.00	1.00-60.00	10.25-50.00	7.00-0.25	13.50-11.50	7.75-0.25	6.50-5.00	11.05-0.25	9.50-11.25	6.00-19.00	5.25-9.25
Treasury Bills:													
91-Day (On tap or ad hoc)	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
91-Day (RBI Auction):													
Primary	11.10	10.93	10.85	10.51	10.26	9.84	9.75	9.37	9.00	8.75	8.58	8.25	8.29
Secondary: DFHI (mid-point of bid and offer)	10.88	10.88	10.51	10.15	9.95	9.78	9.60	9.45	8.65	8.40	8.23	8.20	8.30
NSE (actually traded, weighted)										na			
364-Day (RBI Auction)													
Primary	*	10.86	*	10.56	*	9.91	*	9.83	*	9.54	*	9.49	*
Secondary: DFHI (mid-point)	10.25	10.25	10.00	9.75	9.60	9.60	9.95	9.22	8.80	8.80	8.71	8.61	8.60
NSE trading (Weighted YTM)	12.81	12.47	12.01	12.15	12.57	11.21	11.77	10.62	9.73	9.76	10.04	9.1	
All SGL trading (Weighted YTM)	12.86	12.07	12.77	10.06	14.23	11.04	11.57	10.39	9.72	na	10.04	9.1	
RBI Repo auctions (GOI securities)	*	\$	\$	\$	*	\$	*	\$	*	6.75	*	6.50	*
State Govt loans (Coupon rates)	*	*	*	*	*	*	*	*	*	*	11.55	*	*
GOI Securities: Primary Auctions													
Secondary: NSE trading (Weighted YTM)	11.98	11.87	11.83	11.84	11.37	11.13	11.68	11.76	11.25	11.22	11.31	11.02	10.72
All SGL trading (Weighted YTM)	11.88	11.82	11.92	11.79	11.22	11.14	11.12	11.18	11.24				
PSU Bonds yield:													
Tax free: NSE (traded, weighted)	9.63	9.63	9.48	9.45		9.08	9.20	9.32	9.11	9.20		8.89	8.95
NSE (Range: weekly)	9.63	9.62-9.63	9.13-9.52	9.23-9.61		9.07-9.09	9.05-9.51	9.04-9.60	8.99-9.60	9.0-9.85		8.89	8.95
Taxable: NSE (traded, weighted)	12.12	13.47	12.81	13.66	13.18	13.11	12.88	13.18	13.63	12.79			13.24
NSE (Range: weekly)	12.01-	12.46-	12.68-	13.38-	13.08-	12.98-	12.70-	12.84-	12.86-	12.61-			12.83-
Commercial Bills: DFHI (Rediscount rate)	14.02	13.52	13.48	15.05	13.30	13.25	13.25	13.26	13.64	12.96			13.65
Other secondary (30/60/90 days)	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
CP Primary market (90 days)	12.5-14.0#	12.5-14.0#	12.0-13.0#	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0
Secondary: DFHI (Discount rate)	13.00-	13.00-	13.00-	12.00-	12.00-	12.00-	12.00-	12.00-	12.00-	12.00-	12.00-	12.00-	12.00-
Secondary: DFHI (Discount rate)	13.75	13.75	16.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Secondary: market/NSE	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50
CDs Primary market (one year)	13.45	14.00	14.25	14.5-18.0	13.45	11.25-	na	na	11.50	na	na	na	na
Secondary: DFHI (Discount rate)	13.00-	13.00-	13.00-	11.25-	11.25-	11.50-	11.50-	11.50-	11.50-	na	na	na	na
Secondary: DFHI (Discount rate)	15.00	15.00	15.00	11.50	11.50	11.75	11.75	11.75	11.75	13.50	13.50	13.50	13.50
Inter-corporate deposits (30/90/180 days)	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
UTI-1964 Units (Week-end secondary market price in rupees)	14.00-	14.00-	14.00-	14.00-	14.00-	14.00-	14.00-	14.00-	14.00-	14.00-	14.00-	14.00-	14.00-
Hundi Rate	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
UTI-1964 Units (Week-end secondary market price in rupees)	17.63	17.63	17.73	17.77	17.80	17.75	17.79	18.08	18.36	18.31	18.50	18.60	18.60
Memorandum Items:	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
(i) Forward premia on the US dollar in the domestic inter-bank market (annualised in per cent per annum) (Weekly average)													
Spot/Cash	13.83	3.64	10.19	14.93	3.27	2.69	6.04	3.20	1.64	5.27	5.09	2.00	1.21
One-month	5.98	5.53	6.10	4.34	3.77	4.29	4.65	3.90	3.25	3.88	2.95	2.00	1.26
Three-month	5.82	5.45	5.34	4.66	3.99	4.37	4.73	4.11	3.96	3.66	2.98	2.48	2.08
Six-month	5.74	5.32	5.24	4.49	3.98	4.31	4.42	4.13	4.01	3.71	3.28	3.03	2.73
(ii) Havala Rate (Rs/US \$)	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50

... no trading * no auction na not available YTM = yield to maturity \$ All bids were rejected # Only for 30 days.

RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period.

\$ Friday being holiday, Thursday data: @ Thursday and Friday being holidays, Wednesday data. Call rates at upcountry centres ruled in the range of 6.50-8.75 per cent on November 3 and 4 and 10.75-11.25 on November 18.

Hindustan Petroleum Corporation

HINDUSTAN PETROLEUM CORPORATION (HPCL) is an integrated petroleum refining and marketing company with 20 per cent share both in refining and marketing petroleum products in India. The company owns and operates two refineries at Bombay and Vishakapatnam with capacities of 5.5 MMTPA and 4.5 MMTPA, respectively. This combined throughput represents about 20 per cent of the country's total refining capacity. It also has the largest lube refinery in India with a capacity to manufacture 2.25,000 TPA of lube base oils. This is being expanded 1,10,000 TPA. It also owns and operates a large product supply and distribution network throughout the country. HPCL has a well established countrywide marketing network including zonal and regional offices, terminals, depots, LPG bottling plants, aviation service stations, retail outlets, and product pipelines. The company has set up an international division for the export of lubes, software and speciality products. The company has entered into collaborative research programmes with reputed research institutes. HPCL proposes the expansion of crude refining capacity of its Visakh Refinery from 4.5 MTPA to 7.5 MTPA. The envisaged facilities are new crude distillation unit, new vacuum distillation unit, new visbreaker unit, augmentation of LPG treatment, effluent treatment, sulphur recovery, utilities and power generation plants. The capital cost of the proposed Visakh Refinery Expansion Project is estimated to be at Rs 870.38 crore. Commercial production of the project is to begin by July 1998. The project on lube base stock augmentation facilities at Bombay Refinery envisages setting up of facilities to produce additional 1,10,000 tonnes per annum of lube base stock including 50,000 tonnes per annum of bright stock. The project would result in the optimal utilisation of refinery by maximising the production of high value lube products to their full potential. The project envisages the setting up of new propane deasphalting unit, new solvent extraction unit based on N-methyl pyrrolidone (NMP) solvent, new hydrofiner and hydrogen units, propane dewaxing unit modifications, and additional power generation and off site facilities. The estimated cost of the project is Rs 232.41 crore. Also proposed is the laying of a multiproduct pipeline between Visakh and Vijayawada with an intermediate booster station cum tap-off terminal at Rajahmundry, for transportation of white oil products like high speed diesel oil, motor

spirit, superior kerosene oil and aviation turbine fuel. Storage facilities with tanks of 12,000 tonnes and 70,000 tonnes are to be provided at Rajahmundry and Vijayawada. This project is to be implemented in two phases at an estimated cost of Rs 467.45 crore. Another LPG import facilities with receipt, storage loading and transportation facilities along with other facilities are to be constructed. HPCL is putting the LPG import facilities at Mangalore to handle 6,00,000 tonnes per annum of imported LPG. The project would cost Rs 1,62.74 crore. The company has about 140 other projects in various stages of implementation. The company to finance these projects is entering the capital market on February 13 with a public issue of 1,73,50,000 equity shares of Rs 10 each along with detachable tradable warrants for cash at a premium aggregating Rs 608.925 crore comprising of 1,35,45,000 equity shares of Rs 10 each at a premium of Rs 330 per share aggregating Rs 460.530 crore and 38,05,000 equity shares of Rs 10 each at a premium of Rs 380 per share on firm allotment basis aggregating Rs 148.394 crore. The issue is to be lead managed by SBI Capital Markets, ICICI Securities and Finance Company, DSP Financial Consultants and JM Financial and Investment Consultancy Services.

Moonbeam Industries

Moonbeam Industries, manufacturer of high quality rubberised car products, fibre pillows, quilts and bed spreads markets its products under the brand name 'Moonbeam'. The company which has a state-of-the-art plant at Sikandarabad, Bulandshahar district, UP, is embarking on an expansion plan of its installed capacity from 1,100 TPA to 5,400 TPA. To part finance the expansion project involving an outlay of Rs 441 lakh as appraised by the Bank of India, the company is entering the capital market on February 21 with a public issue of 20 lakh equity shares of Rs 10 each for cash at a premium of Rs 5 aggregating Rs 300 lakh out of which equities worth Rs 72 lakh have been reserved for firm

allotments to NRIs/OBCs. The UP Financial Corporation is also to subscribe shares worth Rs 18.75 lakh thus leaving net public offer of Rs 209.25 lakh. The company plans to expand to the manufacture of industrial items such as bus and rail seats and also strengthen its marketing base in territories like MP, Gujarat, Maharashtra, AP, Karnataka and other southern states.

Optel Telecommunications

Furukawa Electric Company of Japan, one of the world's leading manufacturers of electric wire and cable, non-ferrous metal, other related products and engineering services and Optel Telecommunications are to enter into an equity collaboration. Furukawa is to invest 10 per cent stake worth Rs 10 crore in Optel Telecommunications which controls 70 per cent of the total Indian fibre optics market. Furukawa also has the distinction of being the first company in the world to successfully manufacture optical fibre cable. Optel Telecommunications has a strong tie-up with Fujitsu of Japan and Ericsson of Sweden. It is the only company in India which has got vertically integrated facilities in terms of manufacturing of optical fibre, cable and related system equipment. The company is expanding its current areas sizeably, with a three-fold expansion in optical fibre capacity from 50,000 Fkm to 1,50,000 Fkm. Doubling of optical fibre cable capacity from 4,500 Rkm to 7,000 Rkm is also underway. A new diversification into poly insulated jelly filled cable (PIJF) with a capacity of 10,000 CKm is also being planned. These expansion programmes are at a cost of more than Rs 100 crore and are to be completed in the 1995 calendar year. The company has a strong R and D base in collaboration with IITs, with advanced capabilities in specialised fibre like fibre amplifier (EDFA) and dispersion shifted fibre (DSF). The company is to soon enter the capital market with its public issue which will fund almost Rs 94 crore of the total fund requirement. While Rs 21 crore is to be financed through a long-term debt from IDBI the rest will flow through internal accruals.

For the Attention of Subscribers and Subscription Agencies Outside India

It has come to our notice that a large number of subscriptions to the EPW from outside the country together with the subscription payments sent to supposed subscription agents in India have not been forwarded to us.

We wish to point out to subscribers and subscription agencies outside India that all foreign subscriptions, together with the appropriate remittances, must be forwarded to us and not to unauthorised third parties in India.

We take no responsibility whatsoever in respect of subscriptions not registered with us.

MANAGER

IDL CHEMICALS

Plans to Diversify

IDL CHEMICALS, the Hinduja-controlled explosives and chemicals unit has done well for the year with net sales going up by 7 per cent, operating profit by 42 per cent, and net profit by 27 per cent. Last year the company had gained from the write back of taxation provision to the tune of Rs 2 crore. The dividend for the year has been enhanced to 16 per cent as against 12 per cent in the previous year. Exports and imports were up by 17 per cent and 6 per cent, respectively. Debt-equity ratio has shown a steady decline in the past three years. Sundry creditors to current assets has been steady at 28 per cent for the past two years. Sales to total assets increased by 3 percentage points for the year as against 99 per cent in the past year. Sales to gross fixed assets showed an increase of 8 percentage points for the year. Earning per share fluctuated from Rs 2 in 1991-92 to Rs 7 in 1992-93 to Rs 5 in 1993-94. Net value added to the value of production declined by 9 percentage points for the year. Remuneration to employees increased from 54 per cent in 1992-93 to 66 per cent in 1993-94. Inventories grew by 6 per cent for the year. Short-term bank borrowings was steady at 145 per cent for 1991-93 and has declined to 120 per cent in 1993-94. The explosive division produced 138.85 million detonators, 15.19 million meters of detonating fuse and 23,382 tonnes of explosives.

The metal cladding division's output increased by Rs 12 lakh for the year. The bitumen emulsion division's sales including exports was up by Rs 6 lakh. The company plans to diversify into castor oil derivatives like hydrated castor oil, a raw material for lubricants, dehydrated castor oil fatty acids, a raw material for paints and speciality coatings, and 12 hydroxy stearic acid, a raw material for lubricants and cosmetics. The company plans to invest nearly Rs 22 crore in a castor project with 27,000 tpa capacity. Diversification into surfactants and agro processing is also planned at a cost of Rs 25 crore. The company spent Rs 10.5 crore in research and development activities which included the design and development of mini bulk trucks, and core load sensing device for detonating fuse.

BOEHRINGER MANNHEIM

Development in Diagnostics

Boehringer Mannheim (India), formerly known as Boehringer Knoll has registered a 10 per cent decline in net sales for the year

1993-94. Operating profit fell by 81 per cent and net profit by 409 per cent. Though other income was up by 33 per cent, depreciation was down by 17 per cent and interest charges by 10 per cent it did not help arrest the worsening situation. The sharp drop in the profits is attributed to the dumping of L-base from China. The company has been a market leader in the marketing of chloramphenicol, branded Paraxin. To maintain its top position the company slashed its prices resulting in a telling decline in its bottomline. Exports of the company was up by 65 per cent, while imports declined by 13 per cent. Debt-equity ratio of the company fell sharply from 140 per cent in 1992-93 to 50 per cent in 1993-94. Short-term bank borrowings to inventories rose by 13 percentage points. Sales to total assets and sales to gross fixed assets declined in the past two years by 15 percentage points and 97 percentage points, respectively. Net value added to value of production fell by 4 percentage points for the year. Remuneration to employees which was steady at around 60 per cent from 1991-93 rose by 29 percentage points for the year.

The diagnostics division registered a growth in sales of 27 per cent for the year. A medium range analyser 'Autolab' and a dip-and-read pregnancy test 'Event Test' were successfully introduced during the year. The diabetes care division now plans to service doctors, pathological laboratories, hospital at select locations. The Mahad project nearing completion was to commence trial runs in August 1994. The 7-ADCA project implementation has been deferred keeping in view of the substantial fall in the selling price. The company invested Rs 14 lakh for its R and D activities. The department is in the process of developing technology for the manufacture of other bulk drugs from the basic stage.

ORISSA INDUSTRIES

Rise in Exports

Orissa Industries (Orind), exporters of basic refractories has not done well for the year 1993-94. Net sales were down by 20 per cent, operating profit by 12 per cent and net profit by 2 per cent. Net profit were down in the previous year too, by 21 per cent. The gravity in the fall of net profit was softened by the increase in other income by 25 per cent, fall in taxation by 68 per cent, depreciation by 6 per cent and interest charges by 5 per cent. The dividend of 22 per cent was maintained for the year. Exports were up by 42 per cent while imports declined

by 38 per cent. Debt-equity ratio fluctuated from 124 per cent in 1991-92 to 110 per cent, in 1992-93 to 116 per cent in 1993-94. Short-term bank borrowings to inventories declined by 10 percentage points during the year. Sales to total assets and sales to gross fixed assets declined by 31 percentage points and 102 percentage points. Earning per share has been steady at Rs 8 for the past two years. Return on investment has declined marginally in the past two years. Net value added to value of production remained steady at 16 per cent in the past two years and has now increased by 5 percentage points. Sundry creditors to current assets has been marginally declining in the past three years.

The recessionary trend in the steel industry forced many mini steel plants to operate below 50 per cent capacity utilisation. This was primarily due to the scarcity of scrap compounded by the increase in price of imported scrap. The steel industry being the major consumer of refractory products, the refractory industry was also affected. Also hike in cost without corresponding increase in selling price affected the margins. The company also faced liquidity crunch. Slow off-take and strict inventory measures by the integrated steel plants forced the company to carry high inventory of finished goods. The company plans to undertake modernisation and expansion plans by incurring an expenditure of Rs 6.5 crore. With the schemes implemented new products like high alumina shrouds and dolomite bricks will be produced. The joint venture in Nepal, Nepal Orind Magnesite is at a standstill since Refractory Consultants and Engineers of Austria are yet to submit the final report of the project's viability. Magnesite and Minerals is being rehabilitated under the scheme provided by the BIFR. Orind Exports, incorporated in 1992, has entered into an agreement with Dalian Xiyang Trading Company and the joint venture company is to be christened Yingkou Orind Refractories, which is to be located in China. The company will be located in Yingkou, economy and technology development zone. Orind is to provide technical know-how.

The company has invested Rs 42 lakh in its research and development activities where the thrust is on the development of synthetic raw materials, purification of low grade ore and the development of machinable castables for the alumina industry.

ROLLATAINERS

Backward Integration

The Faridabad-based 'system' packaging pioneer Rollatainers has done well for the year 1993-94 with net sales going up by

The Week's Companies

(Rs lakh)

Financial Indicators	IDL Chemicals		Boehringer Mannheim		Orissa Industries		Rollatainers		Varun Shipping	
	March	March	March	March	March	March	March	March	March	March
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
Income/appropriations										
1 Net sales	8177	7592	5641	6311	7743	9786	9070	6913	9896	6345
2 Value of production	8276	7719	5662	6291	7775	10260	9188	6995	9896	6345
3 Other Income	171	155	205	154	781	621	62	100	92	115
4 Total income	8447	7874	5867	6445	8556	10881	9250	7095	9988	6460
5 Raw materials/stores and spares consumed	3541	3230	1866	2587	4328	6593	5757	4500	472	357
6 Other manufacturing expenses	522	284	1460	992	640	637	712	508	0	0
7 Remuneration to employees	1998	1924	1158	1011	947	880	678	540	1262	914
8 Other expenses	1376	1729	1271	1242	1871	1892	877	644	3184	2741
9 Operating profit	1010	707	112	613	770	879	1226	903	5070	2448
10 Interest	543	535	328	365	504	531	542	390	1970	915
11 Gross profit	500	650	-221	243	295	378	694	535	3395	2905
12 Depreciation	174	193	70	85	92	98	189	183	1775	1119
13 Profit before tax	326	457	-291	158	203	280	505	352	1620	1786
14 Tax provision	0	0	0	64	34	107	155	90	0	0
15 Profit after tax	326	457	-291	94	169	173	350	262	1620	1786
16 Dividends	101	75	0	26	45	45	62	32	997	806
17 Retained profit	225	382	-291	68	124	128	288	230	623	980
Liabilities/assets										
18 Paid-up capital	629	629	355	173	202	202	357	128	3535	3347
19 Reserves and surplus	2148	1923	1473	954	777	692	2135	1262	5378	4850
20 Long term loans	1210	1313	925	1579	1139	985	1773	1672	16965	12887
21 Short term loans	1742	1660	1437	1429	1630	1921	1348	1047	2220	2371
22 Of which bank borrowings	1683	1660	1283	1200	1630	1921	1094	890	0	1445
23 Gross fixed assets	4054	3920	2851	2145	2242	2186	3853	3311	31620	24689
24 Accumulated depreciation	2298	2174	654	592	1268	1137	1160	977	5024	3250
25 Inventories	1393	1130	1059	1111	2728	2767	1734	1403	0	0
26 Total assets/liabilities	7985	7654	5531	5400	7164	7026	7067	5358	30303	25786
Miscellaneous items										
27 Excise duty	0	0	464	502	1239	1535	1249	815	0	0
28 Gross value added	3011	3526	1290	1676	1777	1822	1979	1513	6859	6034
29 Total foreign exchange income	516	438	363	239	1422	988	211	611	0	0
30 Total foreign exchange outgo	188	149	1089	1253	1456	2284	681	736	0	0
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	102.4	99.2	102.0	116.9	108.1	139.3	128.3	129.0	32.7	24.6
32 Sales to total net assets (%)	142.7	137.4	134.6	152.6	206.6	257.5	161.6	168.2	35.2	27.1
33 Gross value added to gross fixed assets (%)	74.3	89.9	45.2	78.1	79.3	83.3	51.4	45.7	21.7	24.4
34 Return on investment (gross profit to total assets) (%)	6.3	8.5	-4.0	4.5	4.1	5.4	9.8	10.0	11.2	11.3
35 Gross profit to sales (gross margin) (%)	6.1	8.6	-3.9	3.9	3.8	3.9	7.7	7.7	34.3	45.8
36 Operating profit to sales (%)	12.4	9.3	2.0	9.7	9.9	9.0	13.5	13.1	51.2	38.6
37 Profit before tax to sales (%)	4.0	6.0	-5.2	2.5	2.6	2.9	5.6	5.1	16.4	28.1
38 Tax provision to profit before tax (%)	0.0	0.0	0.0	40.5	16.7	38.2	30.7	25.6	0.0	0.0
39 Profit after tax to net worth (return on equity) (%)	11.7	17.9	-15.9	8.3	17.3	19.4	14.0	18.8	18.2	21.8
40 Dividend (%)	16.00	12.00	0.00	15.00	22.00	22.00	35.00	35.00	28.00	28.00
41 Earning per share (Rs)	5.18	7.27	-8.20	5.43	8.37	8.56	9.80	20.47	4.58	5.34
42 Book value per share (Rs)	44.1	40.6	51.5	65.1	48.5	44.3	65.3	95.8	25.2	24.5
43 P/E ratio (based on latest and corresponding last year's price)	13.5	12.4	-11.6	24.8	19.1	3.5	20.4	10.3	6.0	6.7
44 Debt-equity ratio (adjusted for revaluation) (%)	43.6	51.4	50.6	140.1	116.3	110.2	76.0	136.4	190.3	157.2
45 Short term bank borrowings to inventories (%)	120.8	146.9	121.2	108.0	59.8	69.4	63.1	63.4	-	-
46 Sundry creditors to sundry debtors (%)	64.5	61.8	93.0	84.6	89.3	88.3	69.8	89.5	-	-
47 Total remuneration to employees to gross value added (%)	66.4	54.6	89.8	60.3	53.3	48.3	34.3	35.7	18.4	15.1
48 Total remuneration to employees to value of production (%)	24.1	24.9	20.5	16.1	12.2	8.6	7.4	7.7	12.8	14.4
49 Gross fixed assets formation (%)	3.4	0.4	32.9	17.0	2.6	7.6	17.3	38.6	28.1	136.4
50 Growth in inventories (%)	23.3	17.8	-4.7	-0.6	-1.4	15.2	23.6	35.0	-	-

Rs 21.57 crore (31 per cent), operating profit by Rs 3.23 crore (35 per cent) and net profit by Rs 8.8 crore (33 per cent). Net profit would have been even higher but for the fall in other income Rs 38 lakh (38 per cent), non-operating profit by Rs 12 lakh (54 per cent), increase in taxation by Rs 65 lakh (72 per cent), depreciation by Rs 6 lakh (3 per cent) and interest charges by Rs 1.52 crore (39 per cent). The 35 per cent dividend has been maintained by the company. Exports fell by Rs 3.55 crore (63 per cent) and imports by Rs 7.9 crore (10 per cent). Debt-equity ratio fluctuated from 100 per cent in 1991-92 to 120 per cent in 1992-93 to 71 per cent in 1993-94. Growth in inventories was down by 12 percentage points for the year. Gross saving to gross capital formation rose steadily in the past three years from 5 per cent in 1991-92 to 18 per cent in 1992-93 to 32 per cent in 1993-94. Sales to total assets declined from 131 per cent in 1991-92 to 129 per cent in 1992-93 to 128 per cent in 1993-94. While sales to gross fixed assets increased from 202 per cent in 1991-92 to 208 per cent in 1992-93 to 235 per cent in 1993-94. Remuneration to employees has been steady at 34 per cent in the past three years. Earning per share declined from Rs 23 in 1991-92 to Rs 20 in 1992-93 to Rs 9 in 1993-94. Short-term bank borrowings to inventories was steady at 63 per cent for the past two years. The packaging division increased its turnover by Rs 21 crore (42 per cent). To improve the product range, it has upgraded the quality of material for packaging tea, coffee, milk powders and liquids. The paper division continued to perform well with its production of snow-white deluxe and coated board to meet the in-house demand for paper boards. The division's production of coated paper boards has helped the company in improving the quality of cartons produced. The machinery division's turnover increased by 15 per cent with exports registering Rs 1.41 crore. The division has also developed new automatic machines for vacuum packaging. Sidharth paper division grew by 30 per cent for the year. With the expansion of production capacity as per the rehabilitation package approved by the BIFR, the division is now showing consistent performance and has also started to make profits. Its speciality paper has shown a rising demand.

The thrust is on the development of mono carton business, the major customers being Amul and BBLIL. Also with the introduction of edible oil cartons in the Rolapak system, the packaging business is expected to increase. The company also plans to manufacture ice cream cup-making machines and case packaging machines. To meet the raw material requirements a

wholly-owned subsidiary company christened RT Packaging has been promoted, and has already started commercial production. It manufactures flexible packaging material which will be primarily used by the company thereby reducing dependence on outside suppliers for its raw material requirements.

VARUN SHIPPING

On Full Steam

A DD Khatau group company, Varun Shipping is engaged in owning and operating ships on both time charter and tramp basis. The company has shown mixed performance with net sales going up by 55 per cent and operating profit by 107 per cent, but net profit has declined by 9 per cent. This can be attributed to the 20 per cent decline in other income and in non-operating income by 78 per cent. Interest charges and depreciation were high by 115 per cent (Rs 10.55 crore) and by 58 per cent (Rs 6.56 crore), respectively. In 1992-93 the company was able to cancel forward contracts entered into, to hedge its foreign exchange exposures. Since during that year the rupee depreciated, it was able to make profits. In 1993-94, the rupee remained stable and this was not possible. Loans from IFC to the tune of \$ 15 million and from SCICI of \$ 22 million, to finance the

acquisition of new vessels resulted in higher interest charges, and depreciation was also high due to the acquisition of these new vessels. Despite the fall in profit the company has maintained the dividend at 28 per cent. Debt-equity ratio fluctuated from 169 per cent in 1991-92 to 157 per cent in 1992-93 to 190 per cent in 1993-94. Sundry creditors to current assets too fluctuated from 29 per cent in 1991-92 to 35 per cent in 1992-93 to 26 per cent in 1993-94. Sales to total assets and sales to gross fixed assets increased by 8 percentage points and 5 percentage points, respectively for the year. Earning per share fell marginally. Net value added to value of production fluctuated from 44 per cent in 1991-92 to 77 per cent in 1992-93 to 51 per cent in 1993-94. Remuneration to employees was up by 3 percentage points for the year as against 15 per cent in the previous year. Starting initially with operating petroleum products tankers, chemical and edible oil tankers and off-shore supply vessels, it expanded its activities into dry bulk cargo movements. It also possesses one of the youngest fleets in the country. The government's amendments in the provisions of the Merchant Shipping Act has made it easier to secure foreign currency loans from foreign financial institutions on more attractive terms. The company plans to expand and to raise its equity.



Research and Information System for the Non-Aligned and Other Developing Countries

40-B, Lodhi Estate, New Delhi - 110 003

Director, RIS invites applications for the post of **RESEARCH ASSOCIATE** (Rs.2200-4000) : A high second class M.A. in Economics with knowledge of quantitative methods of analysis. Desirable: Experience of two years or M.Phil, degree and working experience of computer/micro-processor.

In addition to pay, allowances are admissible as per RIS rules which are at present comparable to those admissible to Central Government employees. Bio-data should be sent within six weeks to the Director, RIS. Serving employees should route their applications through their employers.

Police as Film Censors

A G Noorani

The Censor Board of Film Certification, by referring to the police the film Bombay on the ground that it dealt with a sensitive event, has made a mockery of the law.

IT is bad enough that the police are made judges of dramatic performances and the customs of literary works. We have now reached a stage when the police authorities are accepted as film censors. The first two cases conform to the law, although it is unconstitutional. The last, however, is in violation of a statute, the Cinematograph Act, 1952, as amended.

The facts of the instant case are set out in Seema Sinha's two reports in *Indian Express* of January 8 and 11. Apparently "five top-ranking police officials have been deputed by the home ministry to decide if *Bombay* in fact for public consumption" (*sic*).

The film, *Bombay*, directed by the famous director, Mani Ratnam, is based on a love story between a Hindu boy and a Muslim girl which unfolds during the riots that set the city ablaze in December 1992-January 1993. Its theme is amity, not strife. It has been made in Hindi as well as in Tamil.

The Revising Committee of the Censor Board of Film Certification constituted by the Board's chairman Shakti Samanta viewed the film on January 6, "along with some top home ministry officials including additional director general P S Ramaswamy and certain crime branch officials previewed the film". The CBFC's regional officer said on January 8 "No decision has been taken, we haven't made up our minds yet." The film was due for release only six days later. Seema Sinha reported: "Mr Samanta said the Home Ministry's opinion is being sought because it involved a sensitive issue. The incidents had occurred in Bombay, some interference from the state government was inevitable, added the regional officer. 'We have to take into account the law and order aspect', he said, adding that the government's 'expert opinion' is expected within seven days.

'We could have passed the film without the government's involvement, but why take the risk? Tomorrow, if some problem occurs, police might turn back and say we didn't seek their opinion. Though we can stop a film's exhibition if it creates

disturbance, we are taking precautions,' explained a senior CBFC member, requesting anonymity...

Portrayal of Shiv Sena chief Bal Thackeray (played by Tinu Anand) in *Bombay* might be a subject matter of controversy as the character was very strong, felt the senior CBFC member. According to the correspondent's report, on January 11, the officials passed the buck, predictably enough to the chief minister, Sharad Pawar, and a senior CBFC official told her, "The government is not very keen on taking any decision immediately". The city police commissioner, Satish Sawhney, "felt the film was not fit for public viewing, and that its exhibition involved risk". Risk of what? The Sena's violence, of course. The actor, Tinu Anand, who played the role of Bal Thackeray said "The dialogues are a direct lift from Thackeray's speeches".

That apart for two good reasons any decision based on police assessment of the Sena's threat will be utterly unconstitutional. In fact the process has already been initiated. First, it is impermissible to delay, let alone refuse, certification because of the fear of violence. A decision which is based on this legally irrelevant consideration is bad. In law that consideration is, indeed, irrelevant as the Supreme Court ruled on March 30, 1989 in *S Rangarajan vs V P Jagjeevan Ram*.

It concerned the Tamil film *Ore Oru Gramathile*. It was granted U certificate for exhibition but on a writ petition challenging it a division bench of the Madras High Court quashed it. The producer moved the Supreme Court. The film, which concerned the reservation policy, won the National Award at the film festival held by the government of India.

The Supreme Court was "amused yet troubled" by the stand taken by the Tamil Nadu government and squarely posed the question: "What good is the protection of freedom of expression if the state does not take care to protect it?" If the film is unobjectionable and cannot constitutionally

be restricted under Article 19(2), freedom of expression cannot be suppressed on account of threat of demonstration and processions or threats of violence... The state cannot plead its inability to handle the hostile audience problem. It is its obligatory duty to present it and protect the freedom of expression. This is the law as laid down by the Supreme Court. A decision which flouts the ruling is unconstitutional.

The second ground is equally incontrovertible. The act confers discretion on the authorities it sets up. They cannot abdicate their duties and functions in favour of others be they the police or the chief minister. Section 3 of the Act sets up a Board of Film Certification "for the purpose of sanctioning films for public exhibition"; examining committees consisting of one whole-time member of the Board and two assessors; and, revising committees consisting of the chairman, one whole-time member and one honorary member of the Board or the last plus two whole-time members.

Explicit provision is made for outside assistance in the form of advisory panels by Section 5 - thus ruling out extra-constitutional or extra-legal 'assistance'. The Board may consult only these panels.

Section 7c is of no avail. The Board can "require any film to be exhibited before it or before any person or authority specified by it in this behalf". This may be done only "for the purpose of exercising any of the powers conferred on it by this Act". Thus the powers are to be exercised by the Board itself in its discretion. Section 7c is applicable also to the central government and to the Appellate Tribunal which is a quasi-judicial body hearing appeals from the Board's decisions.

In the present case, admittedly the government's opinion has been sought. And the decision has been withheld which proves the abdication of statutory power vested in the Board. The Board and its chairman, Shakti Samanta, have made a mockery of the law.

Subscription Numbers

Subscribers are requested to note their Subscription Numbers mentioned on the wrappers and quote these numbers when corresponding with the circulation department.

National Rehabilitation Policy

A Critique

Jai Sen

There are several drafts of a 'national rehabilitation policy' prepared by the government in 'private' circulation, and critiques have begun to appear. This note seeks to contribute to the policy debate and suggests that what is needed is a national displacement policy.

THERE are, at the moment, two or three versions of a draft 'national rehabilitation policy' in 'private' circulation in the country, prepared by different ministries in the government of India. The circulation is 'private' only because the government in its usual infinite wisdom has chosen not to publicly circulate them, and indeed has even marked one of the more recent versions as 'secret'.¹ Concerned people have secured copies of most of the versions, and 'private' circulation, study, and debate is presently taking place around them in the country, in the public interest.

Some useful critiques have already started to appear.² This document tries not to cover the same ground but rather to open up some other questions, beyond the question of 'rehabilitation'. In the course of doing so, it has become necessary to engage with the critiques, with some ideas which emerged earlier and which seem to have strongly influenced the current draft policy, and also with some current attempts in civil society to address the draft policy. This note has been prepared towards a public debate on all these documents and on this whole process, and towards what this paper suggests should be a national displacement (and not merely 'rehabilitation') policy.

BACKGROUND

First, some comments on the draft rehabilitation policy:

The government of India has been responsible for the forcible uprooting and displacement of some two to five crore citizens of the country since independence, in the name of what has been called 'development planning', and it has ensured the satisfactory rehabilitation of only a small minority of this total number. This number of people permanently uprooted from their homes, is equal to or larger than the population of many major sovereign countries. Over the past three to four decades, this record has been the subject of numerous protests by those affected, increasingly militant resistance, and an increasingly wide spectrum of criticism and opposition (though more from within civil society than from political parties). The 'secret' draft policy

in hand starts out by recognising that under the current regime of the so-called 'new economic policies', the state will want to take over land even more intensely and therefore will be displacing people with even greater intensity.

Ever since the World Bank was forced to undertake its own worldwide review of 'involuntary resettlement' in its projects [World Bank 1994], to a large extent because of the campaign around the Narmada project, it has been heavily pressuring the government of India to come up with a national rehabilitation policy. Unusual for a policy (even at a draft stage), this document recognises the pressure it faces from movements. The government seems to be admitting that it is caught between conflicting demands – and that it is choosing its economic policies and its backers over the people being displaced, which is only consistent with its policy directions so far. The intent of this draft should not be mistaken, yet the recognition of the need for at least some policy in this area should be welcomed since it vindicates people's struggles in an important way. Any critique of the policy should be done with the understanding that it is a beginning.³

There are important aspects of the draft which can be welcomed and others which must be condemned. As a whole, the document is striking in certain ways – at some points it speaks the language of activists and movements clearly and is unusually candid. Precisely because of this, it is a document that needs to be read very carefully.

POSITIVE POINTS

Let us take the 'good' points first. What must be commended is the candidness of the authors in regard to the forces that caused the draft to be prepared – in short, the militancy of the people of the country and in particular those who have been and are being displaced, and the growing collaboration between the people, activists, the press, and the judiciary. Equally welcome is the blunt recognition that displacement constitutes a violation of people's most fundamental rights, both under the Constitution of the country [the right to settle and reside

anywhere in the country, Art 19(1) (e)] and several international human rights covenants. The recognition that it is especially tribals who have been (and are still being) victimised by displacement in the country, and the acknowledgement of the special history and conditions and of the special rights of tribals, are also very welcome; as is the principle of special provisions and concessions made to tribals being displaced. What would have made this admission even more meaningful is the recognition that displacement is a violation of the right to life not only of tribals but of all citizens, and that courts in the country have widely held this right to include the right to live with dignity and also the wherewithal to do this.

The draft also makes very clear that an equally important concern is that 'international organisations' have taken up the question, and the fear that multilateral development banks "might withhold their loans", given the government's record and the lack of policy in the area, if their own "concerns" in these areas are not addressed. While confirming the stories circulating about pressure from the World Bank, this gives a very different angle to the policy; the argument justifying this position is also very valuable – that it was the World Bank that withdrew from funding the Sardar Sarovar (Narmada) project, and not the government which withdrew because of unacceptable conditions (which is what the government and its apologists have tried to maintain). This admission only confirms what is already widely believed, and is therefore very welcome indeed.

Beyond this, there are several other important recognitions:

- (1) That people being 'displaced' are being "uprooted from the soil";
- (2) That "there should be no displacement without rehabilitation having been completed";
- (3) That the situation being affected is much wider than just the loss of land by those most immediately affected through land acquisition;
- (4) That those who customarily live on forest land and/or who have customary rights to common property resources, and who have so far been labelled 'encroachers' by the property-oriented legal system, are in reality not encroachers and are to be treated in the same way as those who have papers to property (the only thing missing is the substitution of a more valid term);
- (5) That displaced people should have a say in what happens to them, in particular by having representatives on the 'implementation group' and 'plan implementation and monitoring committees' that the draft proposes be formed; and that they should be helped to get organised and that their

representation should be democratically constituted (i.e., not by outside appointees, which has normally been the practise when any committees have been formed at all), with periodic elections.

These are all steps in the right direction, and at the minimum reflect the influence of proposals and demands that have been put forward repeatedly by outside organisations, those presently resisting displacement, voluntary organisations and researchers, over the past two to three decades. Equally welcome is the idea of 'total rehabilitation', and the positive recognition of the input of activists and action groups, and that 'voluntary action groups' should also be represented on the 'plan implementation and monitoring committees'. Though the thorny questions of who decides who is to get on, and how this is to be done, are not addressed in this draft, the direction and the apparent intentions are correct.

In short, what comes through strongly is that the author/s have learned from the experience of the past two decades of struggle and debate across the country around concrete situations of displacement, and related forums and meetings, and have also tried to absorb and reflect some of these lessons in their draft for a national policy. Given several close similarities in wording, it is in particular clear that at least one of the sources of influence has been an important initiative that was taken by some movement organisations and voluntary groups in the mid-1980s towards a national rehabilitation policy [National Working Group on Displacement 1987-89].

WHY SECRECY?

Given all this, the fact that the policy drafts have not been made formally available to concerned groups for their comments, and that they have instead been circulated either anonymously or labelled 'secret', badly spoils the above record established by the author/s for themselves (notwithstanding any government rules or conventions in force; if this is their argument, then the rules need to be changed). These groups range from organisations of oustees from projects of earlier decades, such as the Pong or Rihand dams, or current anti-displacement movements such as the Narmada Bachao Andolan or the Netarhat Sangharsh Samiti and so many others, to the many organisations and individuals concerned with environmental and human rights who have established track records of raising and pursuing important related questions in the public interest.

How long is the government going to go on trying to pretend that such movements and organisations and their efforts are merely 'marginal' (and/or 'disruptive'), and that documents should therefore be kept away from them – when their own policy drafters are acknowledging, as in this draft, the

significance of this role, and when the courts of the country and almost all public forums have now come around to agreeing that these are not marginal but in fact important democratic movements, and that the sharing of information and public debate are vital parts of a democratic polity? How long, moreover, is the government going to go on saying one thing in international meetings (that it is taking the movements into confidence) and practising another within the country? This is a central question, and not a marginal one, in any public and democratic process. If this is the government's policy in terms of their practise, then this whole rehabilitation policy should be regarded as bunkum and should be dismissed; because its foundation, and that of all public policy in a democratic state and republic, must be the government's partnership with and subservience to the people.

The secrecy of the government in this instance, and this continuing tendency on the part of the government, need to be unequivocally and thoroughly condemned. More particularly, the demand must be placed that this draft of the rehabilitation policy, all earlier drafts, and all subsequent drafts, be placed in the public arena; that following this – and not on the basis of drafts that are secured informally or leaked, a national and public debate be initiated around this policy, and before any thought by the government of finalising it; and that in general, the continuing policy of the government to remain secretive, be abandoned in favour of more open, transparent, and consultative governance.

SOME POINTS TOWARDS A POSITION

We now wish to put forward some points towards a position on the national rehabilitation policy (DNRP) that is being drafted by the government and to suggest that we need to move beyond rehabilitation to look at the more fundamental question of displacement itself.

We propose that the fundamental principles underlying any policy in this area, in accordance with Art 19(1)(e) of our Constitution, guaranteeing to people the freedom and right to settle and reside anywhere in the country, and also international law, and which is acknowledged in the DNRP itself, must be somewhat as follows:

(1) "Every woman, man, child, and also community, has the following inalienable rights and freedoms:

(i) To have a place to live in security and dignity, including access to livelihood that they themselves can sustain; and where the term 'security' refers to legal, social and environmental security;

(ii) To stay in their place of dwelling and not be involuntarily displaced or resettled, except under conditions of declared emergency;

(iii) To take central part in any and all decisions affecting their residing and dwelling in any given location; and
(iv) To move and resettle as and when they wish, and not as wished by others."

These points need to be explicitly stated in the opening paragraphs of any national policy as the guiding and organising principles for the policy as a whole. All subsequent sections must be made consistent with the spirit and wording of this introduction. A start to recognising some, but not all, of these principles, has been made in the country's National Housing Policy, prepared during 1987-92, and so their inclusion in the country's rehabilitation policy would only be consistent with, and carrying forward, a direction already initiated by the government of India.

There will also need to be an accompanying second paragraph in the preamble:

(2) "If the state, at any point in time, believes that it is necessary in some larger public or national interest, that people residing in a particular area should move and resettle from that area.

(i) It must make clear the nature of the larger interest to the people to be either directly or indirectly affected by the proposal, in manners which the people so affected would clearly be able to understand, and also publicly and nationally declare the proposal.

(ii) If those required to move decline to do so, there must be a due process available for public enquiry and adjudication, such as a sitting tribunal made up of independent citizens of standing, for disposal of the issue.
(iii) If, beyond the decision of the tribunal, the state still wishes to pursue the matter of displacement and resettlement, the only recourse left to it will be the declaration of a state of local emergency and suspension of the civil liberties of the people affected;

(iv) In case of a decision by the tribunal directing the dwellers to move, or in the case of declaration of emergency conditions as provided for in (iii) above, the dwellers will have the right to 'total rehabilitation', implemented in such a manner that principles 1 (i) and (iii) given above still apply and so that they, economically and physically, move to an improved resource base and are able to achieve a higher state of existence than before being moved; and the state will be bound to fully recognise and implement these provisions before any physical act of resettlement takes place."

DISPLACEMENT AS A GENERAL PROCESS

The question of displacement of people from their habitats, and of their possible rehabilitation, involves much larger questions than the somewhat technical question of 'resettlement' or even 'rehabilitation'. In our view, the larger questions include at least the following.

– Why should people have to suffer what

is antiseptically called 'involuntary displacement' at all? Is this a necessary and unavoidable part of 'development'? If so, why is it always hitting the same sections? - The trauma and fundamental insecurity that the uprooted experience on being displaced from their environments - from their 'home in the world', from lives and means of livelihood that they know and can themselves manage - and often being thrown into alien environments which they do not understand and which are devoid of the symbols that give them security and meaning; - The loss of social identity and autonomy, the discrimination they suffer in new and alien environments, and the economic and social dependence and even bondage they are often forced into as a consequence, - Implicitly, the question of social, economic, and political marginalisation from (or 'integration' into, depending on one's point of view) the mainstream; - The loss of their basis of material, and often also spiritual, subsistence that usually takes place.

These are not mere subordinate questions, they are among the fundamental questions of life, community and society, and the debate around the DNRP must therefore be recognised as including questions of national development itself. The force and relevance of these questions is only made stronger when it is recognised that in India, the brunt of displacement and appropriation has always been borne by those sections that were historically otherwise dispossessed, marginalised, and oppressed, in particular the tribals and dalits. To its credit, the DNRP does raise some of these points and to some extent, does attempt to address them, but only in the most technical manner and without carrying them through to their logical conclusion.

While displacement as a requirement of large projects has undoubtedly caused enormous trauma in the country as a result of the model of development chosen to bring about economic self-reliance, it is vital to recognise that 'displacement' has not taken place only as a consequence of 'projects' (or only through the process of state acquisition of land to which the DNRP tries to limit itself). It is also very much a part of other forms of planned and unplanned development in general, and in particular of the unfolding of market forces; it could even be said to be a requirement of the market economy. Under the regime of the so-called 'new economic policies' currently in force, the process of expropriation and displacement is getting more and more intense, with state and central governments, and private and public enterprise, in competition to set up new projects and new townships and to 'modernise' existing cities. This reality is recognised by the DNRP itself and was stated in an even more forthright manner in the previous draft, then watered down; though

it tends to refer to this happening in some indefinite future, whereas the reality is that the intensity is already with us, such as in West Bengal with the Left Front government's 'new industrial policy'.

The DNRP gives a 'conservative estimate' of 165 lakh people displaced by large projects during the period 1951-85. According to critics, the figure for 1951-90, is nearer 213 lakh [Fernandes and Chatterji 1994], but this estimate is for large projects alone; it does not seem even to cover all kinds of 'large projects'; and it seems to refer to rural areas alone. We therefore propose that the actual count of displacement since independence is in fact much larger; let us conservatively take a round figure of 250 lakh, for all kinds of projects, since independence.

In terms of urban areas, as is well known, displacement and evictions of dwellers is a very common phenomenon, both project and non-project. This is sometimes through formal processes of acquisition of land (such as for large planned projects by the government or public sector), but often it is not - such as in the case of private real estate development, including through physical coercion. Significantly, it is often a direct and indirect consequence of the construction of roads and other 'civic' infrastructure, since these actions lead to increased accessibility or desirability of the areas serviced, thereby raising land prices, rents, etc. and creating pressure on existing occupants to vacate. These well known

phenomena have not been taken into account either in the DNRP or in the critiques so far available. Based on crude estimates, it may not be out of place to project that some 100-200 lakh people may have been displaced in urban and urbanising areas over the five decades since independence, both directly and indirectly. If this figure is accepted - only for the sake of discussion - this gives us a total figure of those displaced since independence, nearer 350-550 lakh.

The DNRP makes a point of recognising that it is tribals who have historically been, and are still being, especially victimised by displacement - and indeed, by 'development'. At the same time, however, it is important to recognise that displacement also severely affects other sections in the country, including agricultural labour (dominantly dalit), fishworkers, small peasants, and the urban-labouring poor; in some ways, what is sometimes called the 'informal sector', in both rural and urban areas. These sections are virtually ignored by the DNRP, and if indeed the agreed task is to look at the larger phenomenon of displacement, then it is essential that the process of debate and policy formulation also take into account these sections and their particular characteristics and history, and any debate must centrally involve them.

Thus, what is needed today is not merely a national 'rehabilitation' policy, but a national displacement policy, of which 'rehabilitation' is only one part. It is also

STRUCTURE AND ADMINISTRATION OF SALES TAXATION IN INDIA

- An Economic Analysis -
(1995-Second Edition)

by

Mahesh C. Purohit

Professor

National Institute of Public Finance and Policy, New Delhi - 110 067

Price Rs. 450.00 ★ US \$ 60.00 ★ Hard Cover ★ Pages XII + 303

★ ISBN No. 81-85930-01-5

Contents Introduction, Fiscal role, Economic effects, Structure of sales taxes: Rate structure, exemptions, taxation of inputs, surcharge and additional sales tax, works contract and leases. Empirical estimates of incidence of sales taxes. Rationalising sales tax structure: Weaknesses of the existing structure, short and medium term reforms, an approach towards State-VAT. Inter-State coordination in sales taxes; Administrative organisation: Operation of the tax including evasion and enforcement, Management Information System; Summary and Policy imperatives

Another valuable treatise from the same author on:

Principles and Practices of Value Added Tax

Lessons for Developing Countries

(1993)

Price Rs 250.00 ★ - U.S. \$ 30 ★ Pp 226-ISBN No 81-85930-00-7 - ★ Hard cover

Quality Manuscripts from Authors in Social Sciences welcome

GAYATRI PUBLICATIONS

Post Box 8495, Ashok Vihar, Delhi-110052.

Hoisting National Flag at Idgah Maidan

Ambrose Pinto

While the Janata Dal may have successfully dampened a volatile situation, by persuading the Anjuman-e-Islam to hoist the flag at the Idgah Maidan at Hubli, the long-term consequences may not necessarily stall the communalisation of politics.

FOR the last four years the Idgah Maidan at Hubli has been the site of tension and violence both on the Republic Day and Independence Day. During the last Independence Day six citizens fell prey to the police bullets. The issue was the hoisting of national flag on the Idgah Maidan. The Janata government that has come to power now had assured the citizens of the state that it would solve the problem amicably. Not many citizens thought the Janata Dal would be able to handle the situation. In fact while negotiations were on with the Anjuman-e-Islam society, the body that is in charge of the land, the government was busy erecting barbed wire fences around the ground. Six contingents of the Rapid Action Force and Karnataka Special Reserve Police were deployed. It looked as if the count-down had begun for a show-down between the Deve Gowda government and the BJP which was spearheading the campaign. The BJP had threatened to launch a 'Hubli Chalo' agitation and over 50,000 party supporters were to converge from all over the state in Hubli to hoist the flag. With the hoisting of the national flag by the Anjuman-e-Islam president on January 26 the curtains came down on the four-year controversy. It was a shot in the arm for the Janata Dal government.

To understand the issue it is important to look at some of the facts about the Idgah Maidan. According to the Karnataka High Court verdict the Idgah Maidan is not the property of the Anjuman-e-Islam. The Anjuman was given a licence (not leased) twice a year to hold prayers in the Maidan. The land is the property of the Hubli Municipal Corporation. The court had ordered the demolition of the buildings erected by the Anjuman for commercial purposes. The Anjuman-e-Islam challenged the high court order. As a result the Supreme Court had stayed the order of the Karnataka High Court to demolish the shopping complex. The Supreme Court's modified order extended to the stay on the land too.

The BJP which had spearheaded the campaign for hoisting of the national flag at Idgah even prior to Ayodhya issue for vote bank purposes interpreted the verdict of the Supreme Court differently. The contention of the leaders of BJP was that the Supreme Court verdict pertained to the land in dispute

and the commercial complex built by Anjuman-e-Islam. The chief minister had said that the state government was duty bound to implement the interim order of the Supreme Court and appealed to all parties specially the BJP to co-operate with the government. But the BJP held that the Supreme Court verdict was not specifically against the hoisting of the national flag.

Political compulsions compelled the Dal government to toe the BJP line. The BJP has emerged as the principal opposition in Karnataka. Besides it has won all the three seats in the Hubli-Dharwad Corporation area in the assembly elections. The Rastra Dhawaja Gaurava Samithi (Committee for Respect for National Flag), a front organisation of the Sangh parivar dubbed the government move of implementing the interim order by not permitting the hoisting of the national flag and maintaining the status quo as a fraud. Perceiving the BJP opposition and the possible electoral gains for itself, the Deve Gowda government decided to send signals of its desire to find a peaceful solution to the tangle.

The government did not have too many choices. The first option was to follow the same policy of the predecessor government — of clamping curfew to the extent of choking the normal life in Hubli in the name of abiding by the Supreme Court order. Though that option would have been logically the right one, politically it was not expedient. Therefore, Deve Gowda urged the Anjuman-e-Islam to hoist the flag. His request would have fallen on deaf ears. C M Ibrahim, the defected Congress leader who was appointed the state Janata Dal president came to Deve Gowda's rescue. The Janata Dal made full use of him for the purpose. Initially Ibrahim had publicly stated that the "Idgah Maidan was the property of the Anjuman-e-Islam. There was the constitutional protection for the owners of any private land to choose to permit hoisting of the flag on their land and atop their building or not. There was no instance of national flag hoisting on any religious place. Hoisting of the flag can be done on private lands only if the land owner or organisation permitted it." Ibrahim had assured the people that the government would not take any step that would affect the religious sentiments of the people.

Those statements were short-lived. As the pressure was mounting on the Janata Dal, the party became conscious of the benefits of hoisting the flag in terms of electoral gains. The chief minister called for an all-party meeting. At the all-party meeting it was decided to support the Anjuman if the organisation decided to hoist the flag. However, the CPM had called the government to maintain the status quo. Former chief minister and Karnataka Congress president Bangarappa had attacked the BJP and wanted no flag hoisting till the Supreme Court verdict. There were many other voices against the flag hoisting. Most of the former chief minister was opposed to flag hoisting. So also was Subbaraha, the president of BSP in the state. The Karnataka Muslim Advocates Forum was against any attempts of giving in to the BJP. The Janata Party president Subramaniam Swamy had urged the state government to arrest RSS workers under TADA as a pre-emptive measure. The Karnataka dalit unit workers had decided to prevent BJP leaders from entering the district to hoist the national flag. In their statement they had asserted that the BJP was making an issue of it to divert the attention of the people from the main problems.

The Janata Dal saw more advantages than disadvantages in hoisting the flag. Ibrahim, the party president was sent to convince the Anjuman-e-Islam to hoist the flag. He was supported by railway minister C K Jaffer Sharieff who urged the Anjuman president to hoist the national flag. In typical political style he exhorted his community that the hoisting of the flag would be a warning to the BJP that if it continued to create problems the minorities would be forced to carry out a campaign against the Sangh parivar which was using the saffron flag as its identity. Noting that the RSS 'sakas' were not hoisting the flag the railway minister cynically commented that the BJP too would have to prove that they were part and parcel of Indian society and equally patriotic citizens. "Our national flag is indeed the symbol of our struggle for freedom, sacrifice and sufferings. Thousands of people irrespective of caste, community and creed have given their sweat and blood to win the freedom. As our national flag is our identity, it is sacred to one and all. There is no question of any one disrespecting it... I am sure that the people of Hubli in particular and Karnataka in general will appreciate this approach (of hoisting of the flag) and discourage the BJP from spreading the venom of disharmony and disunity" exhorted Jaffer Sharieff to his own community and the people of the state.

Anjuman-e-Islam heeded the pressures from the two important leaders of their own community, the Janata Dal and the BJP and finally hoisted the national flag. There were fears that those opposed to the move from

the community itself might ferment trouble in sensitive areas. The BJP too was expected to resort to celebrations thereby provoking riots. Fortunately, the government's preparedness for any eventuality served to prevent law and order problems. The flag hoisting was a private affair. The BJP was not permitted on the site. The police had to lathi-charge and open tear gas shells to disperse a crowd of 300 for not being allowed to participate in the event. The Anjuman-e-Islam president publicly stated that they had taken the decision to establish the patriotism of the Muslims. The community wanted "to teach a fitting lesson to the communal and anti-national forces".

No doubt the BJP has lost an important and perhaps, the only issue in local politics. The real motive behind the BJP's design was to show Muslims in poor light and question their patriotism. The fostering of Hindu-Muslim hatred had paid them rich dividends politically earlier. They had won all the three assembly seats in the Hubli area. All through the flag hoisting controversy the party had appealed to Anjuman to exhibit nationalism and patriotism by hoisting the national flag. Now that the Anjuman has hoisted the national flag, the BJP has been robbed of the only issue. The fear now is that the party may create more Idgah controversies. There is already a demand to hoist the national flag in three different Idgahs — one in Bangalore, another in Raichur and the third one in Gulbarga district.

Will Deve Gowda's deal prove counter-productive? It is true that the chief minister urged the Anjuman to hoist the flag to preempt the BJP — the Anjuman should hoist the flag to prove their loyalty and patriotism was Deve Gowda's contention. Such a statement is not devoid of a mind-set. Should a flag be hoisted by an organisation to prove devotion to the mother land? Though Anjuman-e-Islam is a Muslim organisation, it cannot be made representative of the entire community. In no way should the flag-hoisting of Idgah have been associated with the loyalty and patriotism of the Muslim community as a whole. Now that there are more demands for hoisting of the national flag in three other districts, will the Dal government demand periodic testing of the community to prove their loyalty and patriotism?

Given the pressures on Anjuman it could not remain neutral either. But its assertion that the flag hoisting was to establish the patriotism of the Muslims was a misplaced one. Idgah was a local issue that has been politicised by the BJP and made a state issue. Anjuman fell into the BJP trap and associated the problem of society with the entire Muslim community. One fails to understand how the controversy centres on the entire community. It was expected of the Anjuman to at least dissociate the issue from the community. Ibrahim and Jaffer Sharieff are not recognised as the leaders of the community by the

Muslims of the state. Ibrahim's statement that the flag hoisting would put the entire Muslim community in the national mainstream was more a political statement than a real one. Such a statement can further alienate the minority community than draw them into the mainstream. It is no wonder the Anjuman's decision to hoist the flag did not find favour with a big chunk of the minority community.

The government has resolved the issue by

giving into the communal agenda of the BJP. Such a solution cannot be a lasting one. The Janata Dal government in Karnataka has a number of socialist leaders some of whom have worked at the grass roots. Instead of initiating a sustained campaign against the BJP and its communal agenda involving people of the city and the state, the Janata Dal took an easy way out. The consequence is that the minority community had to yield to the majority.

Struggle for Panchama Lands Dalit Assertion in Tamil Nadu

Brindavan C Moses

Desecration of Ambedkar's statue galvanises dalits of Chengalpattu to regain their usurped lands in face of state oppression and societal tyranny.

THE INCIDENT

KARANAI is a small village located about six km west of Mahabalipuram on the Mahabalipuram-Thirukazhukundram road in Chengai-MGR district. On October 5, 1994 the dalits of Karanai and adjacent villages installed a life-size statue of B R Ambedkar on a piece of land owned by Veerabadran, a dalit of Karanai village. This piece of land and its surroundings, measuring about 650 acres, were originally assigned to the dalits of Karanai and seven adjacent villages in 1933, as per the order of the collector of Chengalpattu district. (This land defined as panchama land or depressed class land is issued under special form(D) para 9 of board standing order (BSO), now renamed as revenue standing order. As per this order, any sale or purchase of the panchama land by anyone other than a dalit is considered illegal). In due course of time, these 650 acres of panchama lands at Karanai were usurped from poor and ignorant dalit land-owners and transferred to other communities with an active connivance of corrupt revenue officials and rich caste-Hindus. Prominent among the latter are Goutham Chand, a marwari of Thirukazhukundram, Perumal Swamy, IG (crime) of Tamil Nadu police, and Sakuntala of Vadapalani.

The dalits installed Ambedkar's statue to reassert their legitimate right over the panchama land. But the Chengai-MGR police officials, in collusion with the upper caste usurpers, forcibly pulled down and disfigured Ambedkar's statue on the very evening of October 5. The news of the desecration of Ambedkar's statue spread like a wild fire throughout the district. Thousands of agitated dalits gathered on October 10 in front of the office of the subcollector, Romesh Chand Meena, demanding action against the erring police officials and reinstallation of the statue

at its previous site. The dalits were refused permission to enter the subcollector's room; instead, were thrown out, the sub-collector himself catching one of the dalit leaders by the collar. Incensed at the indecent treatment meted out to them, the dalits left the premises, raising slogans, and squatted on the GST road, the national highway. Instead of giving a patient hearing, the subcollector lost his temper and ordered to open fire on the innocent dalits, half of whom were women. He did not even follow the elementary procedure of voicing a warning through loudspeakers, followed by lathi-charge, exploding of tear-gas shells or buck-shots in the air to scarce away the crowd. John Thomas, a dalit and a non-governmental project-holder, and Elumalai, another young dalit, were singled out and shot by the local police. They were deliberately made targets say the eye-witness. Both had organised many agitations for the welfare and protection of dalits in Chengalpattu. In all 14 persons, including women, suffered gun-shot injuries. To justify the unprovoked firing, the police incited their hirelings to set aflame a bus. The police arrested 130 dalits, including 20 women, and beat them till the lathies were broken. Women were partially stripped and mercilessly beaten.

The NGOs in the district who were supporting the dalits in their struggle to redeem the panchama land were harassed by the police. Their offices were raided and their workers threatened. Apprehending arrest and torture by the local police, many of them obtained anticipatory bail. On November 19, the Dalit Joint Action Committee (DJAC) and Save Panchama Land Movement organised a mammoth protest rally and a public meeting in Madras to condemn the desecration of Ambedkar's statue at Karanai and the unprovoked police firing resulting in the death of two dalits and

their indiscriminate arrest. It was demanded that the panchama lands illegally usurped by the other communities, be returned to their rightful owners, i.e., the dalits. In the public meeting at Panagal Park, Ramvilas Paswan, MP and the president of All India Dalit Sena, and Prakash Ambedkar, MP and the president of the Bharatiya Republican Party declared that the DJAC would reinstall on December 6 Ambedkar's statue on the same spot in Karanai if the Tamil Nadu government failed to do the same on or before December 5. Besides reporting to the press, this decision was informed in writing to the governor and the chief minister of Tamil Nadu. In this context, the committee acquired a piece of land (about 15 cents) as a gift from Veerabadran. He granted this piece from his 4.93 acres of land assigned by the collector of Chengalpattu in 1933.

The police statement mentioning the statue being stealthily taken to Karanai, without prior permission of the police is not only false but mischievous and misleading. There is no need to obtain permission to install a statue in a private land. Moreover, there was no question of Ambedkar's statue being taken stealthily. The Tamil Nadu government had been informed in writing about it. However, on December 6, the statue of Ambedkar was forcibly seized at Singaperumal Koil en route Karanai and detained at the Chengalpattu town police station. The leaders of the DJAC were also arrested and remanded to custody. V Kuruppan, a retired IAS officer and the chairman of the DJAC was taken to preventive custody in the early hours of December 5. Hundreds of dalit activists in and around Karanai were arrested, too. All the roads leading to Karanai were blockaded and all modes of transport checked. Kalpakkam, Karanai, Mahabalipuram and Thirukalukundram were completely cordoned off. Thousands of police personnel were requisitioned and posted in and around Karanai creating a military-like fortification in order to terrorise dalits and prevent the reinstallation of the statue at all costs. All top leaders of the committee were arrested and their vehicles impounded.

This is how other communities try to smother the dalit aspirations with the active support of the oppressive state machinery. Yet, in spite of harassment and intimidation by the upper castes and the police, the dalits are more determined than ever to assert their rights and live with honour and human dignity.

HUMAN RIGHTS VIOLATION

Risking repetition, some clear cases of human rights violation by the revenue and police officials of Chengai-MGR district in the Karanai incident are: (1) The dalits of Karanai and seven neighbouring villages were deprived of the 650 acres of the panchama land assigned to them. These panchama lands were usurped and transferred

fraudulently to caste Hindus and other communities with the active connivance of corrupt revenue department officials. (2) The dalits were denied the right to install Ambedkar's statue on a private land due to the unlawful and unjustified intervention of the police at the instigation of upper caste usurpers of the panchama lands. (3) Refusal by a public servant to receive representation/complaints from the public is a violation of citizen's rights. When the dalit representatives attempted to meet Romesh Chand Meena, the subcollector of Chengalpattu, to present their grievances, the subcollector not only refused to meet the leaders but abused them and necked them out using physical force. Worse still, he ordered police firing on the dalits gathered outside his office. (4) Indiscriminate and unprovoked police firing on the masses is a clear case of human rights abuse. No warning was given to the public which included a large number of village women. Fifty-two rounds were fired. Two persons were killed and 14 persons, including 11 women, received bullet injuries. (5) Right to information is an important right of a citizen. The local press reporters covering the meeting of dalit representatives with the subcollector were threatened by the police. The police fired at them despite the fact that the local police knew them well. Three reporters from *Police Seethi*, a Tamil weekly, *Murasoli*, DMK's official organ and the *Indian Express*, narrowly escaped death. (6) Resorting to lathi-charge and arrest of agitators within the premises of a court is not practised by the police the world over and such an act by the police is looked upon as a clear case of violation of human rights. When the fleeing dalits entered the district magistrate court building, located close to the subcollector's office, they were chased and lathi-charged inside the court building. Some were even arrested inside the court building. (7) Womenfolk should not be kept in the police station after six p.m. But on December 10, 22 women were detained inside the Chengalpet town police station, a whole night in the presence of the DSP. (8) Torture of an accused person in police custody is a case of human rights abuse. Father Yesumarian, a Jesuit priest and a practising lawyer was stripped to the waist and given a severe beating on December 11. Anjalai-ammal, aged 55, of Kurumbirai village and Susila, aged 27, of Madurantakam, were forced to lift their saris and beaten on their buttocks by lathi-wielding women police. (9) Harassing NGOs by raiding their office, exercising constant surveillance and interrogation by them is an effective way of tormenting them. Father Martin, the director of Social Action Movement (SAM) was questioned and threatened with arrest. SAM supported save panchama land committee and often took up the cause of dalits of Chengalpattu district. Many animators and

social workers belonging to various NGOs were arrested. John Thomas who was killed in police firing worked for an NGO, Caritas. Father Yesumarian who was arrested and tortured is a priest working for an NGO called DCLM. Members of the Chengalpattu bar protested against the arrest of Father Yesumarian and went on a one-day strike against his arrest. (10) Even when a hard-core criminal dies due consideration is given to the family and close relatives of the dead. However, in the case of John Thomas' funeral, which took place in his native village Pappainallur near Vedanthangal, none except his parents were allowed to attend the funeral. The death of Elumalai who succumbed to bullet injuries on October 15 in the Chengalpattu general hospital was concealed from his parents and the public for 24 hours. Except his parents, none was allowed to participate in his half an hour funeral. (11) Hand-cuffing or chaining an accused is considered an uncivilised act on the part of law-enforcing authority unless for valid reasons. However, the Chengalpattu police chained Sekhar and Shankar to their cots in the Chengalpattu general hospital. (12) Preventive detention is resorted to under extraordinary circumstances where there is definite intelligence information of an outbreak of large-scale violence over large geographical area. However, this extraordinary power was invoked by the Chengai-MGR police to prevent exercise of legitimate right to landownership. The police resorted to large-scale arrests of dalits all over the district in order to terrorise them. (13) Lastly, on December 6, the right of movement as guaranteed in the Indian Constitution, was completely curbed and restriction imposed on the people of Chengalpattu district.

ATTENTION

Scholars/Readers

For your requirement of Rare, Out-of-Print and New Books and government publications on India, write to or visit:-

Prabhu Book Service

Sadar Bazar

Gurgaon, Haryana 122 001, India

Tel: on STD 0124-320588

From Delhi only 8-320588

Branch Office:

30, Hauz Khas Village,

New Delhi - 110 016

We are also interested in purchasing single books/individual collections/whole libraries of antique/rare books. Books signed by Mahatma Gandhi, Jawaharlal Nehru, Indira Gandhi, Rajiv Gandhi, Tagore and other nationalist leaders are of special interest.

Communalism and Communal Violence 1994

Asghar Ali Engineer

The communal climate was relatively peaceful in 1994, in part because the people of both communities have understood the designs of communalists. But the secular forces need to maintain constant vigilance to ensure continued harmony.

THE year 1994, though not entirely free of communal incidents, was certainly less cataclysmic than earlier years. As we all know, the year 1993 witnessed the worst communal violence in Bombay and Surat in the first month of the year itself. The January 1993 riots in Bombay were far worse than the riots in December 1992. While the riots in December 1992 were spontaneous outbursts as Muslims came out on the streets to protest against the demolition of the Babri masjid on December 6, the January 1993 riots were carefully planned by the Shiv Sena, as admitted in a press interview by one of its top ranking leaders, Manohar Joshi. Electoral rolls were systematically used to identify Muslim houses, or Shiv Samiks went in disguise to 'survey' on behalf of the Bombay Municipal Corporation or Maharashtra Housing Board and marked the houses belonging to Muslims. In the January phase many more were killed than in the December phase, and the property losses sustained were also much higher. While in December more than 250 persons were killed in police firing, in January 1993 twice as many died in stabbings. One can say that the country had not witnessed such communal frenzy even after the partition riots in 1947.

Perhaps communal frenzy reached its zenith in the December 1992 and January 1993, and the period following these riots has been comparatively trouble free, though communal violence was not totally absent. The Sangh parivar had made maximum use of Hindutva sentiments, and with the demolition of the Babri masjid they lost their most potent symbol of hatred of 'the other'. Hence communal sentiments could not be worked up to frenzy level any more and the BJP had to hunt for other grounds to maintain its electoral appeal. Also, its ambitious march to victory was effectively halted by the SP-BSP combination in UP in the 1993 elections. It would be no exaggeration to say that the SP-BSP victory was the greatest blow to the BJP; it could never recover from it. The BJP's loss was the secular forces' gain. The communal temperature went down drastically and 1994 witnessed very few incidents of communal violence.

The first major incident of communal violence in 1994 was the one which occurred in early February in Kanpur. One of the local

BJP leaders Kala Baccha, having underworld connections, was murdered, and this became a signal for communal violence in Kanpur. The communal situation assumed rather serious proportions and the army had to be called out and posted in eight communally sensitive areas of Kanpur. As the SP-BSP government was determined to put down the violence, the situation could be brought under control with loss of four or five lives only. The Muslims in Kanpur also felt that the role of the police was rather impartial and it put down the violence effectively and speedily. This again shows clearly that when the government is sincere in curbing communal violence, it can be checked much more speedily. The government of Maharashtra, on the other hand, showed complete laxity in December 1992 and January 1993, and the communal forces went on a rampage without any fear. Not only that, the police openly colluded with them. The UP government was so serious in putting down the violence that it did not even permit the open cremation of Kala Baccha's body. It was cremated secretly, and some prominent BJP leaders including two parliamentarians, four legislators and 40 others, were arrested when they protested against the secret cremation. This is how a determined government acts to put down communal violence.

Another small incident occurred on February 27, 1994 in Babri township of Muzaffarnagar district in which several persons were injured though no one was killed. The clash occurred when a person of one community was arrested for obstructing a prayer meeting by playing songs over a loudspeaker in his house. A mob then gathered outside the police station and hurled stones and shot at members of the other community. The situation was brought under control by arresting 25 persons belonging to both communities.

In Hyderabad old city a BJP leader Bal Raj, who was involved in eight cases of communal violence that rocked Hyderabad in 1990, was murdered by unknown assailants, communal tension increased in the walled city and sporadic incidents of violence took place. However, again there was no loss of life and the violence was put down.

Asangaon, some 60 to 70 miles from Bombay, witnessed a communal incident on June 6, 1994. Two children playing marbles fought among themselves and it assumed communal overtones thanks to some Muslim anti-socials armed with guns hiding in one of the houses. One of them shot from his weapon and one Ramesh Dagdu Chande (35) was injured on his shoulder while a bullet pierced 55-year old Gangubai's right forearm. The police identified the one who fired as Ismail Muhammad Mughal, a 30-year old with a past history of crimes. This led to violence from the other side too. A big mob gathered armed with whatever it could lay its hands on including large sticks, axes and stones and went on a rampage picking out each of the seven Muslim houses. They broke every bit of furniture and the roofs of the thatched houses, and assaulted some of the residents. Jamila Sheikh's newly built bungalow was attacked and everything inside was broken to pieces. Her 12-year old son was also severely beaten up and had to be hospitalised. Mercifully this was the only communal incident in Maharashtra in the year 1994.

Gujarat was also by and large free of communal violence during the year under review except for two incidents – one near Nadiad in July and the other on December 7. In fact four villages of Nadiad taluka were disturbed by the communal tension which erupted on Muharram day; at Khuntaj one youth was killed in police firing. In Khuntaj village which has population of nearly 2,500, 70 per cent of the people happen to be Muslims. Most of the Muslims in the village are engaged in farming. The economic condition of the Muslims is quite precarious as most of them are farm labourers. Fortunately the trouble did not spread and the situation was brought under control. Another incident happened at Ahmedabad on December 7. The incident occurred when a group of people wanted to perform 'mahaa arti' on the second anniversary of the demolition of the Babri masjid. However, the commissioner of police, Ahmedabad himself rushed to the spot and defused the situation. As a precautionary measure the Rapid Action Force was deployed in Khadia area. In the disturbances a shop was set ablaze and stones were thrown in Khadia. In police firing the previous day, one person was killed. The police arrested 90 persons on charges of rioting. The police had to fire five rounds and burst 26 teargas shells in the Khadia area when they were attacked by a mob near Junj Gate. The confrontation between the residents of Khadia and the police was over the issue of alleged police lathi-charge on a group of people who wanted to perform mahaa arti. For Ahmedabad city which has witnessed much bigger and frenzied bouts of communal violence this was rather a trivial incident.

The BJP tried to build up communal tension in Hubli on August 15 while it tried to mobilise people for hoisting the national flag on the disputed site of Idgah. It took out a procession on the morning of August 15 despite a ban and tried to hoist a flag. The police fired on the mob resulting in loss of six lives. It was alleged that the BJP tried to work up Hindu feelings on the pattern of Babri masjid in order to win the Hindu votes in the elections which were then due in Karnataka. If this was the aim, and it appeared to be so, it did reap results by winning all the assembly seats in the November elections in Hubli district. It is also alleged that the then Moily government used excessive force to prevent the BJP from hoisting the flag with an eye on the election, i.e., to win Muslim support. If this was so, the Moily government obviously failed in fooling the Muslims. It was thrown out of power.

Another major communal incident occurred in Bangalore in early October. Bangalore Doordarshan suddenly started telecasting a 10-minute news bulletin in Urdu from October 2. It is interesting to note that no Muslim leader from Karnataka had made a demand for such a telecast. The telecast was, in all probability, started to win Muslim support for the November elections. There is no doubt that the Muslims have been greatly alienated from the Congress since the demolition of Babri masjid and the riots that followed the demolition, and the Congress is trying hard to win back Muslim support. So far it does not seem to have succeeded as the election results, particularly in Andhra Pradesh and Karnataka, clearly show. The riots which followed the starting of the Urdu bulletin on October 8 soon acquired communal overtones; more than 30 lives were lost in these riots and property worth crores of rupees were destroyed. The fact that major communal violence took place in Karnataka in the year 1994 clearly shows that the communal forces in that state were trying to carve out their constituencies. It also clearly shows that often communal violence is used to increase one's electoral appeal. This cynical game is played in different degrees by parties like the BJP, the Shiv Sena and the Congress. They do not mind even if innocent lives are lost and the forces of national integration severely weakened. Again, in all probability, the telecast of the Urdu bulletin was begun to win Muslim support on the eve of elections and, on the other hand, the BJP from behind the scenes provoked communal violence to increase its electoral support among the Hindus. The telecast of an Urdu bulletin was so obviously related to electoral politics that the election commission itself banned it, taking it to be a flagrant violation of election conduct rules. Perhaps the

communal disturbances at Bangalore were the major disturbances of the year 1994.

Another town in Karnataka, Davengere, witnessed a bout of communal violence on the occasion of Dasera on October 14 in which two persons were killed in police firing. The police fired on the mob which was armed with bottles, acid and other lethal weapons and was attacking a slum area. Two other persons were killed in the incidents of stabbing and 53 injured including 21 policemen. According to the director general of police the trouble started when the procession was attacked by another group with stones.

A Hindu Munnani leader Rajgopal was stabbed to death in Madurai on October 9, which led to minor communal disturbances in several parts of Tamil Nadu including Madras, Coimbatore and Trippur besides Madurai. One person was stabbed to death in these incidents.

A brief survey of the communal situation throughout India shows that the year 1994 did not witness much communal violence. In the preceding decade it was computed that a riot a day was routine. Thus it will be seen that the post-Babri demolition period has been comparatively peaceful and despite much effort the communal forces have not succeeded in raising the communal temperature. There are various reasons for this – the most important reason is that the masses of people from both communities have understood the designs of communalists. They cannot be easily fooled now.

The Hindus in general did not approve of the demolition of Babri masjid; it came

as a great shock to them. The forces of Hindutva underestimated the tradition of religious tolerance which has prevailed in this country for centuries. It was easier to demolish a physical structure but impossible indeed to demolish the centuries old traditions of the country. Thus the forces of Hindutva have lost much of their legitimacy among the Hindus. The BJP is now in search of issues other than the Ram temple to win over the Hindu masses. It is a great victory of the Indian tradition of tolerance.

The Muslim leaders too who tried to make the maximum out of the communal situation have lost their influence with the Muslim masses. The Shahi Imam's appeal to vote for the Janata Dal fell on deaf ears during the UP elections of 1993. The Imam has been maintaining complete silence ever since. The movement for reconstruction of Babri masjid is also not gaining ground among the Muslims; they do not want any communal trouble in the name of mandir-masjid. They too have very well understood the games some of their leaders play to increase their own leadership stature.

However, one should not become complacent about the communal situation in the country. One has to maintain constant vigilance and strive to spread the message of communal harmony. It is unfortunate that while the communal forces work with a sense of mission the secular forces arise only when there is communal violence. The secular forces too will have to work with a sense of mission if they wish to maintain precious harmony in the country.

A Bold & Factual Account of Third World Exploitation by Western Countries

The Price of an Apple

by
T W Power

We become aware of the turmoil in third world countries only when there is a coup, rebellion or anarchy, as we have witnessed in Somalia, Bosnia, and several other countries. The fact is that two-thirds of the world is in a state of constant turmoil. The end of the cold war with the Soviet Union has directed our attention to the problems of the third world countries. Our leadership in the world depends not on our military might but on our understanding and knowledge of these countries.

The title and the cover of the book are the essence of the story. The APPLE in the title is symbolic of the western wealth which has allured the third world. The Author, Dr. T.W. Power, has written this book on the basis of his extensive personal experience in several of these countries. He has given an account of the history from the perspective of colonial people, leading up to the current involvement of western powers in the economy and politics of the third world. He describes sight and sound of people, their emotional and political struggles, and predicts their future in the 21st century.

As stated above, this book tells a story that is based on the first hand experience of the author with the affairs of the third world and his intimate knowledge of the western powers to keep the third world dependent, underdeveloped, and poor. The story has a special pertinence to the people of India and Pakistan.

1994

p 250

23cm

Softcover

India Rs 300.00

Other Countries US \$ 9.95

ISBN 0 9634105 0 3



AGRICOLE PUBLISHING ACADEMY

208 Defence Colony Flyover, New Delhi - 110 024 (India)
Telephone: 469 4825

From Little Rock to Wall Street

Clinton's Journey Beyond Reaganism

James Petras
Steve Vieux

By initiating anti-poor labour laws, anti-black crime reforms and deducting health-care expenditure to win over big business, the Clinton administration has staged one-upmanship over the Reagan-Bush era in pursuing 'right' policies.

PRESIDENT Clinton's presidency has marked a new phase in the 'right-turn', of the Democratic party: no longer on the defensive against Republican attacks on 'social welfare' policies, he has turned to an offensive strategy... going beyond Reagan and Bush in pushing a neo-conservative agenda. There are two minds on the matter: those who argue that Clinton the Liberal has caved in to powerful conservative pressures; and those who see the right-turn as principally a Clinton initiative, to pre-empt space among the wealthy and powerful. A third, more nuanced approach argues that both processes are inextricably connected. Clinton's conservative initiatives early on in his administration have strengthened and given organisational momentum to the right and weakened and disoriented the liberal left, thus setting in motion a wave that has inundated the pockets of social reform promoted by the president.

The Clinton administration's move beyond Reaganism is best understood by focusing on the basic legislation he has championed and the arguments he has put forth in defence of his legislative agenda. In his first two years the principal areas included welfare, urban decay, foreign trade, wages, pensions, public lands and health. In each issue area social classes are deeply divided between, on the one side, corporate interests, affluent professionals and neo-conservatives, and on the other, the working and urban poor, minorities and ecologists. Before entering into the specifics of the Clinton administration, we will briefly touch on the major structural changes which are now shaping the political agenda of the 'New Democrats', those who have shed the welfare-labour coalition of the New Deal in favour of a straightforward deregulated corporate free market agenda.

GLOBALONEY AND DOMESTIC DECAY

There have been several major changes in US political economy since the 1970s that have had a profound conservative impact on US politics: changes in the workplace, in the relations between organised labour and the Democratic party, in the relation between US corporations

and the world economy, and in the ideology and political leadership of the Democratic party. These structural changes have been reflected in the anti-labour policies adopted by the Democratic party, particularly by the Clinton administration. The main line of reasoning is that changes in the organisation of the workplace, domestic economy and structure of power have been decisive in the increasing globalisation of US capital and politics.

The capacity to subordinate domestic priorities, and to convert labour into an impotent spectator faced with low-paid temporary work, was essential to the ascendancy of globalist rhetoric. The ideologists of unregulated capital argue the reverse: the growth of a global capitalism demanded the cheapening of labour, the cut backs in social spending, greater political stability (repression) and fiscal conservatism. This globalist rhetoric obfuscates the fact that world markets and competition pre-dated the reversal of labour-capital relations by several decades.

The globalists further miss the point that it was not the "pressure on profits" that hastened the movement of capital overseas, but the overaccumulation of domestic profits that facilitated the pursuit of higher rates overseas. Labour by the 1970s was losing bargaining power and by the 1980s was a marginal force – precisely the decades when the greatest moves of capital took place. It was the weakening of labour at the workplace, and the weakening bargaining position of trade unions versus capital, that stimulated globalisation.

The role of the national state, not the world market, facilitated capital movements, by undercutting labour's political power and providing incentives for overseas expansion. In the workplace, labour unions increasingly traded work-rules for security, wages and fringe benefits for jobs, all of which facilitated greater accumulation of capital for export or conversion to new technologies, replacing labour. The net result was a flexible workforce, greater subjection of labour and greater autonomy and mobility of capital to relocate.

The crucial link between labour and state policy was the Democratic party established

through the 'New Deal Coalition' in which trade unions supported capitalist expansion in exchange for higher wages and greater social legislation. By the mid-1970s the Democratic party leadership increasingly reflected the basic shift in US corporate capital. The increasing power and profits of overseas capital and the decline of grass roots labour hastened the right-turn in the Democratic party. Increasingly, the party leadership was dominated by Wall Street populists – politicians who campaigned for social reforms and when elected hewed closely to the editorial line of the *Wall Street Journal*. Essentially the Democratic party co-operated and competed with the Republican party in lowering the social costs of production in the US and increasing the opportunities for overseas expansion. Social agendas were essentially rhetorical exercises to entice the progressive intellectuals into the pre-election fold, to be discarded after the elections. The rhetoric of "global competitiveness" and the "imperatives of the world market" obfuscated the massive accumulation of profits extracted from the domestic labour force and re-invested abroad. By focusing on global market competition, the original source of accumulation was neglected. The new configuration of corporate economic power that emerged was deeply dependent on state policies for world market success, and powerfully situated financially and ideologically to shape the political outlook of the Democratic party. Top party officials and cabinet appointees reflected the new international orientation of capital and its need to reduce domestic costs for overseas expansion.

The 'New Democrats' are 'free traders', 'de-regulators', 'pro-corporate', 'pro-police' and looking toward growth, efficiency and competitiveness as the road to equity. The conservative texture was captured by president Clinton the day after he was elected when he shifted his rhetoric from attacking social inequalities to advocacy of budget balancing.

CLINTON: WALL STREET POPULIST

The fusion of populist rhetoric, symbolic changes and neo-conservative socio-economic policy is most clearly represented by the Clinton presidency. The most striking aspect of the Clinton presidency is the capacity to push a neo-conservative agenda that goes beyond the Reagan-Bush administrations. On the major substantive issues affecting the poor, blacks and labour – welfare, social decay, wages and capital flight, – Clinton has come down hard on the side of big business and conservative interests.

While Reagan and Bush frequently engaged in rhetorical attacks on welfare recipients, it is the Clinton administration

which has aggressively pushed a programme cutting off welfare recipients from federal programmes and forcing them to work for wages below the poverty level. The push to reduce welfare spending and turn welfare recipients into indigents has been presented to business and conservative interests as proof that the Clinton administration is more budget-conscious than its Republican counterparts. The rejection of social welfare and the promotion of forced labour have been the hallmark of rightwing policy-makers since the 19th century. In competing with the rightwing republicans for big business approval, Clinton is simply demonstrating the close ties between big business and the Democratic party. What Clinton dubs welfare reform is in reality the restoration of an anti-welfare regime.

The second major area in which Clinton has chosen to define his social conservatism is in the area of the crime reform legislation. Once again, Clinton has gone beyond the Bush 'Willie Horton rhetoric' to implement one of the most repressive pieces of Federal legislation. The law, clearly directed at the growth of violence and crime in the ghettos, calls for a vast increase in the application of the death penalty, 1,00,000 more police, billions for new prisons. The massive de-industrialisation that has destroyed jobs, neighbourhoods and families and that produces social decay, is not confronted. Capital flight that laid waste to whole working class neighbourhoods is not only ignored but actually promoted. A below-subsistence minimum wage and the vast growth of low-paid service jobs that force young people to choose criminal livelihoods is ignored. Clinton blames the ghetto victims of capitalist disinvestment and low wage policies for the adverse social conditions that affect them. In a speech in Washington in the fall of 1993, Clinton denounced blacks for not taking 'responsibility' for controlling their own violence, thus earning the praise of business interests and the mass media for his 'courage' in siding with the rich and blaming poor blacks. Having established in the public's eye that crime is a product of personal responsibility and not a result of socio-economic conditions, Clinton was assuming the posture of the Reaganite Right. The problem of crime was to be confronted not by disciplining capital to invest in creating decent paying jobs but by increasing repression. Neither Reagan nor Bush dared to point the finger at the black community for the violence resulting from social decay, capital flight and state disinvestment.

If Clinton's welfare and crime legislation was an unprecedented direct assault on the minority poor, his posture freezing the minimum wage at 40 per cent below what it was during the early Reagan years, and

SOCIETY FOR CAPITAL MARKET RESEARCH AND DEVELOPMENT

74 Vaishali, Pitampura, Delhi-110034.
Ph: 7275565/7162955 Fax: 91-11-7225473

RESEARCH PUBLICATIONS

1 Indian Shareowners: A Survey (1991)

The study presents the findings of the first all-India Survey of Indian Shareowners, covering their growth, profile, portfolio characteristics, experiences, preferences, intentions, time horizons, and also how they look upon the services and information provided to investors by companies and market intermediaries. It is based on a cross-sectional sample of about 6000 households who were personally interviewed.

The survey is divided into five parts: (1) Growth and profile of shareowners, (2) Portfolio characteristics, (3) Shareowners' experiences, (4) Intentions, and (5) Service and information quality.

The Survey had been sponsored by the Securities and Exchange Board of India, SBI Capital Markets Limited, Canbank Financial Services Limited and Bombay Stock Exchange.

Price Rs. 180/- in India ; US \$ 30 outside India

2. Stock Exchange Trading in India: Agenda for Reform (1992)

The Stock Exchange Division, Ministry of Finance, Government of India, asked the Society in early 1991 to examine the present systems, practices and problems in stock exchange trading and to make recommendations, specially concerning the **Badla** (carry forward) system.

The above study examines the various problems at length, supported by empirical data. Wide-ranging reforms are suggested in order to make securities trading efficient, orderly and fair.

The book is divided into two parts. *Part One* presents empirical analysis. This part covers an examination of the Indian trading practices, the volume and effects of speculation, investors' complaints and difficulties, jobber's functioning, price volatility, market liquidity, structural shortcomings, and stock exchange administration.

Part Two presents reform proposals, as suggested by the Society's study, as also by the Pherwani Committee on New Stock Exchanges.

Price Rs. 200/- in India , US \$ 30 outside India

3. Mutual Funds and Asset Preference: Household Investor Survey, 2nd Round (1993)

The survey was sponsored by the Unit Trust of India. It is based on intensive personal interviews of about 2200 household heads on all-India basis. It presents extensive empirical data and analysis of investor perceptions about mutual funds and changing asset preferences.

Price Rs. 250/- in India . US \$ 30 outside India

4. Shareowners' Geographic Distribution: City-wise, Urban-rural, State-wise (1994)

The analysis shows both the present distribution and how it is changing. It is a scientific, thorough-going, painstaking analysis, not a routine commercial compilation.

Its value lies also in providing a technique which can be used by marketing people for estimating shareowning population of particular cities several years into the future. Apart from its usefulness in the marketing of securities, the study provides insights into certain deep-seated and not-so-visible changes taking place in the Indian capital market.

Price Rs. 390/- in India ; US \$ 30 outside India

RESEARCH IN PROGRESS

P/E Ratios in India, sponsored by the Indian Council of Social Science Research

The study is intended to trace the dramatic historical change in Indian P/E ratios during 1980-94 against the international background and the factors behind the change, as also in the light of financial theory. Other aspects to be examined are how P/E ratios are related to company size and how the future return on equity share investment is related to the P/E ratio at the time of purchase.

the continuing decline of wages and salaries (2.5 per cent) during his first two years, are indicative of his willingness to sustain Reaganite trickle-down economics into the mid-1990s.

Robert Reich, the secretary of labour, has rehashed all the neo-conservative arguments about saving jobs to maintain a minimum wage that cannot sustain workers at a subsistence level. The deep anti-labour, anti-black animus that pervades all the major legislation promoted by the Clinton administration is the result of presidential initiatives not the result of caving in to rightwing pressures. The welfare-forced labour legislation, the crime bill, inaction and opposition to increases in the minimum wage are all part of the Clinton agenda, which the administration takes credit for and showcases to conservatives and stock market investors.

Clinton's anti-labour and pro-big business commitments were most clearly evident in the massive aggressive campaign his administration pursued in securing NAFTA approval. With US society deeply divided, and a majority of working people opposed to NAFTA, the Clinton administration put maximum pressure on Congress people that surpassed anything organised by the republicans and its major corporate beneficiaries. With most industrial communities adversely affected by corporate moves to low wage areas and big business clearly benefiting from greater opportunities to profit overseas, Clinton clearly was marking the pro-corporate character of his regime.

Neither Bush nor Reagan had shown anywhere near the capacity or willingness to engage in the strong-arm tactics that Clinton demonstrated in serving big business overseas interests. The Clinton's neo-conservative initiatives clearly reflect the will of the new democrats to outcompete Reaganite republicans as the most consequential supporters of overseas expansion while maintaining a law and order regime at home.

FROM NEO-CONSERVATIVE INITIATIVE TO "CAVING IN"

The Clinton neo-conservative policies reinforced the rightwing forces in the US, strengthening their capacity to intervene in areas where the Clinton administration initially proposed social reforms: pensions, health care, and public lands.

Clinton's forceful signals of pro-business favouritism encouraged corporate businesses to accelerate the elimination of employer-sponsored pension plans, shifting the payment and responsibility to wage workers. By the end of the Clinton administration, only a fraction of workers will be covered by corporate-financed

pensions, with the active or passive acquiescence of the Clinton administration.

Clinton's pro-business stance is a principal reason why the national health plan has not only been scuttled but is actually being used to reduce federal outlays for Medicaid and Medicare. As universal coverage disappears, Clinton has indicated an increased support for cutting medical funds for the poor and aged to cover a fraction of those who have no coverage.

Clinton's caving in on health care reform is the inevitable consequence of his defence of big business on NAFTA, crime and welfare reform: the rightwing agenda has unleashed social forces which undermine the limited health reforms of the administration. Business has no sense of reciprocity. It is not willing to trade off a series of major concessions from the Clinton administration in exchange for supporting a health programme that entails increased employer responsibilities.

Once Clinton defined his political agenda as promoting overseas expansion, reducing the budget deficit and cutting back social welfare spending, business has merely carried these policies to their logical end, opposing any new social payments and shifting the burden of health insurance from one sector of the poor to another. Clinton's adoption of the compromise on health legislation with its emphasis on holding down federal costs, not extending health coverage, is consistent with his other socio-economic initiatives. The policy of fiscal conservatism and trickle down economics is being played out in the health legislation: less federal expenditures and incremental increases in coverage. The net result is not an improved health package but a cheaper health bill with reduced coverage and less quality care for those under current Medicaid and Medicare plans.

A similar process has taken place in relation to public lands and their exploitation by mining and cattle corporations. The initial policy was to reform existing exploitation by limiting areas and increasing rental fees. In the end, Clinton's neo-conservative allies on NAFTA, minimum wage restraint, forced workfare, and the repressive crime bill redefined the public land policy to suit the corporate interests: land allocations, land rentals are more or less in line with traditional state policies.

CONCLUSION

Clinton, because of his democratic credentials and populist rhetoric, has been able to do what neither Reagan nor Bush were able to do: shift the debate on social policy from social welfare to police repression, from blaming corporate institutions to blaming blacks for urban decay, from providing minimum care for

single parents and children to forcing them to work for subsistence wages without adequate child support systems.

It should not be surprising that Clinton's popularity is declining among blacks, working people and ecologists who voted for him. Even as publicists for the Clinton administration trumpet their economic successes, rising profits and stock market indices, economic growth and the addition of 4.5 million jobs, they fail to understand that these successes are precisely the *causes* of popular disenchantment. This is not because of a perverse incapacity to appreciate good tidings, but rather because these successes are the result of declining living standards, losses of well paid, white and blue collar employment is not compensated by the growth of low paid, temporary service jobs. Increased spending on police and prisons and more death sentences mean more repression against minorities while the free trade agreement means more job flight to Mexico. It was more than a symbolic coincidence that Clinton introduced his crime bill precisely at the moment when NAFTA was passed: more repression is needed to contain the fall-out from more factory closings. Forced work, the mis-named welfare reform legislation, is not likely to please poor single parents when the jobs offered and the child-care facilities fail to meet poverty levels of income. The apparent paradox of economic success and popular disenchantment is resolved if one understands that different classes, races and genders are the winners and losers.

The Clinton Right-turn, however, does not create a new basis of support on the right. The affluent classes and corporate interests, while benefiting from Clinton's largesse, have their own representatives to further pursue their agenda. Taking advantage of the opening on the right they want now to proceed further along, decimating existing health, welfare, pension and likely social security programmes. If Clinton dared to go beyond Reaganism, the conservatives are now willing and able to go beyond Clinton's version of a business agenda.

Clinton's Wall Street populism is the politics of falling between two chairs—losing popular support without gaining adherents among the affluent classes. The main point, however, is that while Reagan and Bush are out of office, Reaganism is doing very well, thank you.

The rupture with Reaganism cannot begin to take place in a Democratic party deeply embedded in this new model of capitalism that reduces domestic social programmes to hasten capital accumulation and global investment. To reverse Reaganism requires not only a change in the political regime, but a change in the structure of the US state and socio-economic system.

Beyond Alterity

Vinay Lal

The Rhetoric of English India by Sara Suleri; University of Chicago Press, Chicago; 1992; pp ix + 230.

IT is with a frontal assault that Sara Suleri, who established her reputation of few years ago as a formidable writer of English and a major voice in the literature of the south Asian diaspora with a finely nuanced memoir entitled *Meatless Days*, begins her new study of "English India", a work that she locates "within the discourse of colonial cultural studies" while questioning some of the assumptions which have governed that discursive field. Suleri argues that the study of colonial discourse has been too bound to the idea of otherness, to the binarism of east and west, female and male, colonised and coloniser, to allow the decentring of master-narratives to which it aspires and which has been so critical for the arguments now associated with post-modernism and post-coloniality. No doubt the idea of alterity was indispensable to the formulation of a critique of the ideology and epistemological imperatives of the coloniser, and as Suleri would hardly deny, the brunt of historical and literary scholarship before the advent of 'colonial cultural studies' did not have the political edge that most sensitive readings of colonialism are able to furnish today. Nonetheless, the binarism in the study of colonial discourse has obfuscated the "necessary intimacies that obtain[ed] between ruler and ruled", which created a "counter-culture not always explicable in terms of an allegory of otherness", much as it has occluded an awareness of the fact that 'colonial cultural studies' is beset by its own binarisms, such as "the assignation of 'cultures' to colonialism; of 'nation' to post-colonialism" (pp 3-7). Suleri maintains that "to interpret the configurations of colonialism in the idiom of such ineluctable divisions" is to overlook and deny the "impact of narrative on a productive disordering of binary dichotomies"; the overdetermination of difference hides the "anxiety of empire" found in colonial and post-colonial imaginations (pp 4-5).

Suleri rounds up the usual suspects – Kipling, Forster, Naipaul, and Rushdie – and a few more, most surprisingly Edmund Burke, by way of furnishing more detailed readings of her argument. If Burke was to point to Warren Hastings as a man obsessed with power, driven by greed, a monster who never dined "without creating a famine" (p 64), the trial of Warren Hastings

was routinely summoned in the colonial record as an instance of the unique capacity of Britain (and the west) for self-criticism, of Britain's adherence to norms of justice and fairness and its impulse towards decency, and of the colonial power's mechanisms for safeguarding itself against its own excesses. In the conventional reading, Hastings and Burke, men of passionate intensity, appear as largely opposed figures: while Hastings is shown as being intent on plundering India, and on laying the foundations for British rule in India, Burke is described as being committed to the preservation of India's ancient institutions, eager to introduce accountability into the regime of colonialism, and even prepared to believe in the ability of Indians to govern themselves.

It is this picture of Hastings and Burke as implacable antagonists that Suleri, in the first instance, seeks to disrupt. Burke never offered a critique of colonialism, and he was more inclined to view the failures of Hastings and his associates in crime as excrescences upon a system that held out the promise of doing good: as Suleri puts it, his impeachment proceedings were compromised by Burke's inability to realise that "Hastings's misdeeds were merely synecdochical of the colonial operation" (p 52). Colonialism was a larger enterprise than Burke was willing to allow, not reducible to the person of Hastings himself or even to the institution of the East India Company, and a truly meaningful prosecution would have required the levying of charges "for which no language was ready" (p 55). Burke's interest lay in making colonialism accountable, by which he meant that the East India Company was to dispense with the subterfuge of functioning in the name of the Mughal Emperor, as well as commensurable with Indian customs, traditions, and modes of governance. He was more interested in the preservation of authority than in exposing abuses of power, and he could not countenance, in the language of his famous work on the French Revolution, "the cashiering of kings".

In Suleri's account, Burke begins to emerge as a figure uncannily similar to Hastings, but she goes much further than that, principally by focusing on the trope

of the 'sublime', which seems to have had, in the 18th and early part of the 20th centuries, as wide a currency as did the tropes of 'wonder' and the 'marvellous' in the 15th and 16th centuries. Burke employed the trope of the sublime to render India obscure: he was to insist on the unreadability and unknowability of India, a land – "a very remote object" – that could not be represented through the English language, and that could be viewed only through "a very false and cloudy medium" (p 27). Drawing on the work of Donald Pease and others, Suleri argues that the sublime has always had an association with conservatism, and Burke turned "the sublime on its head in order to represent India as a catalogue of the uncategorisable" (p 28). Indian 'intransigence' allowed Burke and India's colonisers to advance the idea that, far from being the object of Britain's colonialist aspirations, India was positioned to contain the British and, as it had with previous conquerors, absorb and tame them. If the native was unknowable, he was always in a position to strike at his purported masters and to be impermeable was to be in a position of empowerment; on the other hand, intransigence demanded that India be rendered less obscure, and this inspired the "colonial will to cultural description". The terrain was to be thoroughly surveyed and mapped; each Indian was to be counted; and vast compendiums of Indian customs and traditions were to be commissioned. It is this same will to description, this institution of a regime of truth, that inspired the People of India project, a photographic record that proposed to provide a specimen of each race and caste to be found in India, as well as Burke's catalogue – a device used to great effect by his contemporaries like Swift to convey the notions of the absurd and otherness – of Indian geography (pp 29, 103-10).

More than Hastings, Burke appears to have rendered India into the other. Suleri's intent here is not to reinforce the importance of otherness in colonial cultural studies, but rather to see how Burke, the 'friend' of India, was complicit with Hastings, his purported opposite, in the colonisation of India. No doubt Burke had "sympathy" for Indians, but as Suleri shows, Burke's own work on the sublime suggested that "sympathy... is a dynamic of alienation rather than of association" (p 38). Ultimately the trial, as she maintains, was scarcely a "battle between East and West", and its "most significant influence occurs troublingly elsewhere, and even there, offstage" (pp 66-67). This is a point that Suleri could have pursued further, for many

of the debates purportedly about colonialism, about 'us' and 'them', were often masking other concerns. Burke was evidently more concerned, for example, about the effect of the ill-begotten riches of Hastings and other nabobs on English politics, the diminishing influence of the aristocracy, and the consequences of the entry of plebeians into the political life of England than he was about the political future or cultural life of India.

The idiom of otherness, Suleri argues, simply rehearses "the colonial fallacy through which India could be interpreted only as the unreadability of romance", "the language of alterity can be read as a post-modern variant of the obsolescent idiom of romance" (pp 11-12). British women in India, while "implicated in the structures of colonialism", were themselves victims of confinement (p 76). In some respects, indeed, Indian women appeared to have the edge over British women. The 'zenana', the women's quarters to which Indian women were confined, included children within its space; by way of contrast, throughout Anglo-Indian narrative, as is well documented, the separation of mother and child appears as "a sentimentalised motif that repetitively reveals the extent of its traumatic betrayal" (p 80). More troublingly, certain Indian women, such as nautch girls, were held to exercise an undue influence even over men bought up in England. These nautch girls, or courtesans, uncomfortable reminders of the fact that English women had been imported to perform the same function that Indian courtesans served to provide, were for British women a source of "a fear of proximity rather than of difference", and this fear was transformed "into the obscure discourse of the picturesque" (pp 77, 92-93). Through the picturesque, British women travelling in India, such as Harriet Tyler and Fanny Parks, while condemned to remain on the periphery, and compelled to sustain "the psychic strains of self-censorship" (p 75), could nonetheless "transfix a dynamic cultural confrontation into a still life" (p 76).

Most strikingly, it was the Anglo-Indian woman who appears to have been engaged in "an incipient questioning that dismantles colonialism's master narrative of rape", and who understood the imperial dynamic "as a dialogue between competing male anxieties" (p 77). Without seeking to deny the place of rape in the terrain of colonialism, Suleri is, however, critical of the "unquestioning recuperation of the metaphor of rape", noting that for too long this "dominant trope for the act of imperialism" has served "as a subterfuge to avoid the striking symbolic homoeroticism of Anglo-Indian narrative" (pp 16-17). In the depiction of the colonised

as a violated female body, the discourse of otherness is given full play, and the binarisms – male and female, coloniser and colonised, white and black – within which the discourse, pivoted upon the metaphor of ravishment and possession, is encapsulated conceal the fact that the figure of "male embattlement... more authentically dictates the boundaries of colonial power" (p 61). Thus, while most of the critical gaze has been turned upon Aziz's alleged ravishment of Adela in *A Passage to India*, Suleri points to the presence within the text of an "alternative colonial model the most urgent cross-cultural invitations occur between male and male, with racial difference serving as a substitute for gender" (p 133). Suleri finds the embodiment of homosexual desire in the famous scene where Fielding borrows Aziz's stud collar, and – less predictably – in the scene where Aziz takes him into his confidence, allowing Fielding to have a look at his deceased wife's photograph, and thereby lifting the veil within which the Indian woman must otherwise be confined (pp 138, 142-43). But the novel enacts a more complex reversal of the metaphor of ravishment: when Adela takes too literally Aziz's casual and wholly unintended invitation to visit him at home, we are witness not to the male possession of a "feminised territory", but to the rather more unfamiliar scene of a female seeking to make an entry into "the habitat of colonised domesticity", thereby pushing Aziz, "the little Indian", into changing the venue of that meeting to the "exotic but empty space of an unvisited cave" (p 139). The centrality and intensity of male desire, Suleri goes on to argue, determines "the confluence between colonial and post-colonial stories", a point that she seeks to establish through a complex interpretation of Rushdie's *Satanic Verses* (p 195).

Suleri's reading of colonial texts as enactments of homoeroticism is largely persuasive but not without its problems. If there is a colonial trope, *effeminacy* was certainly one, and the Indian male, when he was not a member of one of the so-called 'martial races', was bound to appear in the colonial text as a rather delicate creature. So is Aziz, the quaint native, he is described by Forster as being "daintily put together", and in the courtroom Adela saw her alleged ravisher as a "strong, neat little Indian with very black hair and pliant hands" (p 136). That Suleri should leave the possible association between homoeroticism and effeminacy in colonial discourse unexamined is quite inexplicable. Secondly, she naturally recognises that Forster's "own curiously [why 'curiously'?] class-conscious and cross-cultural homosexual experiences" may have contributed to the "homoerotic strategy" of the novel, but

that detail is dismissed a trifle too easily. Kipling's life also appears to have been shaped by a latent homosexuality, and in any case it is rather surprising that Suleri makes no mention of the sensitive rereading of Kipling furnished by Ashis Nandy (1982), who has also been among the first scholars to alert us to the nervousness of masculinity generated by colonialism, besides pointing to the difficulties with the trope of otherness when the colonisers and colonised were bound together by common anxieties. Thirdly, as a large part of feminist discourse, with which Suleri has undoubtedly an extensive familiarity, has already argued with considerable force and clarity, much of colonial discourse is to be read as a communication between men. This discourse was often conducted over the bodies of women: thus the overdetermined metaphor of rape almost invariably layered another politics, the politics at once of desire and domination.

It is, in the last analysis, to Suleri's critique of otherness, to the prevailing hegemony of the trope of alterity, to which we must return. That is certainly the signal contribution of this most difficult book, a work of powerful if excessive elegance. Suleri moves, in the *Rhetoric of English India*, from the 18th century figure of Burke to the post-modern figure of Salman Rushdie, and this obedience to temporality, in a work that otherwise bids farewell to conventional readings and predictable structures of narration, is somewhat disconcerting. If colonialism is not contiguous with the actual exercise of domination, existing long after the colonisers have departed, and post-colonialism is complicit with colonialism, then does colonialism get inaugurated only with the formal institution of empire? Despite Suleri's strictures against Benedict Anderson's *Imagined Communities* (p 7), her own book suggests that she has not entirely liberated herself from viewing modernity as a movement of temporality. The question of temporality aside, the last chapter on Rushdie suggests that alterity is already a diminishing trope in what Suleri describes as "colonial cultural studies", for the location from which we speak, as post-colonial critics have been arguing, is critical to the determination of the politics of our utterances. *The Rhetoric of English India* remains, in any case, one of the most enduring testaments of a "colonial cultural studies" imbued with a more enhanced degree of self-reflexivity about its own practices.

Reference

- Ashis Nandy (1982): *The Intimate Enemy: Loss and Recovery of Self Under Colonialism*, Oxford University Press, Delhi.

Including North-East in Nation's History

Sajal Nag

Social Movements in Manipur by N Joykumar Singh; Mittal Publishers, New Delhi, 1992; pp 162 + xii, Rs 190

IT is remarkable that in recent times, many communities of north-east India, big or small, have understood the importance of historiographical practice and are making serious efforts at the reconstruction of their own respective histories. The output has not only succeeded in enriching and diversifying India's past but even challenged the dominance of 'mainstreamist' historiography. Indeed, north-east India hardly ever finds any mention in the textbooks of Indian history, most of which subscribe to the above school. Manipur has been a bit fortunate in this regard. Jawaharlal Nehru's accidental involvement with the Gaindinliu story brought the movement led by Jadonang – Gaindinliu in Manipur into national focus. Similarly, the Kuki and Kacha-Naga uprisings were accorded recognition due to the new found enthusiasm in 'history from below'. But Manipur still had a lot more to tell to the rest of India in terms of what can be characterised as 'social movements'. N Joykumar Singh's book under review details these fascinating succession of events in a very simple and unassuming way.

Intimidated by the expansionist designs of the Burmese, Manipur was compelled to seek the assistance of the British who entered the state in the guise of saviour but refused to back out. Although theoretically Manipur had an Indirect Rule, its subjugation was complete. The subordinating of this subsistence economy to a vicious colonial order created immense strains and a series of crises which was reflected in the outbreak of a succession of revolts against the system. Within 13 years of its occupation by the British, the first uprising took place in 1804. The next 15 years saw the kukis rise in revolt (1917-19) led by a miracle worker. The kukis fought a guerrilla war against the British for about two years before being crushed. The turn of the decade saw the Kubui Nagas up in arms led by Jadonang who professed to possess supernatural power. The battle was carried by Gaindinliu after Jadonang was executed. While in all these cases the objective was to reinstate their 'own rule', the backdrop was provided by the colonial rule, imposition of taxes, demand of soldiers and labourers from the tribals and the Christian missionary activities. The Nuplan movement (1939) was launched by Meitei women against the unscrupulous 'Mayang (outsiders) traders who exported local

foodgrains to meet the war time demands. The Irabat's movement (1946-51), a Telengana-like uprising, attempted a communist *coup* in Manipur, to overthrow the autocratic king and establish a peoples' republic. Irabat also launched a state peoples' movement for a responsible government. Joykumar Singh details the hurried manner of the Indian state in securing the merger of Manipur through threats and baits, completely ignoring the elected representatives of the people and thereby, irreparably hurting the collective pride of the people of Kainglaupak (Manipur's local name).

The author starts with a theoretical discussion of the concept and typologies of social movements which could prove beneficial to the students. His attempt to characterise the various movements that took place in Manipur as 'tribal', 'women', 'political' and 'revolutionary', can be debated about. But the concept of social movement itself is so fluid and accommodating, that venturing into any such debate might lead to the loss of historical importance of these movements in the morass of terminologies and parameters. However, Singh is right in pointing out that though *Nuplan* was a women's movement, it was an anti-colonial movement without any feminist ideology. But the negation of the revolutionary content of the kuki and Zeliangrong movements by labelling them as tribal movements might not be acceptable to all. The author also fails to convince how the Jadonang-Gaindinliu movement can be called 'Zeliangrong' movement (p 57) since the latter was a post-independence phenomenon. Such a classification reflects a particular political position. Similarly, it is erroneous that Gaindinliu movement attempted to be a part of the Indian national movement (p 63). The available evidence suggests that Gaindinliu had no idea about the Indian national movement. She had only heard about Gandhi's endeavour to expel the British from the area, a possibility she rejoiced. Although the author has provided vital statistical information regarding the background of the movements (pp 76-80), he fails to trace the continuity and change in these successive outbursts. Lack of analytical endeavour is responsible for this lapse. The book is a plain narrative. Perhaps the most important aspect the book misses is to delineate the regional developments against an all-India backdrop.

Such an approach would have provided us with a vital comparative overview and spared the author from making statements, such as, "the Kuki and Zeliangrong movements were entirely different from other tribal movements of India" (p 43). A careful study indicates the opposite. The author's reluctance to perceive the developments of Manipur as a part of the all-India phenomenon prevents him from pinpointing the circumstances that constituted the background of the forceful merger of Manipur with India. Irabat's communist *coup* in Manipur took place when throughout the country there were communist-led uprisings that created a communist phobia in the Indian state. The rising of the 'red sun' in China and Burma gave an international dimension to it. In other areas the Indian state had used the state peoples' movement to effect the merger but in Manipur it did the opposite. Only a careful analysis would have brought out these significant points. The author also makes contradictory statements like "Manipur was able to withstand any onslaught due to [the strength of] its political and cultural character" (p 20) when his study shows that Manipur was neither able to withstand the cultural attack from Hinduism nor the invasions of Burma or the British. The author notes that Manipur had a rich historical tradition and distinct cultural identity (p 20). But he refrains from any comparative study which would have shown the distinctiveness of Manipur's political and cultural identity. The book also wrongly mentions that the hill-plain divide was a creation of the British (p 38) when in fact it was a continuation of the policy followed by the Meitei kings. There are also examples of unwarranted value judgments like "the Lallup system [a kind of semi-serfdom] was good for Manipur" (p 29). These issues are stressed because in the long run they have political implications. Regional historiography should not be regionalist in outlook. K M Panikkar has already cautioned us against the glorification of regional specificities or events that lead to false pride.

The author's claim that no substantial study has been done on these movements is also not quite correct. Apart from Sumit Sarkar's *Modern India*, Ranjit Guha's subaltern series, A R Desai's volume on peasant movements, K S Singh's volumes on tribal and social movements, there are at least 10 unpublished dissertations and published works (mostly from Manipur university itself) dealing with these movements. However, it must be said to the credit of the author that he has supplied enough material for the authors of the textbooks on Indian history or for a historian working on national history to include the north-east in their forthcoming volumes.

Intellectual Property Rights in the Uruguay Round

An Indian Perspective

D M Nachane

The recently concluded Uruguay Round has ushered in a new era of strengthened intellectual property protection. This is likely to have several consequences for LDCs, not all of which are transparent. The main focus of our paper is to examine these consequences. Special attention is also given to the specific areas in the Indian patent system where modification will be necessary and to how such modification will affect the economy at large. The pharmaceutical and biotechnology sectors are analysed in greater detail. The threat of trade retaliation is examined in the early part of the paper and the penultimate section examines the seriousness of this threat from India's point of view.

I

Introduction

PHILOSOPHICAL attitudes to Intellectual Property Rights (henceforth IPRs) have historically ranged between two extremes – on the one hand we may distinguish the so-called natural rights view of the IPRs, best encapsulated in the Hegelian dictum that “an idea belongs to its creator because the idea is a manifestation of the creator's personality or self” [Hughes 1988], on the other, there is a utilitarian view stressing the role of innovations in promoting industrialisation by local diffusion of knowledge [Anderfelt 1971 and Machlup 1958]. National IPR laws usually embody aspects of both views, with ‘strong’ IPR regimes setting greater store by the natural rights viewpoint and ‘weak’ regimes emphasising the other end of the spectrum. The deliberations attendant upon the recently concluded Uruguay Round witnessed a marked polarisation of views on IPRs with the industrialised west, spearheaded by the US, taking up the cudgels for strengthening IPRs globally and the third world countries offering spirited resistance to the US initiatives. The final outcome represents a definitive victory for the industrialised countries’ viewpoint and all indications are that the LDCs will have to go through a prolonged and painful period of adjustment in their national IPR systems in the coming decade.

The primary aims of this paper are two-fold – firstly, to analyse the political economy and institutional factors responsible for the attitudes to the IPRs in the industrialised and developing countries. (The US and Indian cases are for the sake of specificity, taken as representative of the industrialised and developing country perspectives respectively though, of course, it is recognised that some divergence of views within each group is

only to be expected.) The second focus of the paper is more specialised, and deals with the scope and magnitude of adjustment that the IPR regime in India will have to undergo under the imperative of the Dunkel Draft and whether these adjustments will impinge favourably or critically on India's medium-term and long-term economic prospects. Two sectors where IPRs play a crucial role, viz. pharmaceuticals and biotechnology are studied in some detail. The option advanced on some fora in India about “opting out” from the Uruguay Round recommendations is also given some attention.

The organisation of the paper is as follows. The next Section (II) delves into the motivations behind the move to global strengthening of the IPRs initiated by the US. Since this is well-charted territory, the discussion is a bit brief. The LDC point of view, however, is elaborated in greater detail in Section III. The economic impacts of the new IPR regime are discussed in Section IV. The pharmaceutical and biotechnology sectors are studied in Sections V and VI. Section VII is devoted to a critical examination of the “opt out” possibilities. Conclusions are gathered in the final Section (VIII).

II

Industrialised Countries' Viewpoint

The most prevalent methods of intellectual property protection are (i) patents, (ii) investors' certificates (a form of non-exclusive patent commonly used in the ex-centrally planned economies), (iii) plant breeders rights (a patent-type protection afforded to traditionally bred plant varieties), (iv) copyrights, (v) trademarks and (vi) trade secrets. Of these instruments, patents have figured most prominently in the IPR debate, and most (but not all) of our discussion will

pertain to this particular mode of intellectual property protection.

CHANGING TECHNOLOGY CHARACTERISTICS

One of the primary reasons responsible for the movement in favour of stricter global IPR regime gaining currency in the developed world, is to be sought in the fundamental changes in the character of technology which have occurred in the past two decades.

(i) Firstly, and perhaps most importantly, as highlighted by Freeman (1974), Mytaka (1987) and Kaplinsky (1989), the knowledge intensity of production has increased and simultaneously so has the science-content of knowledge. These twin developments have had several important ramifications, which impinge critically on the issue of IPRs. Thus, as knowledge intensity has grown, the individual inventor has been replaced by the corporate entity, and growing scientisation has increased the optimal plant size, implying scope for exploitation of scale economies (very often by transcending national boundaries). Thus intellectual property protection is no more being sought by scattered individual innovators but by mega-corporations and transnational enterprises. This is particularly true of the pharmaceutical and biotechnology sectors.

(ii) Secondly, the post-1970s have also witnessed a major transition from mass production to flexible specialisation, brought about by the instability in global markets [Piore and Sabel 1984]. This had the consequences of shifting the focus from price competition to product characteristics and design in the arena of international trade. With commodity design becoming the kingpin of the competitive process (especially in commodities such as garments and footwear), the protection accorded to innovative designs assumed

central importance. Since such protection is usually weak in LDCs and further, since the main innovations in design are centred in the developed countries, there is natural tendency to strengthen IPRs in this direction in the latter group of countries.

(iii) The 'electronics revolution' has also called into question some of the traditional approaches to IPRs and their protection. The pace of diffusion in electronics is quite rapid, imitation is often costless and difficult to prove and duplication via reverse-engineering can be relatively easy (semiconductors being a particularly striking example). Thus technological leakage (both domestic and transnational) is common and hence, affected interests in industrialised countries have been quite active in lobbying for stronger protection. Largely as a result of the pressure exerted by the film and recording industry as well as the computer (hardware and software) industry, the US Copyright Law was amended in 1976 to broaden the coverage of copyright to include music, films, choreography, computer programmes, spreadsheets, etc. Since the period of protection under the US Copyright Law is 50 years plus the life of the author, the protection afforded is, in fact, substantial and fears have been expressed about the adverse impacts of such legislations on the diffusion of ideas in an area of rapid growth possibilities. In the field of semiconductors, the protection was similarly strengthened via the US Semiconductor Chip Protection Act of 1984 whereby semiconductor topography was accorded protection for 10 years.

(iv) Perhaps the most striking technological development of the past few decades has been biotechnology whose vast potentials have not yet been fully realised. Butt et al (1985) have identified the following main thrusts of biotechnology which are likely to have a significant impact on agriculture and health, in both, industrialised and developing countries (a) plant genetic-manipulation and breeding, (b) industrial tissue-culture, (c) embryology and hormonal implants and (d) the genetic manipulation of micro-organisms to substitute for existing agricultural products.

The biorevolution poses several problematic issues for IPRs. Firstly, most national patent systems do not provide patents for micro-organisms (the US is an exception), but the peculiar feature of biotechnology is that considerable resources need to be devoted to identify micro-organisms and in the absence of adequate protection, investment in this activity is likely to fall short of the social optimum. Secondly, in contrast to other sciences, the link between the scientific origin of an idea and its commercial exploitation is direct, and the time lag between invention to innovation is negligible. The 'disclosure requirement' of

the traditional patenting system may thus prove to be an inducement for illegal duplication – hence the demand that the disclosure requirement be met by a deposit of the micro-organism. Further aspects of the IPRs in biotechnology will be discussed in a later section.

The preceding discussion highlights two important facts, viz., that substantial technological changes have occurred in the past two decades, which necessitate revision in the traditional approach to IPRs, and that almost all of these developments have occurred in the industrialised part of the World, especially in the US. It is then no wonder that a large part of the initiative to strengthen IPRs across the globe has come from that country.

US IMPERATIVES

The US goals in the Uruguay Round may be formally described as (i) the achievement of a comprehensive and self-actuating agreement on TRIPS to replace the current method of dispute resolution in this area via *ad hoc* country-specific approaches and (ii) to legitimise the linkage between IPR issues and the global trading system, or putting it more plainly, to make trade sanctions a powerful weapon to bring erring countries in line with the US viewpoint on TRIPS. While the mechanism by which these goals have been sought to be achieved are well known (and will be briefly described below), a satisfactory analytical framework to explain the US position is lacking, though UNCTAD (1990:59-156) presents certain tentative guidelines in this regard. The UNCTAD model is predicated on two fundamental principles – the product-cycle theory of international trade [Vernon 1971 and Kurth 1979] and the hegemonic-stability theory of international relations [Gilpin 1987].

Vernon's (1971) product-cycle theory is, of course, well known to economists. Nevertheless, with a view to maintaining the continuity of our discussion its key elements can be briefly re-stated. The four stages in the life-cycle of a product are identified as (i) innovation and introduction in the domestic market, (ii) saturation of the domestic market and the search for foreign markets, (iii) foreign investments by the industry for the provision of the product in foreign markets and (iv) exports of the product from the foreign countries to the original home market. While Vernon presumes that the innovating transnational corporation would remain in control of all the four stages of the product-cycle, in the absence of strong IPR protection abroad, the last two stages might well be appropriated by foreign imitators. The UNCTAD report underlines the strong possibility that the transnational corporation would be impelled to lobby its government to press for stricter

IPR regimes both at home and abroad. The domestic implications are examined a bit later, but we must note here that pressurising foreign governments is an effective option only for a hegemon. The theory of hegemonic stability maintains that the global leadership and enforcement functions usually devolve upon the hegemon (if one exists), and as a logical implication, markets will be relatively open in the presence of a hegemon and relatively protectionist in its absence – a hypothesis well-supported by the experience of Britain in the 19th century and of the US in the post-second world war period. But the hegemon that seeks to establish an open market for goods also will seek to establish closed markets for intellectual property. Further, concern with free trade in goods is likely to be paramount when the hegemon is in a strongly competitive position (i.e., when most of its industries are in the first three stages of the product cycle), whereas IPRs become the dominant concern when the hegemon is losing its competitive edge with the bulk of its industries in the last stages of the product-cycle. The UNCTAD report thus attributes the hardening of the US stance on IPRs in the 1980s to its declining competitive status. Interestingly the theory also attempts to explain the use of trade retaliation as the favoured instrument in seeking stricter IPR enforcement – the losing competitive edge by the hegemon means that foreign imports claim a large share in its own market so that the economic weakness of the hegemon become precisely its political leverage.

The weaknesses of the above theory stem from the inadequacy of the product-cycle model as a theory of international trade. Currently the accepted paradigm for explaining trade-flows seems to be the intra-industry trade theory, at least where trade between advanced countries is concerned. Even in trade between advanced and developing countries, the product-cycle theory runs into several difficulties. If the products in question are durable consumer goods, then several LDCs (e.g., India) severely curtail such imports, and investment from abroad in the production of these goods is also restricted, so that the product-cycle is not allowed to operate in such cases. In the case of capital goods also, it is doubtful whether the product would go through all the four stages identified by Vernon (1971). In particular, it may be difficult for an LDC to export a capital good to an industrialised country, even after its production has attained the "routine" stage for the simple reason that low wages (on which Vernon rests the major part of his argument) may not be sufficient to lend the LDC a competitive advantage – the capital good in question may depend on other resources such as capital, skilled labour and scientific inputs in which the LDCs may not have

any cost advantage at all. Further even if the LDC could press home a cost advantage, it is difficult to envisage whether any market at all would exist for such a capital good in an advanced country in view of the rapidity of technological change and obsolescence in the latter. Anyway, on the empirical plane, LDC imports have had difficulty in maintaining, leave alone increasing, their market share in the industrialised countries. Thus the UNCTAD (1990) theory does not furnish a very satisfactory explanation of the imperatives behind the US stance, and alternative explanations have to be sought for.

The major contribution of the above theory, however, is that it highlights a crucial fact, viz, that the interests of a national economy in IPRs evolve over time, and are a function of its internal economic and political situation. The precise status of its national IPR regime will be the outcome of conflicting interests between the innovators and imitators and other groups in society, as resolved through the political process. As innovation proceeds apace, the interests of innovators would dominate that of imitators, so that in the early stages of development a nation might favour weak IPR regimes (witness the US non-participation in international copyright arrangements for the first 100 years of the system's existence), but in the later stages of development, the same nation would advocate strengthening of IPRs. Apart from imitators and innovators, other interests are also affected by the status of the IPR regime—consumers, agriculturists, and organised labour but following Olson's (1965) theory of collective action, the influence exercised by such groups would depend upon their capacity for effective organisation and this capacity would show considerable intertemporal and cross-national variations. This point will be resumed again in the discussion bearing on LDCs in the next section.

US POLICY INITIATIVES

US concerns about IPRs have found outlets both in its bilateral relations with other countries as well as in its initiatives on multilateral fora such as the OECD, WIPO and most especially GATT. The US led initiatives in GATT have largely succeeded in establishing a new world order, more attuned to the advanced countries' viewpoint, and under such circumstances a legitimate concern is bound to emerge in LDCs as to whether the bilateral initiatives have become superfluous, especially in view of their questionable conformity to the GATT legal framework [GATT 1989]. The minimum that the LDCs may expect is a soft-pedalling on some of the bilateral initiatives, which have been particularly severe in the last five years.

The main bilateral initiatives are (i) Section 337 of the US Tariff Act of 1930 as amended in 1988, (ii) Section 301 of the US Trade Act of 1974 as revised in 1984 and 1988 and (iii) the Super 301 and Special 301 mechanisms created by the Omnibus Trade and Competitiveness Act of 1988. These sections provide for various measures of retaliatory action by the US on the trade front mainly, as a counter-check to violations of IPRs in other countries and have been invoked quite regularly (mostly against LDCs) since their coming into effect [UNCTAD 1990 and Kaplinsky 1989 for details].

III

The LDC Viewpoint

SCIENCE IN LDCs

In his classical perspective on the history of science, Bernal (1970) distinguishes two phases in the development of relations between science and economic development. An early phase in which scientific discoveries originated from the study of production technologies and a later phase in which basic science became the source of technological innovations—in chronological terms the first phase coincides roughly with the early stages of the industrial revolution in England, the second starts with the emergence of electrical and organic chemical industries. Further, Bernal demonstrates that in any society the links between science and production evolve as a result of the historic process of development of economic organisations. Building on this premise, Herrera (1972) theorises on how and why in LDCs most scientific research is irrelevant to national goals like defence and economic development, whereas in advanced countries R and D is much more goal-oriented. While enumerating all the links in Herrera's chain of analysis would take us far afield, some of his major observations merit noting: (i) LDCs tend to spend much more on basic research than on applied research, whereas in advanced countries the situation is exactly the opposite, (ii) whatever applied research exists, (in LDCs), usually occurs in a fragmented fashion with few links to industrial production, (iii) basic research can be sometimes of very good quality but such research is likely to be connected to the scientific systems in advanced countries and the centres of excellence in basic research are usually likely to be isolated enclaves with little bearing on local R and D and (iv) the problem in LDCs is not so much the low level of R and D (as is usually supposed) but the fact that this R and D is not properly embedded in the national structure of production. Some of these observations have an important bearing on the discussion that follows.

PARADIGMS OF TECHNICAL CHANGE IN LDCs

To appreciate the attitude of LDCs to intellectual property, it is important to study the perceptions about technical progress and economic development in these countries. The dominant paradigm in this regard in the early 1970s was the so-called 'dependency school' originating in Latin America with heavy overtones of the Marxian theory of imperialism [Furtado 1964, Warren 1980, Fransman 1985]. According to the dependency school, LDCs tend to veer towards technological dependence on industrialised countries due to a combination of factors, chief among which are (i) the income distribution is overwhelmingly skewed in favour of the upper classes, who dominate consumer goods markets, (ii) the elite demand the same kinds of consumer goods as prevail in the developed countries due to the operation of the 'demonstration effect', (iii) the manufacture of such goods is accomplished via imports of technology from the industrialised world (in the form of industrial inputs and machinery) and (iv) the necessary foreign exchange for such imports is obtained by exporting primary products.

Several corollaries follow from these basic tenets of the dependency school:

- (i) TNCs become the dominant suppliers of technology to developing countries;
- (ii) The terms of technology supply create conditions for the flourishing of monopolies in developing countries;
- (iii) Such monopolies exhibit no technological dynamism of their own; and
- (iv) Technical innovation in the developed countries is of the labour-saving, capital-using variety and is inappropriate to the factor endowment situation in LDCs [Stewart 1972].

The last proposition is particularly germane to the theme of our paper and underlies the strong opposition to a stiffer IPR regime among the LDCs, expressed in a series of initiatives at the UN [beginning with the Brazilian resolution in 1961 seeking revisions to the Paris convention and followed by similar resolutions at Nairobi (1981) and Geneva (1982, 1984)]. It is worth noting that several developed country economists have also questioned the relevance of a strong IPR regime for LDCs. Both Penrose (1951) and Greer (1973) have suggested that LDCs should be exempt from international patent arrangements. More recently Bifani (1990) has also taken a fairly sympathetic view of the LDC position; commenting on the Uruguay Round negotiations he remarks "It is somewhat ironical that liberalisation of international trade will be now pursued through the growing global monopolisation of one of the most important factors of production, that is knowledge, a process

facilitated by the absence of international agreed antitrust rules".

Even though the early 1970s was a period when the dependency theory held fully sway in the LDCs, by the end of that decade, some of its more rigid conclusions had been increasingly called into question. Stewart (1977) was talking about the "advantage of being a 'late-comer' in terms of development" and Lall (1975) was cautioning that "A blanket concept of dependence applied to all LDCs is quite misleading". By the 1980s, the dependency theory seemed to be in retreat, largely as a result of the economic successes of several third world countries in Latin America as well as the 'tigers' in Asia. Such countries had successfully adapted foreign technology to local factor endowments by pursuing a 'technology following' strategy rather than a 'catching-up' strategy, building up incremental technical changes rather than aiming for major technology breakthroughs. Any theory of technological change and development ought to account for these experiences which did not easily fit into the dependency paradigm. [See Erber (1984) however, for a determined effort to have dependency theory encompass these cases.] The new theory which emerged may be called as neo-Schumpeterian [Freeman et al 1982, Katz 1984, Teitel 1984, Fransman 1985, etc], being fairly close to the original Schumpeter (1934) model in its dynamics but emphasising incremental rather than major technical changes. The neo-Schumpeterian theory stresses the advantages attached to being a 'technology follower' viz. reduced costs of knowledge acquisition and risk-bearing. A quick imitator is usually more economically successful than a pioneer, since imitation (and adaptation) of technology can be based on relatively 'shallow' levels of knowledge, and the crucial factor in technology adaptation may be human resources geared to incremental, rather than basic designing skills.

The implications of the neo-Schumpeterian view for IPRs have not been examined hitherto, but they are relatively straightforward. Those third world countries (like India and South Korea) which have threshold scientific and technological capabilities can successfully resort to a 'technology-following' trajectory and an IPR system which would promote such a strategy would be one which recognised 'minor' or 'utility' patents. Such a plea to reduce the "non-obviousness" requirement in patent applications has been made on legal grounds in India [Ponkshe 1991] but there seems to be strong economic sense in the argument too. In the matter of utility patents, domestic innovators could easily hold their own against potential foreign competition. The grant of patents to

foreigners for major technical changes will then be a matter of secondary importance to domestic innovators, who will busy themselves with 'inventing around the patent'. Thus the opposition to IPRs will be considerably whittled down, once utility patents are recognised.

POLITICAL ECONOMY CONSIDERATIONS

We try to sketch below the political economy type influences shaping attitudes to IPRs in the third world. The discussion is based on the Indian case but several considerations would apply with minor modifications to other LDCs also. The four groups whose interests are vitally at stake in the adoption of the new IPR regime are (i) business sector, (ii) labour, (iii) farmers and (iv) consumers.

Currently India imposes a number of restrictions on technology imports such as restrictions on royalty and lump sum payments, duration of collaboration, etc. An effectively strengthened IPR regime will necessitate some modifications in technology policy, because the domestic importer has always shown a preference for the latest vintage technologies, economising on the royalty payments by going in for smaller technology packages [Alam 1985]. The Indian importer seems to be more concerned about lengthening the duration of the collaboration and being allowed to import first-hand technology than with royalty payments as such. Thus business interests are not likely to set themselves in opposition to the new IPR regime, but are rather likely to agitate for greater flexibility in the government of India's technology policy. (Of course, sectors involved in counterfeiting goods and in illegal imitation are bound to oppose the new IPR regime but this opposition cannot come out into the open). If utility patents are granted, the support of the business sector for the new IPR regime will be secure.

The effects of the new IPR regime on labour are likely, by and large, to be unfavourable at least in the short run. If, as is very likely, a stricter IPR regime brings in its wake a higher level of technology in domestic industry, this technology would be of the labour-saving kind and it would take some time before it is adapted to the native factor endowments. The 1980s, which have been characterised by what has been termed as 'jobless growth', underline the fact that such adaptation of technology may be a long-drawn out process, involving considerable restructuring. A stricter IPR regime might also drive several units in the unorganised sector, which violate patent and copyright laws blatantly, to the wall, and this could also involve considerable retrenchment of labour. Thus labour,

especially the organised component would be in opposition to a stricter IPR regime.

The reaction of farmers is likely to be a function of their holdings. The large- and medium-scale farmers, who have been major beneficiaries of the green revolution, also anticipate benefits, but on a much larger scale from the gene revolution. To the extent that the biotechnology breakthroughs will be accessible to the Indian farmers only if India is a party to the new IPR regime, the relatively large farmers support such a regime. The small farmers however fear an upward spurt in seed prices from the adoption of stricter IPRs, and have been vocal in their condemnation of the GATT agreement. The small farmers may be numerically more powerful, but it is felt that the political lobbying power of the large farmers is much greater.

Finally, the consumers are likely to face steep upward prices of several commodities, especially drugs and other chemical-based products. But they are unorganised and hence likely to be ineffective as opponents of the new IPR regime.

The government of India has already adopted the Uruguay Round proposals in principle, but whether this decision is in accordance with the collective will of the nation, will only be known in the next round of the general elections, when the IPRs issue will certainly be one of the major probits of the voter's decision process.

IV

Likely Economic Consequences of GATT for India

The new regime of IPRs, ushered in by the Dunkel Draft, has virtually stirred up a hornet's nest in LDCs, with its possible economic consequences being discussed at every conceivable forum. Basically one may distinguish two opposing views – the dominant, traditional view which postulates that strengthening IPRs will have deleterious consequences for LDCs and an emerging, but possibly minority view, that such strengthening is an absolutely necessary precondition for the LDCs to be integrated into the global economy and to launch off into a sustainable high-growth trajectory. The quality of the debate has suffered because of inadequate, sector-specific data and some of the empirical work has been undertaken with heroic assumptions, often putting severe strains on econometric etiquette. Nevertheless the debate has served to put certain key issues into focus and pointed to the institutional changes which may be necessary either to mitigate the damages of a strong IPR regime in some sectors or to maximise its benefits in others.

The basic argument for strong IPR protection is extremely simple – that if the returns to innovative activity (which is of essence, a public good) can be better appropriated, this will encourage innovation and thereby productivity and economic growth generally. The argument has sometimes been further simplified by identifying patents as the major safeguard of IPRs, and linking better patent protection with improved manufacturing productivity and growth.

The causal chains in the above analysis are not supported by the available empirical evidence in the developed countries. The important surveys of the US industries done by Mansfield et al (1981) and Levin et al (1987) rank patents, as a method of appropriability of returns on intellectual property, fairly low among various instruments (except in the pharmaceuticals case). Similarly Watanabe's (1985) study of Japanese firms ranks patent protection below inter-firm competition as an inducement to innovative activity. Historical studies of Netherlands and Switzerland [such as those of Schiff 1971] during their patentless years show no evidence of their economic prospects being hampered by their weak IPR protection systems. Thus on balance, the link between IPRs and innovative activity, in the industrialised countries, is tenuous [further details on this point may be recovered from Siebeck et al (1990)]

Similar surveys for LDCs are not available, but even if they were, it is difficult to envisage that the conclusions would be reversed. As a matter of fact, the link between domestic IPRs and domestic innovative activity in an LDC is much less direct than in an industrialised country, because nationals in LDCs hold a very small proportion of total patents (the figure is in the range of 8-10 per cent for India) drawn in that country. It was exactly this consideration which had prompted Penrose (1951) to state "These countries (LDCs) receive nothing for the price they pay for the use of foreign inventions or for the monopoly they grant to foreign patentees"

However an indirect link could still exist between strong IPR regimes in LDCs and their economic growth if (i) such IPR regimes lead to greater innovative activity abroad and (ii) the fruits of such innovative activity result in more rapid or cheaper transfer of technology from industrialised countries to LDCs. There is some evidence to support the first of these contentions in Lipsey et al (1990) who report that US firms investing in production operations in LDCs are more R and D intensive than similar US firms investing in developed countries. The second contention (about transfer of technology) is

far more controversial. In one of the first systematic exposes of the subject Vaitos (1972) had taken an extremely pessimistic view – regarding patents as a means of blocking, rather than promoting, technology transfer. This is because, in his view "Patents give an exclusive monopoly position in a national market and not being exploited, they function so as to block the transfer of technology related to the patented products "and further" the closer a patent is to a final product the more it tends directly and indirectly to block transfer of non-patented technology, since that product can be imported from abroad in a secure monopoly-controlled market".

The restrictive business practices indulged by foreign patent holders in LDC markets have also been documented. The more important of these are (i) price fixing (i.e. prices charged by the licensee are fixed or controlled by the patentee), (ii) discriminatory rates (discriminatory royalty rates charged to different licensees), (iii) tie-in arrangements (lower royalty rates linked to purchases of other products from the licensor) and (iv) limitations on resale of patented products in domestic or world markets.

It is interesting to note that one of the avowed negotiating objectives of the LDCs in the Uruguay Round was to link the establishment of stronger IPR regimes with easier transfer of technology from the industrialised to the developing world. However, such a link is conspicuously absent in the Final GATT Text

ALTERNATIVE VIEWPOINT ON TECHNOLOGY TRANSFER

The theoretical case, highlighting benefits to the LDCs, from a stronger IPR regime, comes from Mansfield (1988), Primo Braga (1989) and Sherwood (1989, 1990). Mansfield (op cit) points out that "a reasonable amount of respect for IPRs" constitutes a critical mass for initiating technological development in LDCs, and Sherwood (1990) draws attention to the role of IPRs in fostering "an inventive habit of mind in the population", in encouraging industry-university interactions, and in the diffusion of corporate business practices. Other writers like Frischak (1989) emphasise the role of a sound IPR regime in inducing firms to make stronger commitments to R and D activities.

Empirical evidence to support this point of view seems to be slowly accumulating. In the Indian context, the beneficial perception of a strong IPR system, are most evident in the works of Desai (1985, 1988) and also of some others such as Pillar (1979), Katrak (1985), Subrahmanian (1993) and Deolalikar and Evenson (1990). Desai's (1988) conclusions, based on data for Indian firms in the mid-1980s, deserve reiteration

viz., that (a) multinationals are not the dominant technology suppliers to India and (b) technology imports have not resulted in monopoly creations. He is inclined to place the blame for India's poor technological showing nevertheless, on its government's active protection of industrial inefficiency. Subrahmanian's (1993) and Katrak's (1985) studies, though operating on different time-spans and data sets, come out with similar conclusions – indicating complementarity between domestic R and D and technology imports though the relationship is not pronouncedly strong. Deolalikar and Evenson (1990) succeed in establishing a positive correlation between US patent grants and inventive activity in India, and this may also be viewed as supportive of the complementarity hypothesis.

This viewpoint however suffers from two basic limitations. The theoretical underpinnings have not been sufficiently spelt out, and whatever relations have been made explicit are strongly grounded in the neoclassical paradigm, which seems to have severe limitations when applied to concerns involving dynamic considerations such as technical change [Nelson and Winter 1982 and Fransman 1985]. From the empirical standpoint, many of the causal relations identified would involve fairly long lags [e.g. the regression relation between R and D expenditure and technology imports studied by Subrahmanian 1993], necessitating data extending over long time-spans, which may rarely be available.

TECHNOLOGY TRANSFER PROCESS IN INDIA

The issue of technology transfer in India from a selection of industrialised countries was debated extensively in a Special Number of the *Economic and Political Weekly* (1985). While there were country-specific features, there was also a substantial common core of conclusions. We may state some of these common conclusions here since they may have a bearing on the issue of IPRs.

(i) Firstly, whereas the traditional view of technology transfer outlined above was one of a great deal of relevance to the Indian experience of the 1960s, the picture has changed considerably from the late 1970s onwards. From a long-term perspective, the technology import policy of India has been sufficiently flexible and has played a significant beneficial role in the development of the country's industrial technology capacity [Bell and Scott-Kemmis 1985].

(ii) Technology transfer to India seems to have occurred not at the suppliers' initiatives so much as at the initiative of Indian technology buyers.

(iii) Contrary to popular impression, Indian firms seem to prefer importing the most advanced and recent technology [Alam 1985].*

(iv) An important aim of the Indian technology policy has been to discourage import of packaged technology and turnkey plants. This aim seems to have been realised of late with a larger proportion (as compared to the 1960s) of the technology imported in unpackaged form.

(v) Indian technology policy has had, as one of its major objectives, the prevention of excessive payments for royalties and know-how. In most of the cases analysed by the participants in the *Economic and Political Weekly* debate (1985), royalty payments and (to a lesser extent) lump sum payments for know-how have remained within the norms prescribed by official technology policy (about 5 per cent of technology imports). This is considerably lower than royalty rates in other parts of the world [UNIDO 1977].

(vi) The simultaneous import of latest technology [(iii) above] and reasonable payments for technology imports [(v) above] was achieved by going in for smaller technology packages – i.e., while the technology transferred is of recent vintage, the range of products and processes encompassed by the collaborations are not only considerably less than that possessed by the supplier but also less than what he is willing to supply [Alam 1985].

(vii) Largely as a consequence of (vi), most of the R and D undertaken by firms is of the adaptive kind aimed at making the imported product or process more effective in the Indian environment. Another prime objective of R and D is indigenisation of production, for which the long-standing official Indian policy of import-substitution is mainly responsible. Other subsidiary objectives of R and D were quality control and customer services. Basic research aimed at innovation was conspicuous by its rarity. The quantum of R and D undertaken by itself is not very low – at 0.8 per cent (for the reference year 1989), it is higher than most middle-income developing countries and the newly industrialised economies of Asia (except Korea) [Evenson 1990], but its composition and thrust seem to indicate that 'frontier following' rather than 'catching-up' seems to have been the guiding principle.

(viii) A final point worth highlighting is the duration of collaboration. Since the mid-60s, the government has effectively prescribed an upper limit of five years for the duration of collaboration agreements. The motivations behind such a ceiling were to control the foreign exchange outflow and to accelerate the efforts of Indian firms to absorb the imported technology. The results however have been quite the reverse of those expected – Indian firms' access to technology has been severely curtailed (in the face of suppliers' reluctance to transfer technology involving a short stream of royalty payments as well as control on the

technology) and they have not had enough time to assimilate complex technologies.

As part of its liberalisation drive, the current government issued in August 1991, a new industrial policy statement, which modified several of the existing provisions. Most importantly, foreign technology agreements (and foreign equity participation up to 51 per cent) was made automatic for most industries (except those reserved for the small-scale sector, those relating to manufacture of electronic aerospace and defence equipment and those concerning the production and use of atomic energy). Further, the ceilings on lump sum payments was raised to Rs one crore, royalties for domestic sales and exports were fixed at 5 per cent and 8 per cent respectively, and the collaboration duration was extended to 10 years.

The interest of our paper is in examining how the changed IPR regime will affect the development prospects of low-income countries like India. The survey by Siebeck et al (1990) is quite exhaustive and analyses the administrative costs of a new IPR regime, opportunity costs of R and D, capital-formation, technological dynamism, anti-competitive effects and so on. However no very sharp conclusions emerge from the survey. We will therefore state here only two points not raised in the survey.

Firstly, the new IPR regime will certainly increase the technology suppliers' willingness to transfer new technology to LDCs because of a reduced fear of illegal imitation. It would generally be agreed that a part of the lump sum payment demanded by technology exporters is a kind of risk premium to cover such eventualities. With a strong IPR regime in place, the risk premium will go down and with more technology available for sale, not only will the choice set of Indian firms enlarge but royalties may also come down (owing to increased competition among technology suppliers). The possibility cannot be ruled out therefore that the new regime may not only make more technology available but also do so at a cheaper rate. Further the increased duration of collaboration, the relaxation on payment ceilings and the wide application of the automatic approval principle embodied in the New Industrial Policy 1991 are also likely to generate greater interest in the Indian technology market from foreign suppliers, which will reinforce the tendency mentioned in the previous paragraph, apart from making technology of more recent vintage available to Indian firms (a standard complaint among Indian firms has always been that the technology, even though very new at the time of application, becomes obsolete by the time it is approved).

The second issue we discuss is about the product and process patents. Developed countries have long been arguing in favour

of product patents especially in the food, chemicals and pharmaceutical sectors, where a product can usually be produced by a multiplicity of processes, patenting each of which would present several difficulties. The LDC's viewpoint is, on the contrary, that product patents discourage investment in R and D for processes of patented products, since these processes can only be protected through dependent patents conditional upon, the authorisation of the principal patent [Bifani 1990]. Another argument advanced by LDCs against product patents is that they stimulate imports, at the expense of domestic production, of patented products. Mansfield et al (1977) have noted the important point, substantiated with empirical evidence, that process patents are a more effective vehicle of technology transfer than product patents, and this argument has been further elaborated by Bifani (1989, 1990). Several other arguments are also invoked in the process vs product patents debate. Industrialised countries express the fear that process patenting alone is insufficient for IPR protection and can lead to widespread counterfeiting. LDCs on the other hand are anxious that product patents in the areas of food, chemicals (fertilisers, pesticides, etc) and pharmaceuticals might raise prices and curtail the supply of products of these industries, whereas their developmental needs dictate that such products reach as wide sections of the population as possible, at rates which are affordable.

The GATT Text Draft has given precedence to the advanced countries' point of view. The principle of product patenting has been granted universal recognition and simultaneously the patent period has been extended to 20 years (currently in India only process patents are being granted in the areas of food, chemicals, and pharmaceuticals with patents limited to a period of seven years from the time of filing or five years from the date of granting whichever is shorter). Two sectors in which IPR issues are particularly relevant for India are pharmaceuticals and biotechnology and the next two sections discuss the problems from the perspectives of these sectors.

V

Pharmaceutical Sector (in India)

GENERAL CONSIDERATIONS

While the prime impetus to strengthening global IPRs in the recently concluded Uruguay Round has come from the pharmaceutical sector in industrialised countries, patent protections in these countries is of relatively recent origin. (U K in 1949, France 1960, Germany 1968, Japan 1976, Switzerland 1977, Italy 1978, Sweden 1978 and so on.) In a significant part of the third world, patent protection for

pharmaceuticals is weak, with some countries (like India) providing only process patents and others (like Mexico and Zambia) no patents at all. Inherent weak protection is further supplemented by lax enforcements and an emphasis on compulsory licensing. This weak protection is alleged to have imposed substantial losses on pharmaceutical industries in the developed world – according to one estimate [Nogues 1990] the US loses annually \$ 1.4 billion from the sale of copied drugs in the four LDCs Argentina, Brazil, Mexico and India, with India accounting for about \$ 0.92 billion of such losses.

It is by now a well-documented fact that IPR protection is of far greater significance in the pharmaceutical sector than other sectors of the economy [Levin et al 1987, Mansfield 1986, Comanor 1986, Siebeck et al 1990, etc] – both because development of new products is very expensive and regulatory approval takes eight to 10 years (in the US), and also because imitation is considerably easy with very short imitation lags. One of the standard arguments used by advocates of strong IPR protection in the context of developed (and sometimes also developing) countries is that this will result in a fillip to R and D the argument is advanced with especial force for the pharmaceutical and chemicals sector. In this connection, it is interesting to observe that several recent studies have been posing a serious challenge to this contention. The 1990 report of the Special Committee on Ageing of the US Senate found that most new drugs introduced into the US market over the 1980s are very marginal improvements over the already available ones. Similarly a study conducted by USOTA in February 1993 maintains that most of the new drugs have offered "little therapeutic advantage over pre-existing competitors" [Vishwanathan 1993]. The USOTA study also showed how brand loyalty created by trade marks often perpetuated the monopoly rights of the patent holder well beyond the expiry of patent life. These considerations would naturally carry over to LDC imports of multinational pharmaceutical products.

INDIAN PHARMACEUTICAL INDUSTRY

Drugs and pharmaceuticals have always been regarded as 'essential products' in India and one of our former prime ministers was probably echoing this popular sentiment when she declared at a WHO meeting that "... medical discoveries will be free of patents and there will be no profiteering from life and death" [quoted by Gadhwani and Kenny 1988]. As such drug prices have been under heavy surveillance since 1962 when the Drug Price Control Order (DPCO) was passed. Under the DPCO, prices of about 153 bulk drugs and over 60,000 formulations were controlled. The Order has divided bulk drugs

into two categories: Category I (comprising 21 bulk drugs) is subject to very stringent controls and Category II (comprising 132 bulk drugs) is controlled to a lesser extent. There are several differences between the two categories, the main ones being (i) Small-Scale units are exempt from price controls in respect of drugs falling in Category II but not in Category I, (ii) Category I drugs are exempt from excise whereas Category II drugs are not and (iii) Formulations sold under generic names are exempted from price controls in Category II (if they are manufactured from a single bulk ingredient), whereas no such exemption applies for Category I.

In the last three years, the MNCs in India have been steadily losing out to Indian pharmaceutical companies – the sales of the former have been growing at an annual average of 16 per cent whereas those of the latter at 27 per cent and profit margins for MNCs are currently (1992-93) at 2.5 per cent, exactly half of those for their Indian counterparts. The reasons for this somewhat unexpected profile are three-fold: (i) The Indian Patent Law which by not recognising product patents so far, has encouraged Indian companies to invent around foreign product patents, (ii) the DPCO was revised in 1987, to exempt all new introductions in Category II from price controls, so that those companies which could introduce new drugs or formulations could chalk up impressive profits. Here the Indian firms were at a distinct advantage as compared to the MNCs, which were encumbered by the international code of respecting mutual product patents. (As an illustration, consider the case of Ciprofloxacin originally marketed by the MNC Bayer. In 1988, an Indian company launched a formulation based on Ciprofloxacin, which was a runaway success), and (iii) the pharmaceutical industry still continues to be regulated via licences (in spite of the general tendency in India to delicense industries, brought in the wake of liberalisation) and Indian firms know their way around the bureaucratic labyrinths better than their foreign competitors.

The main point of the above discussion was to highlight the fact that in the Indian context, the patent regime is only one of a complex of factors affecting the pharmaceutical sector, and the impact of a stronger IPR regime will be conditioned by other factors such as price controls, licensing policy, etc.

IMPACT OF NEW IPR REGIME

The issue of how a strengthened IPR regime will impinge on the Indian pharmaceutical sector has been the subject matter of an extended controversy [Mehrotra 1989, Keayla 1989, Prasad and Bhat 1993, Dhar and Rao 1993, etc]. The study by

Prasad and Bhat is probably the most detailed, invoking considerable painstaking and systematic empirical evidence, and in our judgment the most reliable. Its main conclusions may be listed as the following:

(i) One of the most important issues in this sector is the price-impact of the new IPR regime. Prasad and Bhat (1993) show that currently about 74 per cent of drugs and formulations are under the purview of the DPCO and thus subject to price controls. They attribute the relatively low price rises in drugs over the 70s and 80s compared to world levels to the strict DPCO controls. Hence, in their view, changes in the IPR regime will not have as much of an impact on prices as a decontrolling of this sector. There is, of course, the practical problem that a stiffer IPR regime might be progressively installed along with a gradual decontrolling of prices in this sector, and the former factor may be held responsible for the ensuing price rise, when the real culprit might be the latter.

(ii) An important factor determining the impact of patents on drug prices in India would naturally be the extent of the Indian pharmaceutical market covered by drugs patented abroad. These estimates vary from a low of 5 per cent (US Trade Representative Carla Hills quoted in *Business Standard*, April 26, 1992) to a high of 21.5 per cent [Indian Drug Manufacturers' Association 1992]. All the major patented drugs (such as Otrim, Inseptin, Asabut, Betacortril, Aristogyl, Insulins and Bricanyl) are also subjected to DPCO price controls. Further, in almost all the cases of the drugs mentioned, indigenous production accounts for the bulk of domestic production, thus showing as unfounded the fears that pharmaceutical patents are not worked domestically.

(iii) The R and D intensity of Indian pharmaceutical industry is fairly low, being a mere 2 per cent of its turnover whereas in industrialised countries the pharmaceutical sector would be spending about 10-12 per cent of its turnover on R and D. With the lead time of a new drug invention being 9-10 years and the cost between \$ 100-150 million, Indian firms find it much more rewarding to concentrate on adaptive research and quality control (what we have earlier called as 'frontier following' strategy). Indian companies attribute their low R and D to the poor incentives for innovation offered by the DPCO, and project the view that decontrolling is a necessary prerequisite for R and D. It is difficult to be optimistic about the positive impacts on R and D in Indian firms of a stricter IPR regime. We have seen earlier that even in industrialised countries, stronger product patents have only been tenuously linked to increased R and D. The link can be expected to be even weaker in India, with the DPCO intervening as an additional complicating factor. If the above

analysis is reasonably correct, then the government of India faces a stiff dilemma – it is already committed to the new strong IPR regime. If it persists with drug price control, then it will prevent the full benefits of the new IPR regime on R and D efforts in Indian firms, from being realised. If decontrolling is undertaken, then prices of essential drugs may go out of hand inviting unpleasant public reactions.

The Prasad and Bhat study can be faulted for ignoring the consequences of generic drugs which usually enter the market at high discounts *vis-a-vis* the brand names [Nogues 1990]. The price-cost differentials for generic drugs can be several degrees lower than brand differentials. Thus, in an IPR regime where only process patents are recognised, generics can cater to the lower market segments; however, with product patents introduced, generics cannot come into the market until after the expiry of the patent. Thus the introduction of product patents in India is certainly going to affect sections of the poor who will now not have the generic option open. The consequences will be particularly serious since a National Health System is not in effective operation in India. The acceptance of the new IPR regime must be accompanied by a more effective National Health Scheme if the social discontent among the poor is to be contained.

VI

Agriculture and IPR Issues in India

The issues of IPR protection in the field of agriculture are of relatively recent origin. The two main forms of IPR recognition in this area are patents and plant breeders' rights (PBRs). (PBRs are granted for plant varieties which exhibit the following characteristics: (i) stability (over repeated propagations), (ii) homogeneity (uniformity of salient characteristics over a single planting), and (iii) distinguishability, i.e., the variety for which PBRs are sought should be distinguished from existing varieties (though not necessarily in an economic sense) [see Murphy 1979 and Lesser 1987]. PBRs are subject to two exemptions – farmers' exemption and the research exemption. The first confers on the users the right to retain part of the harvest for subsequent planting as seed. The second exemption permits breeders to use a protected variety in subsequent breeding experiments, the outcome of which qualifies for protection under certain conditions. Thus PBRs constitute a weaker form of protection than patents [Siebeck et al 1990].

A landmark in the evolution of plant protection was the adoption of the International Convention for the Protection of New Varieties of Plants (UPOV) in 1960, which has currently about 17 signatories mainly from the OECD countries (no LDC

is a subscriber to the Convention). UPOV covers plant varieties only and confers PBRs as described above. In the wake of UPOV, several OECD countries introduced or modernised legislation relating to PBRs. The US legislated the Plant Variety Protection Act in 1970; in 1980 the US Supreme Court in the famous *Diamond vs Chakrabarty* case, for the first time extended patent protection to living organisms. Plants and seeds patenting was recognised in the US as late as 1985. Whereas the US provides a very broad scope of patent protection for living organisms, this scope is considerably narrower in other industrialised countries, and virtually non-existent in the LDCs (where most plant breeding work is under the aegis of public research institutions).

PBRs AND INNOVATIVE ACTIVITY

As we saw above, seed patenting is a very recent phenomenon and so it is too early to predict what impact patents have on innovative activity. PBRs, on the other hand, have been in existence for a long time (especially in the US) and hence substantial evidence of their impact on research in agriculture technology has accumulated. The consensus emerging from several studies for the US [Brim 1987, Butler and Marion 1983, Mooney 1979, Sasson 1988, Lesser 1986, etc] indicates that PBRs stimulate private sector research, as measured both, by the number of breeders as well as by the number of new varieties introduced. Murphy's (1979) study draws similar conclusions for the UK (where PBRs were introduced in 1964).

The potential impact of PBRs and seed patenting on private sector innovative activity in LDCs is very difficult to assess, because very few LDCs, at the moment, provide any form of plant variety protection. Pray (1987) documents evidence from Chile and Argentina (two countries which have adopted some forms of PBRs but which are not signatories to UPOV), to show a favourable impact of PBRs on private sector breeding activities as well as on the facilitating of joint ventures between private sector and government research institutes.

In India, an additional complication arises from the fact that until very recently [McMullen 1987] private sector breeding activity has been discouraged officially for fear of displacing the public sector's commanding presence in the commercial seed market. As a result, private sector investment in seeds in the early 1990s was not more than US \$ 1 million.

Several writers have emphasised that IPRs in agriculture do not represent an unmixed blessing [Brown 1988, Juma and Ojwang 1989, Kenney 1986, Lacy and Busch 1989, etc]. The various criticisms have been grouped by Siebeck et al (1990) under the following broad headings.

(a) *Narrowing of the genetic base:* The narrowing of the genetic base increase vulnerability of the crop to single-gene-based pathogens so that genetic uniformity increases the dangers of famines. PBRs aggravate this risk in two ways—firstly the 'homogeneity' provision (discussed above) encourages uniformity, and secondly as the protected varieties have higher yields, producers are tempted to switch from their more genetically varied crops to these protected varieties.

(b) *Freezing of the exchange of germplasm:* Breeding activity depends on the availability of novel germplasm and the economic value imparted to germplasm by PBRs may act as a dampener on the free exchange of protected material and thus jeopardise further research. There is already evidence in the US that PBRs have slowed down the flow of information from private breeders to universities.

(c) *Germplasm conservation:* Germplasm conservation has raised an important issue in the North-South context. Gene banks that preserve germplasm are located in the developed world but most of the wild and locally cultivated varieties that make up the collections originate in the LDCs. The 20th and 21st sessions of FAO witnessed Spanish and Mexican initiative to resolve this problem. After a series of deliberations, in March 1987 an International Gene Fund was created (in the teeth of general opposition from the US) with the proviso that the Fund could be financed from a levy on commercial seed transactions. The FAO in 1987 also passed a resolution recognising germplasm as a common heritage of humanity and adopted a bill of 'farmers' rights'.

BIOTECHNOLOGY COSTS AND CONSEQUENCES

Biotechnology is a generic term used to describe any manipulation of living organisms aimed at altering their characteristics. In this sense it includes not only traditional plant and animal breeding but also fermentation processes in the making of yogurt or beer. In modern parlance, however, the term is restricted to apply to a cluster of highly sophisticated biogenetic techniques developed within the last two decades as a result of major advances in molecular and cell biology. The applications of such techniques could be grouped under four headings [Buttel et al 1985]: (i) plant genetic manipulation and breeding, (ii) industrial tissue culture, (iii) applications in dairying and animal husbandry, and (iv) the use of genetically manipulated micro-organisms to produce new and displace old agricultural products.

Biotechnology has immense potentials for raising productivity of agriculture in both industrialised countries as well as the third

world. Specific improvements relate to (i) yield growth, (ii) nitrogen fixation (in non-leguminous crops), (iii) enhancement of photosynthetic activity, (iv) better tolerance to soil conditions (such as cold, moisture, salinity, etc), (v) pest and pathogen resistance, and (vi) plant architecture [Brady 1982, Plucknett et al 1987 and Swaminathan 1982]. Such improvements could impinge importantly on the agro-systems of the LDCs. Achievement of nitrogen fixation in crops like rice or maize would greatly reduce expenditure on fertilisers, similarly techniques that strengthen pest-resistance could economise on other chemical inputs. Development of crop varieties with reduced water usage could obviate or alleviate the necessity of incurring huge irrigation expenditures (an issue of vital concern for India). Similarly Farnum et al (1983) point to the possibility of genetically engineered forest species putting a check on the deforestation and erosion problems characterising several parts of the third world. In spite of the impressive potential of biotechnology, actual progress to date has been rather sluggish – the most significant developments have largely been confined to dairying and animal husbandry, where growth-inducers (e.g. Somatotropin) and animal vaccines (e.g. hoof and mouth vaccine) have made commercial headway.

Even though the long-run impacts of biotechnology are likely to be favourable, in the short run LDCs are likely to have to make several adjustments. Several authors [Sasson 1988, Da Silva et al 1992, etc] have indicated the possibly adverse impacts of biotechnology on the agriculture and food-processing sectors of LDCs. A primary example is that of High Fructose Corn Syrup (a sugar-substitute obtained by enzymatic transformation of corn starch) whose production in the US has tremendously increased after 1975 to replace much of its sugar imports, spelling disaster for the indigenous sugarcane producers of Brazil, the Philippines and the Caribbean [Hobbelink 1991]. Another food-item likely to be affected by biotechnology is cocoa-butter where production by tissue culture of a synthetic substitute is well under way. Chilli and saffron are yet other food items facing possible competition from plant cell cultures. The latter can also be used to produce on a commercial scale flavours such as orange and grapefruit and fragrances such as jasmine [Sasson 1988]. Of course, the possibilities of import-substitution are not only one way. The LDCs can also utilise genetically modified substitutes for costly imports from the north – the most pertinent example being that of bioethanol production in Brazil as a substitute for petroleum [Omvedt 1993].

The dangers posed by biotechnology for LDCs have also been spelt out in Da Silva et al (1992). "Such is the cost of these

techniques and such is the prohibitively expensive cost of developing new products... that if we wanted to create a hole down which precious money and resources could be poured, then this is that hole. Biotechnology, if not wisely applied, can be a black hole, down which valuable resources of money and intellectual manpower of a developing country can disappear without any positive benefit accruing to the investing country." An extreme view, following from the above sort of considerations, would be one such as that of Omvedt (1993) "... if patents will make expensive and unsustainable biotechnologies less accessible all the better! Easily accessible enslaving technologies are more dangerous". In addition to such viewpoints we have also the more stereotyped dependency theories as applied to biotechnology [see the article by Ratledge in Da Silva et al 1992]. On balance, however, the pragmatic alternative seems to be not to insulate oneself totally from the emerging developments in this powerful sector of technology but at the same time not to rush into uncritical acceptance of all its aspects ("we may flutter our eyelids but need not disrobe" as one famous Indian agronomist put it in a private conversation).

BIOTECHNOLOGY AND IPRs

The most distinct feature of the ongoing Biorevolution is its essentially private character. The reasons for the private sector playing a leading role have been extensively analysed by Buttel et al (1985) and we need not go into them here. But from the LDC perspective this has the critical implication that unlike in the Green Revolution (where the leading players in the developed world were public-sector research institutions) when the technology was transferred on a government-to-government basis at very low cost, the technology transfer in the Biorevolution is likely to entail substantial costs with joint ventures the favoured medium. The issue of IPRs is thus likely to loom large, as a precondition for the effective transfer of technology. Since India has accepted the Final Text of the Uruguay Round and the IPR regime implied therein, the necessary conditions for the transfer of biotechnology from the advanced countries have been met. But still, because of the specialised nature of the IPRs in this area, enforcement problems will be manifold: (i) Firstly it could be difficult to identify a patented plant or seed because both are subject to natural genetic drift and mutation, (ii) Secondly, agricultural inventions can give rise to derivative or dependent inventions with the result that multiple royalties could occur on a single product, and (iii) Thirdly, very often infringement can only be proved by comparing entire genetic makeups. All these mean that mechanisms to prove infringement can prove to be quite

costly for LDCs. The GATT Text does lay down on the signatories the obligation to have adequate enforcement procedures, though the actual contents of such procedures are yet to emerge – at the moment they have been left to national initiative but if past history is any guide pressures from the developed world will start emerging in the near future to have globally agreed minimal standards of enforcement.

VII

The 'Opt-Out' Option

One of the most polemical critics of the GATT in India, Nanjundaswamy said in a recent interview "I have been saying that just like what Russia did for a few decades, developing inside an iron curtain, and the way China developed itself behind a bamboo curtain, I would like India to encircle itself with a khadi curtain" (*Mainstream*, May 8, 1993). A more sophisticated statement of the same argument is made by Shukla "The fear of isolation is conveniently used by those who are willing to make significant concessions to the other side but are afraid of the political-fall-out at home. Avoiding isolation is then raised to the status of an objective desirable *per se* and to be pursued at any cost. The protagonists of avoiding isolation at any cost rationalise their belief in terms of the absolute superiority of multilateralism to other modes of international relations in trade and economic matters. But neither the history nor the practice of multilateralism in GATT supports this belief" (*Mainstream*, July 24, 1993). Thus substantial sections of the (usually left-wing) intelligentsia and political parties see isolationism as an effective opt-out strategy available for India.

Of course, the consequences of refraining from acceding to the new GATT Treaty are difficult to estimate, because the precise nature of the inevitable trade retaliation that will follow in the wake of such a step have not been clearly spelt out. The US, in all probability, will invoke the special 301 provision of the US 1988 Trade Act against countries refusing to obey the GATT code on IPRs. The minimal level of retaliation could be the suspension of GSP privileges to imports from such countries into the US. European countries are also likely to execute similar threats. In the 1990s, about 14 per cent of India's exports to the US were accorded GSP status. It is doubtful if India could retain the markets for such exports if their GSP status was revoked. This issue however deserves a careful examination – if the GSP status of the imports from a number of LDCs were revoked simultaneously, the damage to individual countries would be much less. Thus the potential trade loss on a specific country imposed by such retaliation would certainly depend on whether the

country was alone in its choice of the "opt-out" strategy or whether it was part of a group of countries adopting a similar strategy.

But trade retaliation could go much further – depending on how much out of alignment national IPR systems were with the GATT TRIPS proposals. Total trade embargo for at least limited periods is a distinct possibility. Advocates of isolationism would probably welcome such an embargo, but those who invoke the 'iron' and 'bamboo' curtains tend to forget the elementary lesson that even the severest autocratic regimes find it difficult to insulate the domestic consumer from the attractions of foreign goods; and further, that several items for mass domestic consumption rely for their manufacture on imported machinery. Some isolationists even point to the national gains that can be made from illegal imitation, copying and counterfeiting, conveniently forgetting that even such activities need a minimum threshold level of technological expertise, which will be denied in the absence of a modicum of IPR protection.

But there is another strand to the isolationist argument – the possibility of the LDCs forming regional trade associations and focusing on South-South trade. This possibility deserves to be examined at some length, since its advocates seem to place tremendous faith in its validity. One of the most important principles traditionally applied for predicting trade flows is the Heckscher-Ohlin principle about countries exporting commodities that use their relatively abundant factor intensively. Empirical evidence seems to be in consonance with the predictions of this theory for north-south trade [Leamer 1984, Tharakan 1984, etc], and also for certain categories of south-south trade [Havrylyshyn 1985]. The countries of the south constitute a heterogeneous group forming a ladder of relative factor endowments – trade between LDCs at opposite ends of the ladder seems to fit well the Heckscher-Ohlin pattern.

However the H-O theory cannot be invoked to explain the growing proportion of trade in similar commodities between countries at similar levels of development – such trade is better explained by Linder's (1961) hypothesis of intra-industry trade. According to Linder's theory the narrowing of income differences between any pair of countries would expand rather than diminish trade, because a growing portion of the demand in each country would overlap, thereby increasing bilateral trade in specific varieties of similar goods. Empirical evidence seems to indicate that the importance of intra-industry trade will increase with rising incomes and the spread of manufacturing. Currently South-South trade accounts for about 7.8 per cent of total world trade

(calculated from IMF DOTS for 1991) but this trade will certainly increase as incomes in the south rise. Thus whereas in the long run south-south trade could offer some prospects, in the short run the south will be heavily trade-dependent upon north.

This shows that the opt-out strategy so fervently advocated by LDC critics of the GATT agreement is not a feasible strategy at the current stage of development of most LDCs. Our discussion has focused only on the trade-related aspects of this strategy but if one takes into account the fall-out on foreign investment, aid and the costs of working out bilateral agreements (in each specific case), the costs of an opt-out strategy would be enormous – a leap into economic disaster.

VIII Conclusions

Our paper has ranged over a wide spectrum of issues relating to IPRs in the context of LDCs (with special reference to India). We began by reviewing the political economy of the factors leading up to the polarisation of views at the Uruguay Round and found that the confrontation between the industrialised world and the LDCs was the outcome of fundamental shifts in the nature of technology which had occurred in the past two decades. The Uruguay Round, propelled strongly under US pressure, veered round to what Subramanian (1991) has referred to as an HN (High level of non-discriminatory IPR protection) regime.

The economic impacts will depend not only on the IPR regime itself, but also on several associated factors such as the official Indian policy on foreign collaborations and foreign direct investment, as also on fiscal concessions for R and D in firms, etc. But perhaps the critical factor is whether, now that the industrialised countries have succeeded in having an IPR regime of their choice installed in GATT, they will make the transfer of technology to LDCs more flexible and easy. It is also important to note that the impact of the new IPR regime will vary from sector to sector. Two of the most important sectors likely to be affected vitally are the pharmaceutical and agricultural sectors and both of these sectors (in the Indian context) have been analysed at some length in this paper. We have also given a serious examination to the populist view, advocated by several academics and politicians in India, to renege on the GATT Agreement. Our conclusion is that this would be tantamount to an economic harakiri for the nation. The GATT is a Hobson's choice for India and most other LDCs.

The acceptance of the GATT proposals in the Uruguay Round with its endorsement

of the US viewpoint is probably a reflection of two phenomena – the emergence of the US as a political as well as economic hegemon and the breakdown of LDC solidarity. In the era of international Darwinism ushered in by the GATT, the 'sauve qui peut' philosophy is going to pervade the thinking on trade policy among the newly industrialising LDCs. There is the very real danger that the 'scramble for markets' set in by this process will aggravate regional conflicts in the third world. Thus there is considerable ground for apprehension on both the economic and political fronts in the wake of the conclusion of the long drawn-out Uruguay Round.

[I am very grateful to Mancur Olson for inviting me to write this paper and to Satu Kahkonen and Brian Fikkert for helpful suggestions. Errors and shortcomings are entirely the author's responsibility.]

References

- Alam, G (1985) 'India's Technology Policy and Its Influence on Technology Imports and Technology Development', *Economic and Political Weekly*, Special Number, Vol 20, pp 2073-80.
- Anderfelt, U (1971) *International Patent Legislation and Developing Countries*, Martinus Nijhoff, The Hague.
- Bell, M and D Scott Kemmis (1985) 'Technology Import Policy Have the Problems Changed?', *Economic and Political Weekly*, Special Number, Vol 20, pp 1975-90.
- Bernal, I D (1970) *Science in History*, Penguin, London.
- Bifant, P (1989) 'Intellectual Property Rights and International Trade' in *The Uruguay Round: Papers on Selected Issues*, UN, New York.
- (1990) 'The New Mercantilism and the International Appropriation of Technology' in *Technology, Trade Policy and the Uruguay Round*, UN, New York.
- Brady, N (1982) 'Chemistry and World Food Supplies', *Science*, Vol 218, pp 847-53.
- Brun, C (1987) 'Plant Breeding and Biotechnology in the United States of America: Changing Needs for the Protection of Plant Varieties' in *Proceedings of the Symposium on the Protection of Biotechnological Inventions*, Ithaca, New York.
- Brown, W L (1988) 'Plant Genetic Resources: A View from the Seed Industry' in J R Kloppenburg (ed), *Seeds and Sovereignty*, Duke University Press, Durham, NC.
- Butler, L J and W B Marion (1983), *Impacts of Patent Protection on the US Seed Industry and Public Plant Breeding*, University of Wisconsin, NC-117, Monograph 16.
- Buttel, F H, M Kenney and J Kloppenburg (1985) 'From Green Revolution to Biorevolution: Some Observations on the Changing Technological Bases of Economic Transformation in the Third World', *Economic Development and Cultural Change*, Vol 34(1), pp 31-56.
- Comanor, W (1986) 'The Political Economy of the Pharmaceutical Industry', *Journal of Economic Literature*, pp 1178-1217.

- DaSilva, E. J., C Riedge and A Sasson (1992): *Biotechnology: Economic and Social Aspects - Issues for Developing Countries*. Cambridge University Press, Cambridge.
- Dhar, B and C N Rao (1993): 'Patent System and Pharmaceutical Sector', *Economic and Political Weekly*, Vol 28, October 2, 1993.
- Deolalikar, A B and R E Evenson (1990): 'Private Inventive Activity in Indian Manufacturing: Its Extent and Determinants' in R E Evenson and G Ranis (eds), *Science and Technology: Lessons for Development Policy*, Westview, Boulder, Colorado.
- Desai, A V (1985): 'Indigenous and Foreign Determinants of Technological Change in Indian Industry', *Economic and Political Weekly*, Vol 20, pp 2081-94.
- (1989): 'Technology Acquisition and Application: Interpretations of the Indian Experience' in R E B Lucas and G F Papanek (eds), *The Indian Economy: Recent Developments and Future Prospects*, Oxford University Press, Delhi.
- Erher, F S (1984): 'Technological Dependence and Learning Revisited' Institute of Industrial Economics, University of Rio de Janeiro (mimeo).
- Evenson, R E (1990): 'Intellectual Property Rights, R and D, Inventions, Technology Purchase and Piracy in Economic Development: An International Comparative Study' in R E Evenson and G Ranis (eds), *Science and Technology: Lessons for Development Policy*, Westview Press, Boulder, Colorado.
- Farnum, P, R Timmis and J L Kulp (1983): 'Biotechnology of Forest Yield', *Science*, Vol 219, pp 694-702.
- Fransman, M (1985): 'Conceptualising Technical Change in the Third World in the 1980s: An Interpretative Survey', *Journal of Development Studies*, Vol 21(4), pp 572-652.
- Freeman, C (1974): *The Economics of Industrial Innovation*, Penguin, Harmondsworth.
- Freeman, C, J Clark and L Soete (1982): *Unemployment and Technical Innovation: A Study of Long Waves and Economic Development*, Frances Pinter, London.
- Frischtak, C R (1989): 'The Protection of Intellectual Property Rights and Industrial Technology Development in Brazil' The World Bank, Washington.
- Furtado, C (1964): *Development and Underdevelopment*, University of California Press.
- Gadbaw, R M and L A Kenny (1988): 'India' in R M Gadbar and T J Richards (eds), *Intellectual Property Rights: Global Consensus Global Conflict*, Westview Press, Boulder, Colorado.
- GATT (1989): *United States - Section 337 of the Tariff Act of 1930*.
- (1991): *GATT Committee on Multilateral Trade Negotiations: Uruguay Round, MTN/TC/W/FA (Dunkel Committee Report)*.
- Gulpin, R (1987): *The Political Economy of International Relations*, Princeton University Press.
- Greer, D F (1987): 'The Case against the Patent System in Less-Developed Countries', *Journal of International Law and Economics*, Vol 8 (2).
- Havrylyshyn, O (1985): 'The Direction of Developing Country Trade: Empirical Evidence of Differences between South-South and South-North Trade', *Journal of Development Economics*, Vol 19(3), pp 255-87.
- Herrera, A (1972): 'Social Determinants of Science in Latin America: Explicit Science Policy and Implicit Science Policy', *Journal of Development Studies*, Vol 9(1), pp 19-38.
- Hobbelink, H (1991): *Bio-technology and the Future of World Agriculture*, Zed Books, London.
- Hughes, J (1988): 'The Philosophy of Intellectual Property', *Georgetown Law Journal*, Vol 77(2), pp 287-366.
- Indian Drug Manufacturers' Association (1922): 'Intellectual Property Rights and Patent Protection' (mimeo).
- Juma, C and J B Ojwang (1989): *Innovation and Sovereignty: The Patent Debate in African Development*, African Centre for Technology Studies, Nairobi.
- Kaplinsky, R (1989): 'Industrial and Intellectual Property Rights in the Uruguay Round and Beyond', *Journal of Development Studies*, Vol 25(3), pp 373-400.
- Katrak, H (1985): 'Imported Technology, Enterprise Size and R and D in a Newly Industrialising Country: The Indian Experience', *Oxford Bulletin of Economics and Statistics*, Vol 47(3).
- Katz, J (1984): 'Domestic Technological Innovations and Dynamic Comparative Advantages: Further Reflections on a Comparative Case Study Programme', *Journal of Development Economics*, Vol 16, (Nos 1 and 2) pp 13-37.
- Keayla, B K (1989): 'Chemical Based Industries - Drugs and Pharmaceuticals and Pesticides - Foreign Pressures for Changing the Indian Patents Act 1970', *Proceedings of National Conference of Scientists on Science, Technology and Patents*.
- Kennedy, M (1986): *Biotechnology: The University-Industrial Complex*, Yale University Press, New Haven.
- Kurth, J (1979): 'Political Consequences of the Product Cycle: Industrial History and Policy Outcomes', *International Organisation*, Vol 33(1), pp 1-34.
- Lacy, W B and L Busch (1989): 'The Changing Division of Labour between the University and Industry: The Case of Agricultural Biotechnology' in J J Molnar and H Kinnucan (eds), *Biotechnology and the New Agricultural Revolution*, Westview Press, Boulder.
- Lall, S (1975): 'Is "Dependence" a Useful Concept in Analysing Underdevelopment?', *World Development*, Vol 3, pp 799-810.
- Leamer, E (1984): *Sources of International Comparative Advantage: Theory and Evidence*, MIT Press, Cambridge, Massachusetts.
- Lesser, W (1986): 'Patenting Seeds in the United States of America: What to Expect', *Industrial Property*, Vol 25, pp 360-67.
- (1987): 'Intellectual Property Agreements for Protecting Biotechnology Products and Processes Worldwide', *Agribusiness*, Vol 3, pp 351-76.
- Levin, R C, A K Klevorick, R R Nelson and S G Winter (1987): 'Appropriating the Returns from Industrial R and D', *Brookings Papers on Economic Activity*, Vol 3, pp 783-820.
- Linder (1961): *An Essay on Trade and Transformation*, John Wiley, New York.
- Lipsey, R E, M Blomstrom, and I B Kravis (1990): 'R and D by Multinational Firms and Host Country Exports' in R E Evenson and G Ranis (eds), *Science and Technology: Lessons for Development Policy*.
- Machlup, F (1958): 'An Economic Review of the Patent System', *US Senate Study No 15*, Washington DC.
- Mansfield, E (1986): 'Patents and Innovation: An Empirical Study', *Management Science* (February), pp 171-81.
- (1988): 'Intellectual Property Rights, Technological Change and Economic Growth' in C E Walker and M A Bloomfield (eds), *Intellectual Property Rights and Capital Formation in the Next Decade*, United Press of America, Lanham.
- Mansfield, E, J Rappoport and others (1977): 'Social and Private Rates of Return from Industrial Innovations', *Quarterly Journal of Economics*, Vol 91(2), pp 221-40.
- Mansfield, E, M Schwartz and S Wagner (1981): 'Imitation Costs and Patents: An Empirical Study', *Economic Journal*, Vol 91, pp 907-18.
- McMullen, N (1987): *Seeds and World Agricultural Progress*, National Planning Association, Washington, DC.
- Mehrotra, N N (1989): 'Patents Act and Technological Self-Reliance: The Indian Pharmaceutical Industry', *Economic and Political Weekly*, Vol 24(19), May 13.
- Mooney, P R (1979): *Seeds of the Earth*, Inter Pares, Ottawa.
- Murphy, D W (1979): 'Plant Breeders' Rights in the United Kingdom', *European Intellectual Property Review*, Vol 1, pp 236-40.
- Mytall, L K (1987): 'Knowledge-Intensive Production and the Changing International Strategies of Multinational Firms' in J A Caporaso, *A Changing International Division of Labour*, Lynne Reiner Publishing, Boulder.
- Nelson, R R and S G Winter (1982): *An Evolutionary Theory of Economic Change*, Harvard University Press, Boston.
- Nogues, J (1990): *Patents and Pharmaceutical Drugs: Understanding the Pressures on Developing Countries*, PRE WP Series No 502, The World Bank, Washington, DC.
- Olson, M (1965): *The Logic of Collective Action: Public Goods and the Theory of Groups*, Harvard University Press, Cambridge, Massachusetts.
- Omvedt, G (1963): 'Biotechnology: Miraculous or Murderous?', *Economic and Political Weekly*, Vol 28(21), pp 1033-35.
- Penrose, E (1951): *The Economics of the International Patent System*, John Hopkins University Press, Baltimore.
- Pillar, P M (1979): 'Technology Transfer, Adoption and Assimilation', *Economic and Political Weekly*, Vol 14, November.
- Piore, M J and C F Sabel (1984): *The Second Industrial Divide: Possibilities for Prosperity*, Basic Books, New York.
- Plucknett, D L, N J H Smith, J T Williams and N M Amisshetty (1987): *Gene Banks and the World's Food*, Princeton University Press.
- Ponkshe, S (1991): *The Management of Intellectual Property*, Bhate and Ponkshe Publishers, New Delhi.
- Prasad, H and S Bhat (1993): 'Strengthening India's Patent System: Implications for Pharmaceutical Sector', *Economic and Political Weekly*, Vol 28(21), pp 1037-58.

Pray, C E (1987): 'Private Sector Agricultural Research in Asia' in V W Ruttan and C E Pray (eds), *Policy for Agricultural Research* Westview Press, Boulder.

Primo Braga, C A (1989): 'The Economics of Intellectual Property Rights and the GATT: A View from the South', *Vanderbilt Journal of Transnational Law*, Vol 22(2), pp 243-64

Sasson, A (1988): *Biotechnology and Development*, UNESCO, Paris

Schiff, E (1971): *Industrialisation without National Patents*, Princeton University Press

Schumpeter, J A (1934): *The Theory of Economic Development*, Harvard University Press, Cambridge, Massachusetts.

Sherwood, R M (1989): 'New Theory of Conductivity in Licensing', *Lex Nouvelles*, Vol 24(4), pp 186-89.

- (1990): *Intellectual Property and Economic Development*, Westview Press, Boulder

Siebeck, W E (ed) (1990): 'Strengthening Protection of Intellectual Property in Developing Countries: A Survey of the Literature', World Bank DP 112, Washington, DC.

Stewart, F (1972): 'Choice of Technique in Developing Countries', *Journal of Development Studies*, Vol 9-121

- (1977): *Technology and Underdevelopment*, Macmillan, London.

Subramanian, A (1991): 'The International Economics of Intellectual Property Right Protection: A Welfare Theoretic Trade Policy Analysis', *World Development*, Vol 19(8), pp 945-56

Subrahmanian, K K (1993): 'Technological Capability under Economic Liberalism: Experience of the Indian Industry in the 80s' in Y K Alagh, R J Mody and R D Desai (eds), *Sectoral Growth and Change*, Har-Anand Publishers, New Delhi

Swaminathan, M S (1982): 'Biotechnology Research and Third World Agriculture', *Science*, pp 967-72

Teitel, S (1984): 'Technology Creation in Semi-Industrial Economies', *Journal of Development Economics*, Vol 6, pp 39-61.

Tharakan, P K M (1984): 'Intra-Industry Trade between the Industrial Countries and the Developing World', *European Economic Review*, Vol 26, pp 213-27.

Trivedi, J B (1992): 'Intra-Industry Trade between the Industrial Countries and the Developing World', *European Economic Review*, Vol 26, pp 213-227

UNIDO (1977): *National Approaches to the Acquisition of Technology*, Development and Transfer of Technology Series Number 1

UNCTAD (1990): *Uruguay Round: Further Papers on Selected Issues*, New York.

Vaitos, C (1972): 'Patents Revisited: Their Function in Developing Countries', *Journal of Development Studies*, Vol 9(1), pp 71-98.

Vernon, R (1971): *Sovereignty at Bay The Multinational Spread of US Enterprises*, Basic Books, New York.

Viswanathan, A (1993): 'Stronger Patents Aid Drug Companies', *The Times of India*, August 12.

Warren, B (1980): *Imperialism: Pioneer of Capitalism*, New Left Books, London

Watanabe, S (1985): 'The Patent System and Indigenous Technology Development in the Third World' in J James and S Watanabe (eds), *Technology, Institutions and Government Policies*, Macmillan, London

FRESH RELEASES-GOVT. BOOKS

ACTS OF PARLIAMENT -1991	Rs. 50.50
ACTS OF PARLIAMENT -1992	Rs. 63.50
AGRICULTURAL BIOTECHNOLOGY IN THE ICAR RESEARCH INSTITUTES	Rs. 150.00
BULLETIN ON FOOD STATISTICS 1991	Rs. 218.50
BROCHURE ON CENTRAL CIVIL SERVICES (CLASSIFICATION CONTROL & APPEAL) RULES 1993	Rs. 97.00
CENSUS OF INDIA 1991-OCCASIONAL PAPER 3 OF 1994-FUNCTIONAL CLASSIFICATION OF URBAN AGGLOMERATIONS/TOWNS OF INDIA 1991.	Rs. 28.00
CONSOLIDATED DEFENCE GLOSSARY	Rs. 284.00
COMPREHENSIVE GLOSSARY OF TECHNICAL TERMS-SCIENCE VOL. I & II (SET)	Rs. 174.00
DESCRIPTIVE LIST OF MUTINY PAPERS OF NATIONAL ARCHIVES	Rs. 350.50
ENGLISH WRITING OF RABINDRANATH TAGORE	Rs. 450.00
FERTILIZER STATISTICS 1993-94	Rs. 200.00
FOLK ARTS & SOCIAL COMMUNICATION	Rs. 50.00
HAND BOOK ON FERTILIZER USES	Rs. 100.00
HAND BOOK OF STATISTICS 1993 (CONFEDERATION OF INDIAN INDUSTRY)	Rs. 250.00
INDIAN LIVESTOCK CENSUS-SUMMARY TABLES 1987-VOL. I	Rs. 890.00
INDIAN AGRICULTURAL STATISTICS 1986-87 TO 1988-89 VOL. II (DIST. WISE DETAILED TABLES)	Rs. 2789.00
INDIAN HISTORICAL RECORDS COMMISSION-PROCEEDING NO 54 (1992)	Rs. 561.00
INSA-YEAR BOOK 1994	Rs. 150.00
INDIA-BILATERAL TREATIES & AGREEMENTS (MINISTRY OF EXTERNAL AFFAIRS) VOL. I, II & III (1947-60) (SET)	Rs. 2,200.00
VOL. IV, V & VI (1961-70) (SET)	Rs. 2,000.00
IRRIGATION & FIELD CROPS - PRINCIPLES & PRACTICES	Rs. 30.00
KANGRA PAINTING ON LOVE - M S. RANDAWA	Rs. 400.00
MASS MEDIA IN INDIA 1993	Rs. 200.00
MANPOWER PROFILE INDIA - YEAR BOOK 1993-94 (IAMR)	Rs. 250.00
MONTHLY STATISTICS OF FOREIGN TRADE OF INDIA (ANNUAL NUMBER 1993-94) VOL. I & II MARCH 1994 (SET)	Rs. 1250.00
NATRAJA IN ART THOUGHT & LITERATURE - C. SIVARAMAMURTI	Rs. 800.00
OCEAN TECHNOLOGY - PERSPECTIVES - SYMPOSIUM PROCEEDINGS	Rs. 1,000.00
PRESS IN INDIA 1993	Rs. 125.00
PUBLIC ENTERPRISES SURVEY 1992-93 VOL. I, II & III (SET)	Rs. 800.00
REGISTRATION & LIQUIDATION OF JOINT STOCK COMPANIES IN INDIA 1992-93	Rs. 350.00
REDEFINING THE GOOD SOCIETY - 4th INDIRA GANDHI CONFERENCE PROCEEDINGS 19-23 NOV 1993	Rs. 400.00
RED MUD - ANALYSIS & UTILISATION - THAKUR & DAS	Rs. 500.00
SPACE SCIENCE GLOSSARY	Rs. 45.00
SOIL & WATER CONSERVATION RESEARCH IN INDIA	Rs. 120.00
STATISTICAL PROFILE ON WOMEN LABOUR (4th ISSUE) 1993	Rs. 202.50
STATISTICS FOR IRON & STEEL INDUSTRY IN INDIA 1994 (SAIL)	Rs. 500.00
STATISTICAL OUT LINE OF INDIA 1994-95 (TATA)	Rs. 75.00
STATISTICS OF THE FOREIGN TRADE OF INDIA BY COUNTRIES (ANNUAL NUMBER 1993-94) VOL. I & II MARCH 1994 (SET)	Rs. 2100.00
THE SERPENT WITHIN	Rs. 50.00
TROPICAL DISEASES - MOLECULAR BIOLOGY & CONTROL STRATEGIES	Rs. 600.00
TREATISE OF INDIAN MEDICINAL PLANTS VOL. I, II & III (SET)	Rs. 900.00
UNION GOVT APPROPRIATION ACCOUNTS 1992-93	Rs. 150.00
UNION GOVT FINANCE ACCOUNTS 1992-93	Rs. 175.00
UTILISATION OF NATURAL RESOURCES - CHEMICAL ENGG. APPROACH	Rs. 500.00
WHO'S WHO OF SANSKRIT SCHOLERS IN INDIA	Rs. 350.00

Ask for complete Catalogue :
Supply Against Payment in Advance by M.O./ Bank Draft.
Add Rs. 15/- as Postal Charges.

SANGAM BOOK DEPOT

Authorised Agents-Govt. Books
Akarshan Bhavan, 23, Ansari Road, Daryaganj,
New Delhi-110002 Tel.: 3272106

Master-Servant Relationship in a Cross-Cultural Perspective

Lakshmi Srinivas

A review of recent literature shows racial and ethnic dominance to be an important factor in constructing the master- or mistress-servant relationship, and in countries which have been colonised, ideas of the ruler and ruled are carried over into the domestic sphere. More generally, these studies have drawn attention to the complexities of servitude where relationships are structured around difference and where difference translates into cultural superiority and ideological dominance.

THE master-servant relationship with origins in slavery and serfdom has been thought of as a 'natural' relationship, as fundamentally important as that between husband and wife or parent and child.¹ It has been argued that domestic servants are key figures in social reproduction and in ideological maintenance as they are involved in the physical maintenance of the household, play a major role in socialisation into the dominant order, and in perpetuating basic patterns of oppression and stratification [Cock 1980; Smith 1973; Taussig and Rubbo 1983]. Servants become the "essential link between the macro-structure of political life and the micro-structure of domestic and personal experience which prepares and sustains people for their roles in society" [Taussig and Rubbo 1983: 5-6]. Though often presented as a third world problem [Chaplin 1978; Smith 1973], in all important aspects such as low wages, long hours, low prestige, and as the occupation resorted to by the least skilled, least assimilated group, domestic service is seen to reflect worldwide patterns [Rollins 1985:44].

Chaplin, who has studied the occupation in the context of industrialisation, is of the opinion that a comparative and historical study of domestic servants is important from the point of view of contributing to an understanding of women's employment, industrialisation and urbanisation, and child-rearing among the middle and upper classes as well as relationships of dominance involving ethnic or racial components [Chaplin 1978:97]. However, there have been relatively few attempts to study the issue of servitude in contemporary societies. The institution is frequently identified with slavery and pre-industrial societies, as such not part of modernity, and presented as an occupation that is becoming extinct. The few studies which have been carried out have addressed the following questions: is domestic service 'pre-industrial'; has it declined with economic development and industrialisation and is it likely to disappear (once the process of 'development' is complete)? Is domestic service transitional, dependent on fluctuations in the economy [Chaplin 1978] or more permanent, having

to do with the construction of identities, with status and dominance needs [Hansen 1989; Rollins 1985]? It has often been presented as a third world phenomenon. Is this because of a confusion with the larger issue of social inequality? Is it therefore an indication of social inequality rather than the level of industrialisation? Is it a 'bridging occupation' [Smith 1973], providing a means of acculturation and socialisation for the rural migrant, or is it a dead end [Jelin 1977]?

These questions emerged as significant ones in the context of historical research carried out on industrialising England and France [Chaplin 1978; Coser 1974; Davidoff 1974; and McBride 1974], societies which were not as diverse, ethnically and racially, as societies today, and where the main difference between servants and employers was based on class which arose primarily from landownership, rural origins and income. More recent work on South Africa [Cock 1980], Zambia [Hansen 1989], the US [Glenn 1981; Rollins 1985], and Latin America [Bunster and Chaney 1985; Chaney and Castro 1989; Young 1987] has revealed the space-time limitations of the findings. A review of recent literature shows racial and ethnic dominance to be an important factor in constructing the master- or mistress-servant relationship, and in countries which have been colonised, ideas of the ruler and the ruled are carried over into the domestic sphere. More generally, these studies have drawn attention to the complexities of servitude where relationships are structured around difference and where difference translates into cultural superiority and ideological dominance [Cock 1980; Hansen 1989].

REPRESENTATIONS OF THE SERVANT

The servant is a powerful symbol in society. Hansen, writing on Zambia, states — "...the figure of the servant as a metaphor has been used to highlight intimate psycho-sexual power relationships, to represent the African oppressed, as a symptom of nationalist awakening, or as a yardstick against which the health or sickness of post-colonial African society is measured" (1989:22). Servants appear to be central to the functioning of the

household and to the structuring of society but at the same time servants are regarded as marginal individuals, even 'non-persons' not only in the households where they work but also in the larger society where they are restricted to the informal sector and often to non-wage work [Young 1987:366-70].

The entrenched nature of domestic service in everyday life is seen in the many references to it in the media, film and literature where servants are often key figures in the plot. The phrase 'the butler did it', from a British detective novel is reproduced in the context of a joke. Such phrases have provided clues to the ways in which servants are perceived. The butler being a marginal person in the household was the most unlikely of all to have done the deed. As a non-person he did not count and therefore, provided a surprise twist to the construction of the plot. Servants have also been used to convey ideas about societal norms and values as well as aspects of social change. The representation of the servant is summed up as, "The literary writer's servant is there in an active variety: as a loyal tool, mercenary opportunist, active agent, disturber of the social order, representative of the rising bourgeoisie, forerunner of the revolution" [Hansen 1989:22].

Representation however is not merely reflection, it is itself an active force in moulding social relations and social understanding. Comelia Butler Flora (1989)² has analysed the fotonovela and the Latin American soap opera which she argues play an important role in monitoring the images that enter the popular consciousness by projecting images to the servant class which are different from those projected to the employer class. Entire themes are often built around the social group of servants. Upward mobility is a popular theme in the series aimed at servants. The maid wins over the millionaire with her good nature and selfless devotion, in the process discrediting his upperclass fiancée. QED, social class is not important to love and happiness. The fotonovela, while offering a fantasy escape for servants,³ at the same time reinforces their image as background status objects. Maids are used to create an atmosphere of

wealth and gracious living as well as to send messages which reinforce gender and class stereotypes.

The presence of the maid... opening a door or serving a drink provided an ambience of affluence and comfort through passive service that men of substance – doctors, lawyers, businessmen – needed in order to pursue their more important ends in life [Flora 1989:148]

The servant's role therefore serves as an important vehicle for the propagation of cultural stereotypes which have built into them, racial, gender, regional, religious and class ideologies. Hansen (1989:37) notes that British novels set around 1908-09 depicted Africa and Africans as "backdrops against which fairly rich whites went to play". Stories of the Raj are filled with references to incompetent, bumbling servants with strange, incomprehensible customs. Margaret MacMillan (1986) writes that the British favoured Muslims over Hindus for servants. Muslims were supposed to be more loyal and straightforward, "a quality often attributed to the fact that they worshipped only one god and were "people of the book" just like Christians" (1986:145). However, Christians who were Indians were disliked. They were considered dishonest. This may have been because in the construction of difference, which Hansen argues is central to the master-servant relationship, Christians were difficult to place as they were perceived as uncomfortably close at the same time culturally alien to their employers. In the US, the parallel stereotype is the Black housekeeper of the 'Gone With the Wind' type southern novel who was 'part of the family', offering lifelong devotion. This stereotype was recently resurrected in the film *Driving Miss Daisy* which seemed to evoke some of the nostalgia for the 'old days'. In contrast, romance and adventure novels set in 19th century France and England often portray the governess or paid companion who made a fortunate marriage.⁴ This is not to say that other themes were not popular as well, but studies suggest that mobility through marriage was more common in 19th century England and France than elsewhere [McBride 1974]

Given the recognised importance of servants and their substantial presence in the labour pool,⁵ it is curious that till recently, except for some stray references, the issue of domestic service has been neglected. Hansen in addressing this question attributes the lack of attention given by historians and anthropologists to the limitations of explanatory frames that ignore the individual as a human agent: "The previous generation's scholarly community reacted like most employers of servants: they took them for granted" (1989:9). Another reason for the relatively few studies on servants is attributed to the difficulty of getting information:

domestic workers are recruited informally,⁶ are unmonitored by the state and confined to the home. In the US immigrant Irish women have been replaced as domestic servants by black women and increasingly by 'illegal' immigrants from Latin America, Mexico, the Caribbean and Asia [Rollins 1985]. Another reason for the invisibility of domestic service is due to its being considered a low status activity which demeans those who are forced to engage in it [Cock 1980:71; Cover 1974:39; Katzman 1978:378; MacMillan 1986; Mohammed 1989:161; Rollins 1985:58]. Women who have been domestics do not want to admit to working a low-status job [Smith 1973]. This again contributes to the information problem [See also Radcliffe 1990:390].

Related to all these reasons is the fact that domestic work is considered the woman's domain⁷ where unfortunately little has changed. *The New Statesman* ('A Clean Conscience', March 10, 1989) commenting on the failure of feminism to bring about alternate life-styles with shorter working hours and shared work in the home, notes that part of the failure is that "women continue to be held responsible for household maintenance, their own lives, their children's and that of their companions". The labour of working class women continues to enrich and free the lives of women above them.⁸ The public-private split, with the public sphere considered a more legitimate domain for attention, has contributed to making domestic service unworthy of notice. It has become invisible as other 'women's problems' have.⁹ Questions about housework remain taboo.

The mid-19th century was a crucial period (in the history of the west) in the development of the notion of 'the separation of spheres' and the confinement of women, ideologically if not for all women in practice, to the 'private' sphere of the suburbs and the home [Davidoff and Hall 1983; Hall 1981]. In keeping with this, authors of the 19th century etiquette advised their readers to avoid the subject of servants in conversation as not only being boring, but too blatant an effort to advertise the face of command [Dudden 1983:115]. MacMillan sympathises with the lot of the English housewife in an alien land rather than with the servant under alien rule: "It is scarcely surprising that some women became bores about housekeeping, boasting of their triumphs over box-wallahs, servants, white ants..." (1986:88), and reports that one of the several popular guides for 'mumsahibs' cautioned, "do make it a strict rule not to talk of servants and housekeeping when you go out... one sees groups of women at the club comparing notes about... what their cook's daily bills amount to". Attempts at bringing it into the public debate continue to be attacked. One woman interviewed by *The New Statesman* objected to enquiries about housework, who did it and what

feminism had to say about it on the grounds that questioning feminism's stance on housework is itself anti-feminist. While it is clear that the issue of housework and employing domestic servants to do it cannot remain the responsibility of women if feminism is to gain ground, and feminists are unwilling to talk about domestic service in the context of women's work, an unwillingness to discuss the matter has resulted in the *de facto* support of the more conservative ideology which maintains that domestic service is a 'women's problem', and one not to be made public.

LOW STATUS

The domestic worker automatically has low status in a society whose definitions of class rely on occupational classification [Mohammed 1989:161]. The work is assigned a low rank because it is associated with women, does not call for any particular identifiable skills, is considered drudgery¹¹ involves cleaning which is influenced by ideas of purity and pollution and is associated with preindustrial rather than the 'modern' sector since it takes place in the household and can be carried out with little aid from machinery [Cock 1980:66]. The association of domestic service with prostitution and with destitute women and children has withstood time and industrialisation, and appears to have no geographical or cultural boundaries. While a large percentage of destitute women and prostitutes were domestic servants in London in the 1840s [Tellis-Nayak 1983:71] a survey of Peruvian women in the 1970s continued to place the work only a little above prostitution and begging in the occupational hierarchy [Heyman 1974]. Shelley Cohen (1989) and Rollins (1985) both emphasise the stigma attached to servitude deriving from the work as well as from association with the social groups which dominate the occupation. Performing this work reinforces low status among groups who are accorded low status in an ideological context that turns difference from those in power into inferiority. For example, in Boston in 1950, when 70 per cent of domestic workers were Irish, anti-servitude sentiments were translated into anti-Irish sentiments¹² in what is seen as a close approximation to a caste-like social group.

Rollins notes that when blacks and immigrant women are employed as domestic servants, class prejudices, ethnic prejudices and the degradation of menial labour interplay to strengthen anti-servitude sentiments.

Grounded in stratification, domestic service was always composed of people considered inferior (by virtue of their unfree status, their gender, their geographic origins, their lower-class background and/or their caste, race and ethnicity) and always held in the lowest esteem [Rollins 1985:58].

In the Indian context, caste makes for a more intricate system of division of labour among domestic servants and the status assigned to different types of tasks. Notions of purity and pollution influence what tasks can be assigned to whom. High caste servants often refused to perform tasks which they considered defiling, much to the annoyance of their British mistresses.¹³ The British were forced to learn from the confusing array of castes and religions whom they could hire for what job. The lowest status work had to do with cleaning (sweeping, laundering clothes, taking out the garbage), the dirt created by another.¹⁴ Brahmins preferred to work as gardeners as it enabled them to avoid contact with polluting (beef- and pork-eating) foreigners. Poorer brahmins who might have worked as cooks in the households of the higher Hindu castes, did not opt for cooking in European homes because much of the food that was cooked was polluting to them. Sweepers hailed mostly from the lower castes but "even sweepers had their limits, they would not touch dead animals. For that a still lower grade of untouchables had to be employed" [Macmillan 1986].

It may be noted in this context that the practice of keeping servants was not confined to the British (or other foreigners only). Upper class and upper caste Indians did keep – and continue to keep – servants. Affluent landowners in rural areas, and rich and middle-class families in urban areas, regularly employed – and employ – servants. In rural areas domestic service was frequently an aspect of debt-bondage to the master. Srinivas (1987:87-88) reports on 'jita' servitude prevailing in south Karnataka in which the debtor pledged his young son or nephew to work in the master's household till the debt was repaid or worked off. Debt-bondage was also characteristic of other parts of India. In the Tehri-Garhwal region of Uttar Pradesh a poor man who got married, occasionally pledged his wife to work in his master's household, and also serve as his mistress till the debt was cleared [Galey 1983:93]. In such cases the servant could hail from the master's caste or a low one, including untouchables. This was also true of south Karnataka [Srinivas 1987:88].

Domestic service in the house of a lower caste person may lower the status of the high caste servant but that need not always happen depending on the kind of service performed. Thus brahmins may work as cooks in the homes of rich kshatriyas and vaishyas in north India without experiencing loss of caste. Cooking is often a traditional occupation of brahmins, and also, the conditions of work are such that the purity of the brahmin is protected. (in fact, in the caste context, it is in the interests of the employer to protect the purity of the cook.)

It must be pointed out that in India today domestic service is status-enhancing for some

lower castes in comparison to the alternative occupations open to them. For instance, a recent study of women domestic servants in Delhi reveals that the employees regarded their work as status-enhancing, and listed as reasons, clean working conditions, convenient working hours, and association with their middle or upper class mistresses. It is interesting to note that although caste is on the decline in urban centres such as Delhi, the domestic servants who were interviewed belonged to the lower castes while their employers hailed from middle or high castes [Dasgupta 1984].

Even in the US, domestic service need not always be regarded as of low status: In her study of Japanese-American women, Glenn (1981) reports that the women she interviewed did not consider domestic work particularly degrading and some even preferred it to other work. The reasons given by her respondents were that it was flexible, that it permitted greater autonomy as it did not involve being closely monitored like factory-work and was therefore more 'dignified'. Another advantage was that it could be hidden form of labour, often husbands did not know their wives were working as domestics and it was therefore a source of income for the woman which was completely under her control. Many women cherished the opportunity to work at all, when they did not know English, and many had built what they considered to have good relationships with their employers.

The clue to understanding the above situation is provided by Davidoff when she emphasises that "the context and meaning of domestic work are culturally defined and culturally variable" (1974:70). The combination of a strong work ethic and the cultural acceptability of housework and part-time work for women in Japanese society may have drawn these women to domestic service and given them the cultural legitimation to remain in it [Glenn 1981: 365-67]. According to Kondo (1990), in Japanese society the household is a productive unit and housework is often not separable in traditional conceptualisation from 'outside' work because of the tradition of household enterprise. For Japanese women, work outside the home becomes an index of commitment to the 'uchi' or household unit. Given that the 'professional housewife' is a desirable model [Kondo 1990:281], the image of domestic worker may not carry the stigma it does in some other cultures. Both Kondo and Glenn mention the following characteristics of the work in which Japanese women were likely to be found: it could be carried out part-time (full-time work is a masculine domain) [Kondo 1990:280], or in the home and involved traditional women's tasks such as sewing, cleaning, washing clothes or preparing food [Glenn 1981:358]. Therefore,

even when white-collar jobs were available in the US, Japanese women were opting for domestic jobs.¹⁵ Glenn attributes this to the extremely exploitative nature of white-collar work. Even so, the fact that in Japanese culture it is considered necessary for girls to be well-versed in household tasks,¹⁶ may have played a role in influencing these women to do housework. Another powerful factor in pushing women into domestic service is the work ethic, which stems from the Meiji-era, which says the worst situation is being idle and many of Glenn's interviewees voiced this feeling. Most post-retirement domestics in Glenn's study denied overwhelming financial need. They said they liked to work and if they stayed at home "it is not good for me". They associated being idle with depression and thoughts of 'the bad old days' [Glenn 1981:374-75]. Work proved to be a way to forget the problems of the past.

PROFILE

Who is the 'typical' domestic worker, what are the features which characterise the group? In the US in 1970 there were more than one million private household workers of whom nearly 97 per cent were women. More than half of all private household workers were black women, and they tended to be older women [Katzman 1978:379]. Cock (1980:99) reports of South Africa that domestic service is largely a black, female institution. *The Economist* (The Servant Problem, March 17, 1990) has the most current description of the population group which the typical domestic servant is drawn from young women with little or no education or skills and low expectations, mostly migrants. Dominant images have consistently depicted servants as women without independent lives or interests. Palmer and Young report that domestics were envisioned as single women, young or old, cut off from any attachments except those to the employer's family [Palmer 1989:87; Young 1987:370]. Cock (1980:51-52) also comments on the pattern of 'family disorganisation' among domestic workers. They are more often women whose family life has been disrupted by poverty and migration. In her sample 78 per cent had been married but only 48 per cent were still married while others were widowed, divorced or deserted. This description appears to fit over space and time: In Lima, between 1956-66 nearly two-thirds of the economically active female migrants worked as domestics while in 1981 the numbers had increased and women made up 85 per cent of the 1,80,624 registered houseworkers [Radcliffe 1990].

Smith (1973:193) whose work is also based on Peru, remarks that "domestic workers are not typically represented by a narrowly defined segment of the urban lower class... the women range from 15 to 24 years, ...are almost exclusively unmarried".

Rollins (1985:55) corroborates: "the typical female domestic is a migrant from a poor non-urban area who engages in domestic service until marriage or a more desirable employment opportunity presents itself".

Recent trends as revealed by the Indian census point to the rapid feminisation of domestic service. The 1971 Census enumerated 6,75,878 domestic servants of whom only 2,51,479 were women while the 1981 Census reported the number as 8,07,470 of whom 5,05,023 were women. In 1981 women formed more than 50 per cent of domestic servants as compared to 37.2 per cent in 1971. Further, the number of male domestic servants declined over the 1971-81 Census from 4,24,399 to 4,02,387. But feminisation of domestic service has occurred mainly in urban areas. Incidentally, the growth of domestic labour force is associated with rapid urbanisation occurring in the country. Thus while in 1971 about 63 per cent of domestic labour was urban, in 1981 the proportion was more than 68 per cent.¹⁷ But the continued presence of a significant number of men in domestic service calls for an explanation. It provides immigrants from distant rural areas valuable and protected entry into urban life, a base from which they can explore the mysterious urban world, and the opportunities it affords them. Its anonymity enables them to perform, for wages, tasks which they would regard demeaning and unworthy of men in their own homes. The traditional notions of *purdah*, and impurity attached to women during menstruation and childbirth, worked against women being employed, as cooks [Mehta 1960], even though in their own homes they are solely responsible for preparing the family meal. Male cooks are also among the highest paid among servants in India. The growing feminisation of domestic work, however, points to the loosening hold of the traditional ideas of purity and impurity in urban Indian society.

In Zambia, a preference for male servants and a concomitant reluctance to employ women persists. Hansen (1989:18) uses the social construction (of the gender division of labour) argument to counter those who have used biological metaphors and theories of the household based on it to explain the concentration of women as domestics elsewhere.

From the literature what emerges as an almost required characteristic for the potential domestic worker is a certain vulnerability which makes possible an exploitative relationship based on dependence. This vulnerability arises out of a combination of what are disadvantages in the urban labour pool: a lack of education and skills, lack of resources (almost all domestics are from poor families and from a lower class background), and a cultural background which does not provide the means to choose

an occupation.¹⁸ Migration from a rural area or from another country often serves to increase vulnerability along some dimensions as for example, language handicaps, which overrides what may otherwise be advantages such as middle class origins. Simply being considered 'alien' is enough to increase this sense of vulnerability. As Cohen (1989) reports of West Indian domestic workers in New York, being at the mercy of those who are responsible for getting workers a 'green card' makes for a situation where the domestic feels helpless and victimised. This may explain why many women who work as domestics in the US have held higher status positions in their own countries (Nakano Glenn's interviewees would not think of doing the work of maids in Japan).¹⁹ Ideologies of subordination based on gender and race play a crucial role in the dynamics of the master-or-mistress-servant relationship and in the creation of vulnerability. Often there is ideological domination, especially where colonialism plays an important role.²⁰ It is no wonder that the typical domestic is a woman of lower class, more likely racially different from the employer. Glenn emphasises this vulnerability when she writes that domestic service was left open

to those lowest on the status hierarchy and those most recently arrived in the city... In industrialising and industrialised societies, domestic service seems to be the speciality of groups that are not integrated into the industrialising sectors of the economy [Glenn 1981:352, 354]

DOMESTIC SERVICE AND ECONOMIC DEVELOPMENT

There has been a great deal of interest in the relationship between domestic service and economic development, specifically, in its correlation if any, with economic growth. Those who have studied the institution within the framework of the modernisation thesis tend to see it as an indicator of the level of development and industrialisation and as a 'useful measure of development' "...where reliable data on the distribution of income and on the non-market sector of the economy are virtually non-existent" [Chaplin 1978:123]. This conceptualisation has relegated domestic service as one of the problems of an underdeveloped economy.

This approach has been criticised fairly thoroughly. Contrary to prognoses [Boserup 1970, Coser 1974], the practice of employing domestic workers does not appear to be fading as a result of economic development and industrialisation,²¹ instead the industrialisation process has been given as one of the causes for the prevalence of servanthood [Taussig and Rubbo 1983:21] as it appears to stimulate not only demand but supply as well. Empirically, it fails to explain the continued incidence, some may

say increase, of domestic workers in Los Angeles, New York and London, for example. The sectoral shifts from manufacturing to service industries, and new immigration have produced both skilled as well as unskilled workers who are channelled into domestic service. With greater numbers of middle-class women entering the labour force, there is certainly no downward trend on the demand side, even with increasing numbers of household gadgets on the market. Attempts to explain the presence of female live-in servants as a social institution which is dependent on the level of unemployment (with high unemployment leading to greater numbers of women in servitude), has been dismissed as 'economic fatalism' [Taussig and Rubbo 1983:6]. The argument is that if unemployed women are able to find work as domestic servants, it is evidence of the need for the occupation in the society and cannot be attributed to unemployment.

Though domestic service seems to have maintained its status quo if not increased, rather than disappeared with industrialisation, it is not the wealthiest countries which have the highest servant ratios but those with the largest income differentials. Curiously, arguments have been made which account for the expansion of domestic service both during periods of economic growth [Hojman 1986: 108, 110; Young 1987:365] as well as during decline [Gill 1989:119].²² It has also been argued that as a development index, domestic service does not correlate positively with growth, but "peaks at the crucial turnaround stage when Marxian expectations of endlessly accelerating misery and growing inequality cease to be valid" [Chaplin 1978:123].

Rollins's (1985) and Glenn's (1981) works suggest that formulating an indicator based on economic measures may not be meaningful where servanthood is concerned. Rather than a 'development index', which implies a quantitative measure, a high servant-to-employer ratio as an indicator of the degree of social inequality seems closer to the experience of both third world and industrial nations. Here 'social inequality' is more loosely defined (by Cock, Rollins, Hansen, Glenn and others) since it is so finely meshed with issues of race, culture and the creation of dominant ideologies.

This is not to say there have not been any qualitative changes within domestic service. In the US in the earlier part of the century a major change occurred when domestic servants started living out [Dudden 1983, Rollins 1985]. Where a trend may be emerging is in the separation of childcare from house-cleaning together with an increasing professionalisation of the service,²³ though the extent of such professionalisation is questionable. In both areas demand does not appear to be flagging. Nanny schools have multiplied both in

Britain and the US. According to Hansen (1989:297), the American Council of Nanny Schools in 1985 listed 12, and in 1986, 30 teaching and placement centres whose graduates are considered in-home childcare professionals. Also in 1986, the franchises in professional housecleaning and maid services were described as some of the fastest-growing businesses, overtaking fast food which used to hold the lead. The story is similar in Britain where nursery training colleges can assure their graduates better opportunities now, compared with 10 years ago (the ratio is 25 jobs to 5 graduates) while in London nanny agency boasts of 40 prospective employers to one nanny (*The Economist*: March 17, 1990). Romero (1988) elaborates the strategies employed by women domestic workers to gain control over what is a very undefined and contextual work relationship. She demonstrates that professionalisation of employer-worker relations and standardisation of tasks are central to the ways in which Chicano domestic workers attempt to prevent exploitation. However, from Rollins's (1985) study it is not clear to what extent such strategies are successful. The women she interviewed had negative responses about cleaning services which they saw as expensive, impersonal and rigid, and expressed a preference for the relationship they could build with an individual. In middle-class and upper-middle-class homes, black or immigrant women are the preferred work group for house-cleaning, and white women for childcare (Rollins 1985).

It is pertinent to remark here that in India industrialisation is responsible for introducing important changes in the institution of the domestic servant. For instance, in the bigger Indian cities the living-in servant is being replaced by part-time, visiting servants. Such servants perform specific tasks in the household, and they usually work for several employers. Employers find the living-in servant has to be fed and looked after and his (or her) inroads into their privacy tolerated. Further, reports in newspapers of physical attacks by living-in servants on their elderly employers have acted as a deterrent to employing them.

THE MOBILITY THESIS

The argument that domestic service provided a channel for upward mobility for rural and foreign migrants was predominant in the 1970s. It grew out of the modernisation thesis and its supporters, Chaplin (1978), Coser (1974), Davidoff (1974) and McBride (1974) to name a few, extended their findings on industrialising England and France, to non-western countries. Chaplin, the major proponent of the upward mobility thesis, writes, "Domestic service can also be viewed as the major acculturating or socialising agency for rural and foreign migrants during

the early stages of industrialisation. This period was comparable to the situation in currently developing countries". He quotes Broom and Smith (1963) who, based on studies in England, view domestic service as the principal 'bridging occupation' [Chaplin 1978].

McBride's study of 19th century France indicates that domestic service was one of the most important means by which the rural poor effected the transition to urban life. It was a transitional stage both in the lives of individual servants and in the process of modernisation of the society. At the individual level, some servants benefited from this important stage by gaining occupational skills and accumulating a dowry or working capital. Mobility within the domestic hierarchy was also possible, promotions from scullery maid to chamber maid to lady's maid for instance, or from hoot-black boy to footman. Davidoff (1974: 416) presents a gendered version of the mobility argument according to which, men were able to use the contacts they had made while in service to become shopkeepers and run services while women were more likely to 'marry up'. McBride's study supports Davidoff's thesis that women used domestic service as a means to make better marriages. According to McBride, a third of all French women may have served as domestic servants before marriage. Records at Versailles for example, reveal that 30-40 per cent of female servants married men of higher status than their own. Women who had been 'socialised' through servitude were considered better prepared for marriage and therefore made better marriages. Radcliffe (1990) observes that the assimilation of domestics into middle and upper-middle class households, even while it is 'partial and contradictory', follows a pattern of cultural incorporation. But she thinks that complete incorporation of rural migrants is impossible from her study of domestic workers in Peru.

Studies of India and parts of Africa point to the significance of the servant's role, of master- or mistress-servant relations in the larger context of the dominance of one racial and national population by another. In India, even before Mughal, then British rule, caste divisions had established patterns of dominance, and patron-client relationships existed which only became more layered and complicated with time [Tellis-Nayak 1983]. According to Rollins (1985:55), "domestic service in this context, rather than functioning as a gateway through which socio-economic marginals pass into the mainstream, functions to reinforce social and ethnic stereotypes and maintain those biologically "deviant" in the social and economic underclass".²⁴

Tellis-Nayak (1983), on the basis of study of ethnically diverse communities in India, supports the argument that servants

experience little or no social mobility. A small number use their skills to move on to semi-skilled jobs outside the home or to marginally higher-paying domestic ones, but in general, servants do not move out of their class and culture (1983:71). In fact their urban experience often creates adjustment problems. At times their marriage prospects may be adversely affected in a traditional society. Women who have worked in middle-class homes may want greater autonomy than they would have had before leaving their villages. They may begin to want different things – a life-style similar to that of their employers. Young (1987:371) explains the problem as an inability of the servant to acquire the cultural and material capital of the middle or upper class family because of her liminal relationship in it. Hansen (1989: 21) refers to the example of Christian domestic servants in Kerala state in India which illustrates the irrelevance of their knowledge gained outside of the employing households. This is also seen in the skills learned in African homes [Cock 1980; Hansen 1989] where cooks are required to learn highly elaborate European dishes which need expensive and hard-to-obtain ingredients as well as more efficient stoves and ovens all of which will not be affordable for the servant families in their homes. The highly elaborate meals which developed in colonial households served the purpose of status display of which the servant was a part [MacMillan 1986]. Smith (1973) questions the mobility thesis based on Peruvian material. At most, Peruvian servitude helps the servant to get a better job within the servant realm. A servant has little, if any hope of emerging from the lower class: "Instead of working her way up the social hierarchy, if she is lucky, she rides to the upper levels of the lower class on the shirt-tails of her husband". In sum, none of the non-western studies supports the upward mobility thesis [Hansen 1989:21]. Thus, Davidoff observes that many of the women who work as domestics "appear to be caught up in a cycle of poverty, with a lack of education and employment which continues from generation to generation. This vicious cycle leads one to suspect that domestic work may include a degree of ascription in a quasi-caste status" (1974:80).

But upward mobility is difficult to identify and measure. Women who have moved out of servitude may not want to admit to ever having been in a desperate enough situation to warrant going into it. Additionally, it is difficult to trace such movements of individuals, geographically as well as socially, since their networks may change. One way out of this problem would be to observe two or more generations in a family. This is an area which has not received a great deal of attention in the literature.

Is domestic service different from other forms of employment? Those who have addressed this question seem to have been more successful in proceeding with methods of negation in trying to conceptualise what has been referred to as a relation full of ambiguities and contradictions. Therefore, Tellis-Nayak (1983:72-73) says that it is not product-oriented, that it calls for no particular skills on the part of the servant and no precise evaluative standards on the part of the employer.²⁵ Gill (1989: 128) writes that the house-worker is neither a labourer in the traditional sense nor one who carries out the unpaid domestic tasks of wife or mother. The tensions arising from these ambiguities are played out and recreated through a complex process of conflict and accommodation that characterises the (mistress-servant) relationship and which are closely related to the class and ethnic background of specific social actors.

As a category it is an in-between. Radcliffe (1990) reports that the very term used to address the servant which is, 'cholo', refers to a person who has left his peasant origins but it is yet not integrated into modern society and culture.²⁶ The term also denotes the marginal, ambiguous status of those who have no fixed niche in the stratification system. Aubert (1955) addresses this in-betweenness when he writes that the role of the housemaid "wavers between the occupational models of *gemeinschaft* and *gesellschaft*". Chaplin (1978:99) draws attention to the blurred line between kinship, apprenticeship and domestic service in mid-19th century England while addressing the 'lending of the children' which involved both welfare and exploitation. Young (1987:366) in a discussion of how the ideology of the family helps to mire an essentially exploitative relationship, writes that domestics in their patron families are at the same time members as well as non-members, standing simultaneously within the familial boundaries yet outside them. Their case exemplifies the linkage of domestic and collective institutions that are bonded by an ideology of paternalism and dependency. The essence of their position is that they are part of a household which includes more than kin [Cock 1980]. It is an effective form of marginalisation where the servant though crucial to the patron's family as well as to society's maintenance, is retained as a marginal member of the social totality [Young 1987:375]. Another way in which the domestic servant is placed in a marginal position is that a good part of his or her real income is provided in kind. Instead of being able to engage in the essence of modern social order, she participates only indirectly through her master's household.

The token wage received is akin to pocket money [Cock 1980:102].

It is the ideology of the family with its stress on the commitment of close kin, as well as on duty and devotion within the protected boundaries, which conceals and helps to bring about the marginal position the domestic servant occupies in the private sphere [Young 1987:370]. The idiom of the family as inclusive, just as a 'natural' age-based division of labour and power, serves to structure a relationship of inequality indeed, of exploitation – one powerfully legitimised by the church and the state. Young women pass from the paternalism of their own familiar environment to the paternalism of the new working environment [Young 1987: 365] where work is seen as a natural contribution and not a form of wage labour [Radcliffe 1990]. Family ideology and paternalism has made possible a subordination of a more personal and pervasive kind. Unlike an enterprise where the subordinate may defer to the technical expertise of the superior, the domestic worker's deference is to paternalistic status. Since the identity of a servant was a lasting quality ascribed to a person irrespective of his or her choice (like caste), the relationship to the master or mistress was one based primarily on status and not on contract [Aubert 1955 152].

The role of family ideology in structuring the master-servant interaction has led to greater importance being placed on the personalities of the parties determining the success and satisfaction in the relationship, more than in most other occupational relationships [Aubert 1955; Gill 1989; Katzman 1978]. Chaplin (1978:99) observes that domestic service, though essentially manual labour, can be as demanding of personality involvement as selling, and of character as clerking in a bank. In addition, different types of domestic work require different qualities: "A butler, or a chambermaid waitress who is tall and comely may have access to a larger number, and to better places than one who is short" [Haynes 1923:428 quoted in Chaplin 1978]. Rollins in disagreeing with the finer points of Chaplin's argument, supports the larger argument he makes. She notes that personal qualities considered negative otherwise may be looked upon favourably where the relationship involves racial difference. Among her interviewees many remarked that they received better treatment if they dressed poorly and appeared excessively deferential. Rollins herself experienced hostility from employers when she did not assume the demeanour of a grateful subordinate, which included a carefully constructed 'down at heel' appearance.²⁷ Rollins's observations confirm the importance of the personal qualities of the domestic worker in an arrangement where

the nature of the relationship between superior and subordinate, is more important than the completion of tasks (1985:122). This personalism is expressed in the qualities considered desirable by the employer, such as humility, lowliness, meekness and gentleness, fearfulness, respectfulness, loyalty and good temper [Davidoff 1974:415], and in the prominent complaints which concern the servants' supposed dishonesty, irresponsibility, laziness, sullenness, requests for free time, illness and possible pregnancy... [Tausig and Rubbo 1983 15].

Other aspects of the personalised nature of the work are diffuse and capricious expectations which strengthen and legitimise dependency and its ascription [Tellis-Nayak 1983:72-73]. Tausig and Rubbo (1983:20) have identified two separate dimensions of the capriciousness of which servants complain. One is associated with the dependence on the mistresses' mood changes, itself a result of the highly personalistic quality that runs through the definition of the servant's tasks in a stable, long-term arrangement. Secondly, there is the capriciousness which lies in the contradiction of being an unstably employed but personally involved employee, without any or most of the security that the traditional servant was promised. Practically, unlimited duty to obey the master is another indication that the relationship is functionally diffuse. The particularistic pattern has made it impossible to legitimate a defence of the private sphere by the claim that the job is done according to generally accepted, objective standards of occupational performance.

Another dimension of the personalised relationship between master and servant is intimacy. This is highlighted by Srinivas (1987:87-88) who quotes the instance of a loyal *jua* servant being given the honour of burial after death in the master's ancestral graveyard. He was being treated as a member of the master's lineage.

But the nature of master (mistress)-servant relationship is undergoing radical change in India under the pressures of urbanisation and industrialisation. A common complaint of middle class housewives in India is that they are unable to get any longer reliable and efficient servants let alone loyal and honest ones.

SERVANT AS STATUS SYMBOL

The servant as deference-giver provided another service – that of status symbol – which set servitude somewhat apart from other occupations. The function of the domestic as status-giver and the use of the servant role to reinforce the superior status of the employer and to create her identity in opposition to that of the servant's, are important ways in which social hierarchy is maintained. The role of servant as status

symbol goes back at least to the Roman empire where according to records, some slaves performed no work, but functioned solely to attest to their owner's status and worth... [Rollins 1985:105]. In industrialising England and France, lackeys, coachmen and footmen, often hired for their looks and dressed in ostentatious costumes, functioned solely to impress others. For the employer to be able to 'waste' well-built male servants was seen as evidence of his extreme wealth [Douglas and Isherwood 1978; Vehlen 1974]. Leonore Davidoff who has explored the servant's role as 'deference-giver' and the formation of 'deference-occupations' in some depth, remarks that employing servants is the surest way of establishing social superiority. The activities of such households were dominated by the concern with social placement and social closure which led to 'a great upsurge in display of material objects' as well as 'elaborated rituals of etiquette' (1974:411). Rituals are known to become easily an end in themselves without awareness of the symbolic or mystical properties of the actors. This elaboration of ritual takes on the features of a dramatic performance, when the occasion is a ceremonial performance such as a dinner party, private ball or houseparty.²⁸ Deferential behaviour takes on exaggerated forms such as walking out of a door backwards, maintaining complete silence while performing tasks, never sitting down in the presence of an employer and never initiating an action or speech [Davidoff 1974:415].

According to Chaplin (1978:117) "... the existence of low-paid domestic service and the psychological gratification arising from membership in the top status group in a multiracial society became realities difficult to relinquish". In the colonial household, servitude assumed many of the features of the relationship between the ruler and the ruled [Hansen 1989:302; MacMillan 1986:143-145]. In South Africa servants provided a crucial behavioural validation of apartheid,²⁹ while to the Mughals, and then the British in India, servants were seen as necessary for the prestige of the empire.

Margaret MacMillan's narrative provides some penetrating insights into the kind of everyday situations which arise in a traditional caste society during colonial rule. She writes that among other things that the British had 'picked up' from India was that the number of servants was a measure of status. Whether the British did indeed get this idea from India or whether it was something they came to India with, can be argued but the point is that since the servants thought so as well, employers were under considerable pressure to hire more every time the master got a promotion (1986:146). In their preoccupation with upholding the status of the empire, the British were continuously making comparisons between

the empire and the household, which became a symbolic microcosm. If servants were badly trained, it reflected on their master's ability to rule the country. British housewives were therefore expected to supervise their servants much as their husbands supervised their troops,³⁰ and housekeeping resembled a battle more than it did anything else. Guides to housekeeping sounded more like military manuals (1986:143). Servants were to be treated with firmness and constant vigilance. *The Complete Indian Housekeeper and Cook* stated that "an untidy mistress invariably had untidy, idle servants". If a memsahib lost control of her household, it was for the same reasons that the British might one day lose control of India. Servants became a necessary burden to the young housewife who was constantly judged by how well her household staff performed, to create the stately atmosphere that was expected of those in command. At the lowest levels of British society, even the wives of ordinary soldiers or men who worked on the railways, had a servant or two. The presence of a large retinue of servants made it easy to be formal while the need to uphold the dignity of the Raj made it desirable [MacMillan 1986:146].

Katzman (1978:384) writes that the ability to employ servants is still a mark of social status and class position to some, although this attitude is less prevalent than in the past. "... rather than seeking an intelligent resourceful independent worker, they may want a servant to whom they can feel superior and dominating. Rollin's work addresses this aspect of domestic service quite extensively. She concentrates on questions relating to the creation and maintenance of hierarchy and distance as well as the importance of construction of difference [See also Radcliffe 1990] and its role in the formation of the employer's identity.

HIERARCHY, DISTANCE AND DIFFERENCE

The creation and maintenance of hierarchy and distance in the master-servant relationship is attempted at various levels – verbally, spatially and in the exaggerated formulation of difference from which identities are constructed (Cock 1980; Davidoff 1974; Hansen 1989; Rollins 1985). Hansen explains that a critical component of the relationship was the construction of the servant as different, to the extent that "Servants and employers became each other's other" (1989:302) and for this purpose inequality was accentuated in clothing, speech and demeanour (1989:71).³¹ Difference was interpreted as inferiority by employers who formed their identity in opposition to their servant's. This is cited as one of the main reasons for the extraordinary tensions and conflicts inherent in the interaction [Rollins 1985]. In Peruvian differences are exaggerated. Employers are Hispanicised or aspire to European life-styles

while employees are mostly Quechua-speakers belonging to indigenous peasant culture. Employers view them as a homogeneous and inferior group though there is a great diversity of provincial cultures [Radcliffe 1990:384-85].

Visually, difference is created by giving servants uniforms which is also a means of depersonalising the individual [Cock 1980; Hansen 1989], or by expecting the servant to 'dress down' in keeping with a low-status profile [Rollins 1985]. The non-use of shoes when inside set the servant apart from both employer and fellow African. Secondly, the language used to communicate with servants was altered [Hansen 1989]. Tellis-Nayak (1983:70) refers to a 'status reflective vocabulary' where the "discourse utilises, at a micro-level, the same grammar of hierarchical relatedness found in caste society". This supports Hansen's pronouncement of 'Kitchen Kalfir' being a hybrid language of subordination consisting mainly of command and obey expressions. Gill (1989:129) also comments on employers creating social distance by the imposition of certain linguistic practices. Reference to the household worker as 'chica', 'hija', or 'muchacha' regardless of the women's age, suggests that she is childlike and irresponsible. Servants' names may also be changed and garbled into object names such as "Sixpence, Wireless, Pumpkin, Bicycle or Cabbage" [Hansen, 1989:71]. Cock (1980) reports a distinct change in tone of voice when employers address servants with the pitch rather flat and staccato and the words enunciated slowly and distinctly as if one were speaking to a child [see also Hansen 1989:66]. Servants may not take part in the ordinary flow of conversation. They may be interrupted but may not interrupt unless the interruption is to enquire about the work. In India languages are used to form a hierarchy of communication modes. Employers are known to address servants in the regional language in the presence of their guests even if the servant knows the national language or English. The regional language becomes the 'command' language, while English may be used to create class barriers. It is not unusual to see an urban middle-class person conducting a three-way conversation with two languages appointing himself 'middleman', retaining command over the servant and making himself a 'servant' to his guests. These interactional patterns, in addition to the servant's own demeanour of not speaking unless spoken to, of being present without being seen, effectively reduce the individual to an object. (It is interesting that in parts of north India, the cook hauling from a brahmin caste is addressed as 'maharaj' by the employer but the grandiloquent mode of address in no way enhances the cook's status while it makes clear to everyone that the food

is cooked by a brahmin and therefore acceptable to one and all.)

A third dimension of status differentiation is the spatial one as seen in the British television programme, 'Upstairs-Downstairs' where master and servant have their separate realms which are spatially and hierarchically juxtaposed. According to Rollins (1985: 171, 172), spatial deference takes two main forms in domestic service: the unequal rights of the domestic and the employer around the other's body¹² and the controlling of the domestic's use of house space... Controlled use of house space converges with interpersonal spatial deference in eating arrangements, recreating and reinforcing both the domestic's place in the kitchen, and the intrafamilial hierarchy of worth. Cock's (1980) interviewees complained of having to eat outside the house, in the kitchen or near the lavatories, calling it the most dehumanising experience of all: Tellis-Nayak (1983:69) observes that servants eat their meals sitting on the floor, often out of sight, after the family meal; Rollins (1985) reports that while it is not unusual for an all-day or live-in worker sometimes to have lunch with her female employer in the kitchen, it is practically unknown for the domestic to eat in the dining room and when the husband is present. The message is clear, the domestic's place is at the bottom [Rollins 1985:172] in the family hierarchy as well as the social hierarchy.

Spatial hierarchy is expressed in the lack of private space – servants have no room of their own, they often sleep on the kitchen floor. In wealthier households where they do have a 'room', it is barely furnished, if at all, and may be used as a storeroom for mops and brooms, spare fuel for the stoves or cleaning rags. The household worker's confinement to this room and the kitchen, when she is not working in some other part of the house, underlines her inferior position. Hierarchy is seen also in the 'outhouse' or lavatory the servant uses, and the back door or side gate through which she enters or leaves [Bunster and Chaney 1985; Cock 1980; Tellis-Nayak 1983]. Gill (1989:128) writes "...employers use a variety of mechanisms to define the distinctiveness and otherness of the household worker... in part demonstrated by the maintenance of "servant's quarters"..." Hansen (1989:65) extends the symbolic expression of hierarchy into the layout of the grounds where the servants' quarters were built along sanitary lanes from which nightsoil and garbage are collected. The colonial bungalow, often designed with servants in mind, had long corridors separating the more 'public' from the 'private' areas of the house. The servants' domain – the kitchen, pantry and back verandah – were connected to the rest of the house by a long covered corridor often shut off by double

doors. The separation of spheres was complete.

SUMMARY

An overview leads one to emphasise the construction of difference as pivotal to the master-servant dynamic. In this creation of difference, race and ethnicity have played, and continue to play, a central role. Where superior and subordinate relations are influenced by inter-racial, inter-ethnic and multi-cultural factors, the interaction acquires several additional levels of complexity based on cultural, as well as on class and gender domination. Yet as Rollins (1985) remarks, there are few studies of contemporary societies which explore these complexities. A more complete understanding appears to rely on such studies being carried out.

The persistence of domestic service is not to be understood as an "anachronistic survival of feudal or pre-modern features into the late 20th century" [Hansen 1989:294]. To make such an analogy is misleading since personalism, asymmetry and dependence which characterise the relationship of master (or mistress) and servant, are not restricted to a particular mode of production but develop under a variety of socio-economic conditions. Pre-industrial and feudal analogies also tend to obscure the new guises in which domestic service is appearing and of the processes that are bringing them about. These analogies do not explain why domestic service appears to be growing as an occupation in the advanced capitalist systems as well.

The argument that domestic service is closely tied in with social inequality needs to be systematically explored. However, it is difficult to measure social inequality in terms of widening income differentials alone since income differentials themselves may be an indicator of inequalities reinforced by social and cultural ideological systems.

Some say domestic service has already changed by becoming a more short-term, rather than a life-term occupation and by becoming more 'contractual' and less patriarchal and secure [Taussig and Rubbo 1983:6-9]. However, servants appear to fill several needs, only a few of which are purely 'economic'. An example of such a role is that of the status-giver providing a background against which the employer's household position and identity are established. For the growing middle-classes, servants are seen to provide a means by which they are able to establish their class position as well as articulate with other sections of society. In this connection it may be noted that the rapidly growing tendency in developing countries for educated, middle-class women to have careers of their own, increases the demand for servants. And this in spite of increasing resort to gadgets, and growing nuclearisation

of the middle-class family. For these reasons it is unlikely that the demand for servants or for servant-like roles will disappear with economic growth in societies which have incorporated the servant into their cultural structure. A question which arises in this context is whether other occupations will take on the qualities of the master-servant relation involving a high degree of personalisation and de-skilling which some argue has already taken place with increasing computerisation leading to fragmentation and mechanisation of tasks. Rollins (1985:203) draws attention to the ideological function of domestic service which she attributes to its remaining 'a profoundly conservative element' based in rituals of deference and maternalism that are as central to this occupation as are low pay and low status. This ideological function cannot be overestimated in its importance to the perpetuation of the occupation and therefore the perpetuation of a social system of class, gender and ethnic stratification.

A review of the literature reveals a focus on the one-sidedness of the relationship – the domestic worker as an oppressed mental, fully exploited by the employer. This view leads to either a focus on the material aspects of the relation or goes into questions of power and dominance. There is need for an exploration of complexities of the master-servant relationship at the interactional level with a sensitivity to the role of culture. Radcliffe presents the cultural conflict thesis: Her study (1990:390) discusses the role of culture in creating barriers to the full integration of the servant in the employer's culture which is the accepted urban culture. Servants' unions have formed to fight the culture war. "Pamphlets titled 'In Search of Culture' encourages domestics to protect and develop their peasant customs in the city. Many domestics are influenced by a popular culture developing in Peru which provides a cultural alternative to 'official nationalism'" (1990:390). This leads to the question: If employers use servants as status symbols and in the construction of their own identities, does the culture of the servant develop in opposition to the employer's culture? What barriers does this create to the servant's mobility? How does it explain Tellis-Nayak's (1983) observation that servants may experience adjustment problems in going back to their life-styles in villages because they have absorbed the world-views, and emulate the life-styles of their employers? The other question is: how effective are domestic workers in using their culture to resist the employer's culture? Are servants able to reverse the symbolism, are they able to create their culture? These questions call for detailed studies of employer-servant interactions at the household level.

Notes

[I would like to acknowledge the help received from the following in connection with preparing the paper for publication: M N Srinivas, A M Shah and M N Panini for reading an earlier draft and making suggestions; V S Parthasarathy for obtaining figures of domestic workers from the Census of India Reports; and P Ramachandran for typing the final draft.]

- 1 William Blackstone, *Commentaries on the Laws of England*, Vol 1, Ch 14, p 422, quoted in Aubert (1955:152)
- 2 From 'Domestic Service in the Latin American Fotonovela', in Chaney and Castro (eds) (1989)
- 3 Davidoff (1974:416) identifies escape into the fantasy of the romantic novel as one form of resistance
- 4 In contrast to the anecdotes of the British coping with India and Indians in *Women of the Raj*, Margaret MacMillan provides this anecdote of inter-class interaction. In 1992 Kathleen Wilkas was travelling to India to take up a post as governess. She met a man and 'in a few days under a full moon on the Red Sea we became engaged, much to the delight and interest of many people on board ship'. Not everyone was delighted. 'In my cabin there was a rather senior lady who, rather looking down on me as a governess, said, "Oh, I hear you've got engaged to young Griffiths. You've done well for yourself haven't you. Don't you know, he is one of the heaven-born-the Indian Civil Service!"' (1986:113)
- 5 In the 60s a study carried out in the US revealed that as an occupation domestic service had ten times as many people (more than 2 million) as did coal mining [Chaplin 1964, 1969]
- 6 See Radcliffe (1990:390). In Peru domestic workers are recruited by relatives. An urban godparent may place a young peasant girl in an urban household. No formal contracts are drawn up. Agencies are only infrequently used in recruitment.
- 7 "In 20th century America it has been an occupation 'so stigmatised that it can hardly attract potential recruits among ordinary citizens and must increasingly turn to a pool of otherwise undesirable foreigners'" [Coser 1974:39].
- 8 "The location and nature of domestic work was part of the problem itself. Both domestic service and working class marriage are exceptionally elusive areas to study. So much of their activity took place in private areas" [Davidoff 1974:406].
- 9 *The Economist* (March 17, 1990) comments on the nanny shortages in Britain thus: 'Ever since the disappearance of the servant class, relatively low wages for women and a regular supply of northern girls with low expectations has kept the south-east fully staffed'
- 10 Cohen (1989:171-196) makes the link between the ideological construct which separates public from private which she says prevents the recognition that domestic work, performed by women in homes, is work. Hence much of it is in some ways 'invisible'. Anthropologists have charged this conceptual separation of public and private with ethnocentrism. They argue that it is only in western societies that the public-private distinction becomes significant because of capitalism's separation of home and work. In non-western societies it is not clear that this separation is valid. However, in the contemporary study of domestic service this distinction does seem to be appropriate. Middle class households which employ servants are locked into the workings of the larger economy and are not completely untouched by western culture and ways of life.
- 11 Cock (1980:66-67). All the domestics in the Eastern Cape study said they found domestic work boring rather than interesting. It has been described as "barbarously unproductive, petty, nerve-wracking, stultifying and crushing drudgery". Although the tasks that make up housework are dissimilar there is said to be a sameness about them, which derives from their frequent need to be repeated, their lack of intrinsic meaning and the impermanence of the goals they achieve." P Mohammed (1989:162) notes that "This kind of work, repeated over and over becomes monotonous, mindless, uninspiring. No evidence of productive labour remains to show the effort that has gone into it"
- 12 "The Irish seemed more lower class because they were in domestic labour, and the work itself seemed more menial because the Irish dominated it. The employer's low regard for this 'women's work' can combine with her own sexism, racism and class prejudices to further degrade the work and groups already subordinate in the 'three structures of power' in the US, women, people of colour and the lower class" [Rollins 1985:184]
- 13 MacMillan reports that awkward scenes took place when the British 'mehsahib' ordered a servant to perform a task which he or she could not do because of caste. Minnie Blane in a letter complained uncomprehendingly to her mother. "Actually the other day I desired my table servant to bring me the drawing room lamp to clean as I take charge of them. He refused, saying he would lose caste to touch it. Fool! I got so angry, and after a hard battle got my way, but really they are enough to drive one mad!" (1986:144)
- 14 A cursory review suggests that these ideas may not be peculiar to Indian society. According to Palmer (1989:66), social disdain for manual labour which were manifest in the job hierarchies of the corporate realm began to pervade the home as the middle class wife turned over some tasks to machines and others to her servant. Exacting heavy labour from the domestic became essential to protecting the health and refinement of the housewife. Cock reports of South Africa, "For both Red and School Xhosa, domestic work is contrasted unfavourably with so-called clean occupations" (1980:71). And Shellee Cohen quotes Beverly Powell, one of her respondents from Jamaica: "When people start looking down on you for cleaning up their messes, then it starts hurting" (1989:182). But even before ideas of hierarchy in the corporate realm were pervasive, Davidoff's findings of 19th century England reveal that there was a strong stigma attached to domestic work. Those who were closest to defiling and arduous activities were, whenever possible, to be kept out of sight. In great houses, their very existence was denied. Upper servants were themselves protected from such defiling activities by having lower servants wait on them (1974:413).
- 15 One of Glenn's case histories reads: Mrs Tanabe, who grew up in Bay Vista, explained that her family could not afford to send her to college, so she worked as a type-sorter on a Japanese newspaper in San Francisco. A year later, she said, being an only child I felt like I needed to learn how to do different home-making (things). So I applied for a school girl job on a part-time basis. And that was interesting.. I didn't even know how to boil water. You know when you are an only child, your mother does everything. You learn quite a bit. The lady of the house say, 'make me a cup of tea'. So that was interesting."
- 16 Traditional Japanese education for girls ended with several years of training in domestic arts. "It was customary for daughters of prosperous rural families to spend a few years serving cultured urban households to acquire social graces" [Miyakawa in Glenn 1981]
- 17 Census of India 1971, *Series I, India, Part II-B(IV), Vol 1, General Economic Tables (Table B-V)* and Census of India 1981 *Series I, India, Part III-B (V), General Economic tables*. Government of India, New Delhi; and see also Tellis-Nayak, V. *Current Anthropology*, 23(1), 1983
- 18 Katzman (1978:271) reports of the US 'domestic service drew less from women who chose service and more from those who due to race, ethnicity, lack of education or marital condition had no choice'
- 19 Only one respondent of Glenn's had worked as a servant in Japan. She was forced into domestic service because her stepmother did not want her in her father's home (1981:383).
- 20 MacMillan (1986:144) reports that as late as the 1920s guides to housekeeping were warning readers not to expect too much from the Indians who worked for them as they were conservative and resistant to innovation and change (1986:144)
- 21 In Latin America, where a great deal of the existing research on domestic has been carried out [Bunster and Chaney 1985; Chaney and Castro 1989; Gill 1989; Hojman 1986; Jelin 1977; Nett 1966; Smith 1973; Taussig and Rubbo 1983; Young 1987] maids continue to be important as a social group, both for the working class women and for middle- and upper-class women who depend on maids to maintain their own status, and increasingly their own ability to enter the labour force [Flora 1988:144]. Taussig and Rubbo report of Colombia that with the relatively increasing affluence of the urban middle-class, the only group to have markedly improved its position since the 1930s, demand for servants has done more than increase. They attribute the prevalence of servanthood in Lima to the industrialisation process itself (1983:21) and state that there is no good reason to believe that servanthood will decline as a result of industrialisation and economic growth as previously patterned. Rollins (1985) reports the growing preference for foreign-born domestic workers in the US and the growing number of maid services, while in India, the servant continues to be an unquestioned part of the urban household even for the lower-middle income family.
- 22 Gill attributes the persistence and increase of salaried domestic service in La Paz to the prolonged economic crisis and the dependent nature of the Bolivian economy and entrenched

gender biases which have precluded the absorption of women into formal sector employment. A combination of these factors have forced female Aymara Indian immigrants from the countryside to seek wage employment in the homes of Criollo women in the city (1989:119)

- 23 Taussig and Rubbo (1983:6) have a more pessimistic interpretation: "In keeping with the transformation of all economic relations into capitalist contractual ones, servanthood becomes less familial and more commercial, creating a new pattern of freedom and submission"
- 24 Rollins's observation may not fully apply to servants in colonial India for proximity to British masters provided an opportunity for servants to secure employment in the lowest levels of the government or in the organised sector. Salaried employment was status-conferring, as also working for the European. This latter point was particularly applicable to the sections of Indian society which provided servants. Unfortunately, systematic studies of mobility among domestic servants are lacking for the colonial period as well as contemporary India
- 25 Also see Gill (1989:130) "No criteria for evaluation" and Aubert (1955:150), Mehta (1960:282).
- 26 Radcliffe (1990) also refers to the partial assimilation of rural migrants in Peru into the urban 'national' culture.
- 27 "The question of the importance of domestics' appearance first occurred to me when I was working as a domestic. Not only did I feel no encouragement for grooming and working at attractiveness, but unlike any other type of job I've held, I felt the worse I looked (short of unhygienic) the more my employers liked it. The female employer preferred the presence of another woman whose appearance as well as other attributes, was inferior to her own" (Rollins 1985:200)
- 28 MacMillan writes that dinners and dances assumed grand proportions in India largely because of the presence of servants. At the grandest dinners, servants waited behind every chair; the hostess borrowed extra ones for her guests, as she borrowed cutlery and cooks (1986:164)
- 29 "The humble domestic servant, dropping a cup at the end of a ten hour work-day, whispering 'master' and 'madam' when summoned, perpetually insolvent, occasionally drunk, meets all these needs. She is the dependent whose homage is balm and honey, the instrument which frees her employer for the good life and the justification for apartheid" [Wisson and Weil 1971, quoted in Chaplin 1978:116].
- 30 At the upper end of the social scale, the wives of Viceroy and Governors had armies of servants. When Lady Lytton arrived at government house in Calcutta in the late 1870s, she discovered that she had a staff of some 300 Indian servants, including 100 cooks.
- 31 Radcliffe (1990:384) elaborates on this theme of differentiation. In Peru the gap between 'western' and 'peasant' culture is perceived to be large. Employees are faced with a cultural milieu which is often unfamiliar and to which they are expected to adjust. During the course of employment ethnic differentiation may be reduced as the employee 'adapts'. However,

ethnically derogative terms and an awareness of cultural difference is maintained throughout employment.

- 32 MacMillan (1986:89) narrates an incident which illustrates Rollins's point: "A memsahib described to J R Ackerly what had happened when a servant tried to warn her that she was about to step on a particular poisonous snake. She had been too sick to pay attention to what he was saying. 'Then the servant did a thing absolutely without precedent in India - he touched me - he put his hand on my shoulder and pulled me back'. Although she recognised that he had saved her life, she told Ackerly, 'I didn't like it all the same, and got rid of him soon after' "

References

- Aubert, Vilhelm (1955) 'The Housemaid - An Occupational Role in Crisis', *Acta Sociologica*, 1:149-58
- Boserup Ester (1970): *Women's Role in Economic Development*, Allen and Unwin, London
- Bunster, Ximena and Elsa Chaney (1985) *Sellers and Servants: Women in Lima*, Praeger, Peru, New York
- Census of India 1971 (1977), *General Economic Tables, Series I, India, Part II-B (IV)*, Vol 1, Table B-V, Government of India, New Delhi
- Census of India 1981 (1987) *General Economic Tables, Series I, India, Part (III)-B (iii)*, Publications Department, New Delhi
- Chaney, Elsa and Mary Garcia Castro (eds) (1989) *Muchachas No More: Household Workers in Latin America and the Caribbean*, Temple University Press, Philadelphia
- Chaplin, David (1978) 'Domestic Service and Industrialisation', *Comparative Studies in Sociology*, 1:97, 127
- Cock, Jacklyn (1980) *Maids and Madams: A Study of the Politics of Exploitation*, Cornell University Press, Johannesburg
- Cohen, Shelley (1989), 'Just a Little Respect: West Indian Domestic Servants in New York City', in Chaney, Elsa and Mary Garcia Castro (eds), *Muchachas No More: Household Workers in Latin America and the Caribbean*, Temple University Press, Philadelphia
- Coser, Lewis (1974): 'Servants: The Obsolescence of Occupational Role', *Social Forces*, 52:31-40
- Dasgupta, Aparna (1984), *Domestic Workers: Profile of Eight Workers Dwelling in the Slums of South Delhi*, People's Institute for Development and Training, New Delhi (mimeo)
- Davidoff, Leonore (1974) 'Mastered for Life: Servant and Wife in Victorian and Edwardian England' *Journal of Social History* 7:406-428
- Douglas, Mary and Baron Isherwood (1978) *The World of Goods: Towards an Anthropology of Consumption*, Penguin Books, London
- Dudden, Faye (1983) *Serving Women: Household Service in 19th Century America*, Wesleyan University Press, Middletown
- Flora, Cornelia Butler (1989), 'Domestic Service in the Latin America Fotonovela', in Chaney, Elsa and Mary Garcia Castro (eds), *Muchachas No More: Household Workers in Latin America and the Caribbean*, Temple University Press, Philadelphia
- Galey, Jean-Claude (1983): 'Creditors, Kings and Death' in Malmoud, Charles (ed), *Debtors and Debtors*, Vikas Publishing House, New Delhi
- Gill Lesley (1989), 'Painted Faces: Conflict and Ambiguity in Domestic Servant-Employer Relations in La Paz, 1930-1988', *Latin American Research Review*, 119-36.
- Glenn, Evelyn Nakano (1981): 'Occupational Ghettoization: Japanese American Women and Domestic Service, 1905-1970', *Ethnicity*, 8(4): 352-86.
- Hansen, Karen Tranberg (1989): *Distant Companions: Servants and Employers in Zambia*, Cornell University Press, Ithaca.
- Hojman, David E (1986): 'Land Reform, Female Migration and the Market for Domestic Service in Chile', *Journal of Latin American Studies*, 21:105-32.
- Jelin, Elizabeth (1977): 'Migration and Labour Force Participation of Latin American Women: The Domestic Servants in the Cities', *Signs: Journal of Women in Culture and Society*, 3(1):129-41.
- Katzman, David M (1978a): *Seven Days a Week: Women and Domestic Service in Industrialising America*, Oxford University Press, New York
- (1978b), 'Domestic Service Women's Work' in Ann, Stromberg and Shirley, Karkness (eds), *Women Working: Theories and Facts in Perspective*, Mayfield Publishing, Palo Alto
- Kondo, Dorinne K (1990) *Crafting Selves: Power, Gender and Discourses of Identity in a Japanese Workplace*, University of Chicago Press, Chicago
- MacMillan, Margaret (1986): *Women of the Raj*, Thames and Hudson, London.
- Mcbride, Theresa (1974) 'Social Mobility for the Lower Class Domestic Servants in France', *Journal of Social History*, 8:63-78.
- Mehta, Aban (1960), *The Domestic Servant Class*, Popular Press, Bombay
- Mohammed, Patricia (1989) 'Domestic Workers in the Caribbean' in Chaney, Elsa and Mary Garcia Castro (eds), *Muchachas No More: Household Workers in Latin America and the Caribbean*, Temple University Press, Philadelphia
- Nett, Emily (1966) 'The Servant Class in a Developing Country: Ecuador', *Journal of Inter-American Studies*, 8(3): 437-52
- Palmer, Phyllis (1989), *Domesticity and Dirt: Housewives and Domestic Servants in the United States, 1920-1945*, Temple University Press, Philadelphia
- Radcliffe, S A (1990) 'Ethnicity, Patriarchy and Incorporation into the Nation: Female Migrants as Domestic Servants in Peru', *Environment and Planning: Society and Space*, 8:379-93.
- Rollins, Judith (1985): *Between Women: Domestics and their Employers*, Temple University Press, Philadelphia
- Romero, Mary (1988) 'Chicanos Modernise Domestic Service', *Qualitative Sociology*, 11:4 (Winter 1988) 319-34.
- Smith, Margo (1973) 'Domestic Service as a Channel for Upward Mobility for the Lower-Class Women: The Lima Case' in Pescatello, Ann (ed), *Female and Male in Latin America*, The University of Pittsburgh Press, Pittsburgh
- Srinivas, M N (1987), *The Dominant Caste in Rampura and Other Essays*, Oxford University Press, Delhi.
- Taussig, Michael and Ann Rubbo (1983), 'Up Off their Knees: Servanthood in south-west Colombia', *Latin American Perspectives* 39(4): 2-23.
- Tellis-Nayak V (1983): 'Power and Solidarity: Clientage in Domestic Service', *Current Anthropology*, 23(1): 67-79
- Veblen, Thorstein (1974): *The Theory of the Leisure Class* (with an introduction by J K Galbraith), Vikas Publishing House, Delhi.
- Young, Grace Esther (1987): 'The Myth of being "Like a Daughter"', *Latin American Perspective*, Issue 54, 14(3): 365-80.

End of Demographic Transition by 2003 AD?

P N Mari Bhat

I read with interest the recent exchange between K C Seal and P P Talwar [1] and V Gowariker [2] on the possibility of India achieving the replacement-level fertility by the year 2003. As the author of a recent paper on a similar theme in this journal [3] I feel obliged to make a brief comment. Like Gowariker, I am not one among those experts in India or abroad who assert that the expenditure incurred on family planning over the last four decades had gone to waste. But I do consider Gowariker's prediction that birth rate in India would reach 21 per thousand around 2003 as too optimistic. Given the eminence of the person making this forecast, it has the potential to create considerable confusion all around. Hence we must examine the evidence before us as carefully and as dispassionately as we could.

Gowariker states that his prediction is based on the assumption that roughly the same order of decline in the CBR that was observed between 1981 and 1991 would also pertain to the period 1991-2003. This raises two questions. (i) did the extent of the decline he assumes really occur during the 1980s?; and (ii) how justified is he in assuming the same order of decline to the 1990s and beyond. On the first issue, it is intriguing to note that Gowariker assumes a birth rate of 37.2 per thousand for 1981 when in fact the estimate from the Sample Registration System (SRS) was 33.9. He however assumes that birth rate was 29.5 in 1991, which is identical to the SRS estimate. Thus if the SRS had registered a decline of 13 per cent in the CBR between 1981 and 1991, Gowariker assumes that the decline was 21 per cent during the same period.

My analysis of the results of the 1981 and 1991 Censuses did reveal that the SRS was underestimating the birth rate at the beginning of the 1980s and this bias had disappeared by the end of the decade. But the estimated under-registration of births in the SRS was only about 3-4 per cent around 1981, which would give a birth rate of around 35 per thousand. Gowariker gives no explanation as to why he thinks the birth rate was 37.2 in 1981, on the validity of which his prediction so critically hinges.

On the second issue, it should be noted that transition, by definition, signifies a break from the past, and thus during its course the past may seldom foretell the future. However, under certain unique conditions, it may so happen that macro trends for the past may remain valid for a limited period in the

future, even though each of the actors within the population may be behaving quite differently than what they (or their predecessors) did earlier. Such a possibility cannot be ruled out as far as the birth rate trends are concerned at the all-India level. During the 1980s, it was the states in southern India that experienced rapid fertility declines. But many areas in the south are expected

to enter the post-transitional phase in the 1990s, hence birth rate declines there are bound to slow down. Thus future declines in fertility would have to be mainly driven by the large northern Indian states where the reductions have not been that visible so far. It is expected that fall in fertility in the north would gain momentum in the 1990s but by how much, nobody can be very certain. According to the SRS, the four northern Indian states experienced an average fall of 2 per cent in the birth rate in the first half of the decade 1981-91, and 8 per cent during the second half of the decade (see the table). Though this suggests a significant

TABLE. TRENDS IN CRUDE BIRTH RATE IN FOUR LARGE NORTHERN INDIAN STATES DURING 1980s

State	Crude Birth Rate			Percentage Fall	
	1980-81	1985-87	1990-92	1980-81 to 1985-87	1985-87 to 1990-92
Bihar	38.1	36.9	31.9	3.1	13.6
Madhya Pradesh	37.7	37.7	35.7	0.0	5.3
Rajasthan	37.9	37.1	34.4	2.1	7.3
Uttar Pradesh	39.2	37.7	35.8	3.8	5.0
Average	38.2	37.4	34.5	2.1	7.8

Source: Sample Registration Bulletin

OUTSTANDING BOOKS

TRIBAL DEVELOPMENT : Legislation & Enforcement Jose George & S. S. Sreekumar

Look into the tribal development programmes initiated through legislations and their enforcement in Kerala, a state otherwise widely appreciated for their successful implementation of welfare programmes with the backing of their politically conscious ordinary masses

1995 ISBN 81-7169-277-X Rs 400.

PLANNING AND SOCIO-ECONOMIC DEVELOPMENT OF THE TRIBALS

M. C. Behera

Analyses the changing trend and emerging internal contradictions of socio-economic life of the Khampti tribe.

1995 ISBN 81-7169-315-6 Rs 500.

Save Indian Publishing—Buy Indian Books



COMMONWEALTH PUBLISHERS
4378/4B, Ansari Road, Murari Lal Street,
New Delhi-110002 Phone : 3272541

acceleration in the fall in fertility, the trend is probably exaggerated owing to underestimation of the birth rate at the beginning of 1980s in Rajasthan and at the end of 1980s in Bihar. Because of mutually offsetting effects of the expected acceleration of fertility decline in the North and its deceleration in the South, anything exceeding a 1.5 per cent fall per annum in the average Indian birth rate during the 1990s ought to be regarded as overly optimistic. Even if we assume a rate of decline of this order, the birth rate would be around 24 per 1,000 in 2003 instead of 21 per 1,000 predicted by Gowariker. He may wish to take solace in the fact that the implied difference is not much larger than the 10 per cent error allowed by him; but it is only this error of 10-15 per cent that separates his prediction of replacement-level birth rate in 2003 from the more conservative forecast of reaching the same level about a decade after. If Gowariker is conceding an error of this magnitude, his position cannot be regarded as radically different from those of his adversaries.

The debate as to whether India's population would cross the one-billion mark by this century or not is only of academic interest as everyone seems to agree that it is bound to happen sooner or later. The exact date of achievement would not only depend on the trend in birth rate but also on the trend in death rate – especially that of AIDS-related mortality – and on the extent of under-enumeration in the 1991 Census count.

It is also not necessary to take seriously the debate on whether India's population would exceed that of China's. For, the fall in fertility does not stop suddenly after reaching the replacement-level (i.e., two children per woman). It usually falls and remains at levels below replacement for considerable lengths of time leading to a phase of negative growth rate of population. It was thought that this was mainly due to a 'period' effect (i.e., women of all ages postponing childbearing to a later time) and cohort fertility would generally remain very close to the replacement level (because of a period of 'making-up' when period fertility rates rise). However, the western experience has proved this otherwise. The completed total fertility rates for women born in 1955 – the most recent year for which the figures could be computed – were significantly below replacement level in a number of west European countries, most prominently in the former Federal Republic of Germany where it was only 1.6 births per woman [4]. Hence it is quite conceivable for India's population to exceed that of China's for a short period of time and then fall below it, even to a level under one billion if fertility levels stay below replacement for long periods of time! Any estimate of the ultimate size of India's

population (or that of China's) made at this juncture has a wide margin of error.

References

- [1] Seal K C and P P Talwar (1994): 'The Billion Plus Population: Another Dimension', *Economic and Political Weekly*, Vol 29, No 36, September 3.
- [2] Gowariker V (1994): 'Demographic Transition in India', *Economic and Political Weekly*, Vol 29, No 49, December 3.
- [3] Mari Bhat P N (1994): 'Levels and Trends in Indian Fertility: A Reassessment', *Economic and Political Weekly*, Vol 29, Nos 51-52, December 25.
- [4] United Nations (1992): *Patterns of Fertility in Low-Fertility Settings*, New York.

SAMEEKSHA TRUST BOOKS

Selections of Articles from *Economic and Political Weekly*

General Editor: Ashok Mitra

Industrial Growth and Stagnation

Edited by

Deepak Nayyar

A selection of essays presenting the main strands in the debate on industrialisation in India. The contributors analyse the factors underlying the deceleration in industrial growth from the mid-1960s to the mid-1970s and discuss the conditions and policies for a return to the path of sustained growth. Alternative hypotheses about the macroeconomic determinants of and constraints on industrial growth in India are examined, focusing on the performance of the agricultural sector, intersectoral terms of trade between agriculture and industry, disproportionalities within and between sectors, the level of investment in the economy, the nexus between public and private investment and the relative significance of supply and demand constraints.

362 pages

Rs 275

Poverty and Income Distribution

Edited by

K S Krishnaswamy

While there has been, over the years, a perceptible increase in per capita income and expenditure and possibly some decline in the incidence of poverty in India, what still remains is massive and of a kind that is not remedied quickly or smoothly. Even with radical policies, the shifts in income and occupational structures to make a serious dent on it will take more than the rest of this century. In the welter of recent exchanges between the government and the opposition as well as between planners and market advocates on the strategy of growth, these issues have been largely obfuscated. It is therefore more than ever necessary today to recognise the magnitude of the problem and the inadequacy of the measures adopted so far to deal with it.

pp viii + 420

Rs 240

Available from

OXFORD UNIVERSITY PRESS

Bombay Delhi Calcutta Madras

Essar Oil Limited

Registered Office : Essar House, 14 Haddows Road, Nungambakkam, Madras 600 006
Tel : 8279517 Fax : 8250014

Simultaneous-and-Unlinked Public Offer Of: 3,70,00,000 Equity Shares of Rs. 10 each for cash at a premium of Rs. 35 per share aggregating Rs. 166.50 crores and 8,68,42,050 - 12.5% Secured Redeemable Optionally Fully Convertible Debentures (OFCDs) of Rs.190 each for cash at par aggregating Rs.1649.99 crores

HIGHLIGHTS

- 1 Member of the **ESSAR** group — one of the largest industrial groups in India
2. An existing, profit-making and dividend paying company with a track record in the upstream Oil and Gas industry-contract drilling and offshore construction
3. Company has the largest fleet of drilling rigs in the private sector in India (Source Investment Week, September 20-26, 1993)
- 4 Energy and Offshore divisions of the company have bagged and executed several international drilling contracts amidst stiff competition
- 5 The proposed 9 MMTA grassroots refinery project would enable Essar Oil to emerge as a fully integrated oil company
6. Refinery location — Vadinar, an all-weather deep draft port which handles major part of India's Crude Import
- 7 Site Clearance from environmental angle and No Objection Certificate obtained from the Gujarat Pollution Control Board
- 8 Demand for petroleum products expected to grow at the rate of 6.9% p.a (Source Indian Petroleum & Natural Gas Statistics, 1994 and Planning Commission document)
- 9 Technology tie-up with UOP Inter Americana, USA and appointment of ABB Lummus Crest Mauritius, as Project Management Consultants on single point responsibility basis
- 10 MOU with Indian Oil Corporation Ltd (IOC), India's largest oil company for marketing of petroleum products
- 11 Easy Liquidity Listing on Madras, Bombay, Delhi, Calcutta, Ahmedabad, Rajkot and Vadodara Stock Exchanges and on the National Stock Exchange (NSE)

RISK FACTORS

Internal

- 1 The Company's current business is secured on the basis of tenders in a highly competitive scenario in domestic and international markets. Future revenues of the energy and offshore division are based on the company securing further contracts, as only part of the revenue projections are covered by the contracts on hand
- 2 The company proposes to raise funds to

Minimum Application : 200 @ Rs 45/- per share for Equity Shares

Payment for Equity Issues : 50% on Application 50% on Allotment

Minimum Application : 100 Debentures of Rs 190 each for the OFCD Issue

Payment for the Convertible Debenture Issue : 25% on Application 25% on Allotment Balance in 2 calls over a period of 24 months

The OFCDs can be converted into 400 shares, of which 200 shares will be compulsorily converted & the remaining 200 shares will be converted at the option of the investor

OFCD - Conversion Terms

Face Value of OFCD : Rs 190 comprising 3 parts

Part A of Rs 40: To be converted into 1 Equity Share of Rs 10 each at a premium of Rs 30 per share on allotment

Part B of Rs 45 : To be converted into 1 Equity Share of Rs 10 each at a premium of Rs 35 per share at the end of 16 months from the date of allotment

Part C : Option to either convert into 2 equity shares of Rs 10 each at a premium of Rs 42.50 per share at the end of 32nd month from the date of allotment OR Retain as a non-convertible portion with an increased interest

Interest

- 1 @ 12.5% p.a payable on the paid up value of Part 'B' and 'C' from the date of allotment to 32nd month
- 2 If Part 'C' is retained as an NCD, @ 14% p.a from the 33rd month of the date of allotment till redemption i.e. 96th

Promoters, ICICI and IFCI subscribing to the OFCD at the same price of Rs. 190 on firm basis.

the extent of Rs 1625 crores for the refinery project from Financial Institutions/Banks/others by way of Lease Finance, Foreign Currency, Suppliers Credit, Euro Debt Bonds, External Commercial Borrowings and a Euro Issue of Equity which are yet to be tied up. Exchange rate fluctuations and interest rate variation, if any, on account of the above could affect the project cost estimates

3 The Company alongwith ONGCL as co-respondent has received two Show Cause notices from the Customs Authorities valued at Rs 11.83 crores which are being contested

4 The requirement of funds of Rs 166.50 crores for the existing operations of the Company has not been appraised by any institution/bank and has been estimated by the Company

External

1 Expenditure and Revenue on projects in oil and gas sector will depend on assessment of the exploratory blocks awarded and award of development blocks bid for

2. Operations in the Oil & Gas Drilling, Construction and Exploration Industry have to be carried out in difficult environmental conditions and are of a hazardous nature

3 The project cost is based on present estimates of setting up similar refineries worldwide and may undergo change on account of Government policies, Exchange Rate fluctuations and variations in international prices of equipment, etc., which may result in time/cost overruns

4 Project returns are based on the Administered Pricing Mechanism (APM) administered by the Government of India (GOI). Abolition of APM or any unfavourable changes therein may affect the profitability of the oil industry and the company as well.

5 The entry of private sector in the refinery industry and the narrow demand-supply gap till 1998 and in the event of petroleum product imports being decanalised with no tariff protection, the company may be placed in a disadvantageous position vis-a-vis existing refineries

MANAGEMENT'S PERCEPTION OF RISK FACTORS

External Risk Factor #4 :

●The projections mentioned in the prospectus for the years 1998-99 onwards pertaining to the Refinery project are based on the APM of the GOI. In case the above scheme is abolished, the project is expected to remain viable as the management believes that adequate tariff protection will be available as is prevalent internationally

CREDIT RATING CRISIL has awarded "BBB+" (pronounced "triple B plus") rating to the 12.5% Secured Redeemable Optionally Convertible Debentures offered through this Prospectus. This indicates sufficient safety with regard to timely payment of interest and principal. However, changing circumstances are more likely to lead to a weakened capacity to repay interest and principal than for the Debentures in higher rated category.

LEAD MANAGERS TO THE ISSUE

Industrial Development Bank of India
IOBI Towers, Cuffe Parade,
Bombay 400 005
Tel: 2184672 Fax: 2181195

ICICI Securities and Finance Company Limited
188 Backbay Reclamation
Bombay 400 000
Tel: 2627080 Fax: 2048882

Green Phoenix Capital Consultants Pvt. Ltd.
24 B D Palamashankar Compound,
Ambikdal Durgam Chattri
Bombay 400 021
Tel: 2665158 Fax: 2653193

BN Capital Markets Limited
202, Motor Tower 'E',
Cuffe Parade, Bombay 400 005
Tel: 2188188 Fax: 2188198

Industrial Finance Corporation of India Limited
Bank of Baroda Building,
16 Senapati Marg, New Delhi 110 001
Tel: 3322862 Fax: 3320425

DFP Financial Consultants Ltd
Tajuram Chattri, West Wing,
Ingram Point, Bombay 400 021
Tel: 2645275 Fax: 2048518

JR Financial and Investment Consultancy Services Limited
Mariner Chambers II,
Nariman Point, Bombay 400 021
Tel: 2621237 Fax: 2048137

ADVISORS TO THE ISSUE
INDIA SECURITIES LIMITED
15th Floor, Essar House 11,
Haddows Road, Madras
Madras 600 006
Tel: 4858088 Fax: 4857701

REGISTRARS TO THE ISSUE
MAJ Services Pvt. Ltd.
AB-4, Sakinaka Extension,
New Delhi 110 029
Tel: 26142800-145 Fax: 800128

ESSAR

Issue Opens On 7th Feb., 1995

CLRA • BOL • 92 • 040

NEW INDIA ASSURANCE

India's Largest General Insurance Company

Operating In 28 Countries.
Worldwide.



NEW INDIA ASSURANCE

India's Largest General Insurance Company
(A subsidiary of General Insurance Corporation of India)
Head Office: 1, Mahatma Gandhi Road, Fort, Bombay, 400 001

TAKE CARE. TAKE COVER.

Our Regional Offices:

Ahmedabad Phone 428490 • Baroda Phone 335568
• Bangalore Phone 2213994 • Bhopal Phone 554839
• Bhubaneswar Phone 55270 • Bombay (I) Phone
441621 • Bombay (II) Phone 6119729 • Bombay
(Tied) Phone 2853515 • Calcutta Phone 2204153
• Coimbatore Phone 443279 • Chandigarh Phone

544079 • Delhi (I) Phone 3325583 • Delhi (II) Phone
3719944 • Emakulam Phone 362861 • Guwahati
Phone 561575 • Hyderabad Phone 849011 • Jaipur
Phone 517408 • Kanpur Phone 311865 • Madras
Phone 8523909 • Patna Phone 2255111 • Pune
Phone 644166



NEW INDIA
ENTERS A NEW ERA

ECONOMIC AND POLITICAL

WEEKLY

A Sameeksha Trust Publication

Rs 15.00

Vol XXX No 6

February 11, 1995

■ **MONEY MARKET: INFLATION
ANXIETIES CAUSE LIQUIDITY
STRAIN**

■ **GENDER AND CULTURAL
IDENTITY IN A TAMIL FILM**

■ **IMPACT OF JOINT VENTURES ON
FISH ECONOMY**

■ **NEW DELHI: OPENING MORE DOORS**

■ **GOWARI TRAGEDY: CRISIS OF
MARATHA HEGEMONY**

■ **EDUCATED UNEMPLOYED IN
KERALA: SOCIO-ECONOMIC
ASPECTS**

■ **ASSESSING JAWAHAR
ROZGAR YOJANA**

'OUR TIME': HISTORY, SOVEREIGNTY AND POLITICS



Our latest scheme is guaranteed to provide even greater relief.

DHAN TAX SAVER 1995

**AN EQUITY LINKED GROWTH ORIENTED TAX SAVING SCHEME
FROM LIC MUTUAL FUND**

Specially formulated to relieve the pain of tax planning. With the additional comfort of monetary gain. For best results, apply today.

- ❑ Tax relief of 20% on original investment upto Rs. 10,000/- under Sec. 88 of Income-Tax Act.
- ❑ Additional Early Bird Incentive Units : @ 1 Unit for every 100 applied on or before 28.2.95.
- ❑ Repurchase at NAV price (without discount) after 3 years.
- ❑ Capital appreciation apart from provision of declaration of annual dividend and tax relief under Sec 80L, 48 & 112 of Income-Tax Act.
- ❑ No Tax Deduction at source.
- ❑ Listing on OTCEI/NSE with facility for Transfer
- ❑ Upto 85% of the funds to be invested in equities.
- ❑ Face Value of Unit - Rs. 10 - Minimum Investment - Rs 500; No upper limit
- ❑ Assured allotment.
- ❑ Scheme Open till 31st March, '95.



LIC Mutual Fund
We'll help you meet your goals



INVESTMENT MANAGER

**Jeevan Bima Sahayog
Asset Management Company Ltd.**

Our earlier Tax Saving Scheme Dhan 80 CC B (2) rated Best Growth Fund by '1994 Value Research - Business Today Score Board'

RISK FACTORS: Mutual Funds and Securities Investments are subject to market risks, and there can be no assurance that the objective of the Scheme can be achieved. • Past Performance is not necessarily indicative of future results, and it may not necessarily provide a basis for comparison with other investments. • Dhan Tax Saver 1995 is the name of the Scheme, and does not in any manner indicate either the quality of the Scheme, its future prospects or its returns

Pratibha/Bom/LICMF/94-196 (2)

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

States as Sinners	283
Akali Politics: Unity Moves – Elections:	
Wooling Minorities – UP: Opportunity for	
Mulayam Singh – Politics: Cakes for	
the Poor	284
Current Statistics	286
In the Capital Market	288
Companies	289
Of Life, Letters and Politics	
Marx Is Dead, Long Live McCarthy	
—GPD	292
Money Market Review	
Inflation Anxieties Cause Liquidity Strain	
—EPW Research Foundation	293
Commentary	
Impact of Joint Ventures on Fish Economy	
—John Kurien	300
Gowari Tragedy: Crisis of Maratha	
Hegemony	
—Gopal Guru	303
New Delhi: Opening More Doors	
—BM	305
Obituary: M Shatrugna	
—Rama S Melkote	306
Health Research in Pakistan	
—S Akbar Zaidi	307
Perspectives	
Seduction, Speeches and Lullaby: Gender	
and Cultural Identity in a Tamil Film	
—C S Lakshmi	309
Reviews	
Anthropology as Cultural Criticism	
—Rahul Srivastava	312
Sahajanand and 'Khet Mazdoors'	
—Amit Kumar Gupta	314
Special Articles	
'Our Time': History, Sovereignty and Politics	
—Vivek Dhareashwar	317
Educated Unemployment in Kerala: Some	
Socio-Economic Aspects	
—E T Mathew	325
Consolidation of Maratha Dominance	
in Maharashtra	
—S M Dahiwalé	336
Discussion	
Jawahar Rozgar Yojana: An Assessment?	
—Jos Chathukulam, V K Kurien	343
Letters to Editor	282

ECONOMIC AND POLITICAL WEEKLY

Hiltani House

284 Shahid Bhagatsingh Road, Bombay 400 001

Phones 261 6072/73 Grams Econweekly

FAX: (022) 261 6073

Editor Krishna Raj

Senior Assistant Editor Padma Prakash

Editorial Staff Cleatus Antony, Prabha Pillai

Gautam Naviakha (Delhi)

Circulation A S Shetty, B S Sharma

Advertisement Manager M K Ansan

Manager K Vijayakumar

EPW RESEARCH FOUNDATION

C 212, Akurli Industrial Estate, Kandivli (East)

Bombay 400 101 Phones 887 3038/3041

FAX: (022) 887 3038

Director S L Shetty

Vol XXX No 6

P.O. - Uttara Pradesh, India February 11, 1995

Pin-712203

What Does It Mean to be Modern?

The post-colonial predicament is that we have been mediating modernity but that mediation has always carried within itself the sense of another historicity, which introduces almost stealthily the non-self-identity of the Indian modern. What happens to some of the central concepts of our cultural and political self-understanding – such as sovereignty, citizenship, rights, democracy, secularism, the nation – when the conditions that rendered them intelligible no longer obtain? Would it be possible to map the semantic shifts wrought in them by the emergent configuration of institutions and practices? Do they retain their intelligibility today and can they still mobilise our politico-ethical horizon? If not, what new concepts are replacing them and what are their semantic field? **317**

Educated but Unemployed

Educated unemployment in Kerala has assumed alarming proportions in recent times. Among the causes are the opening of too many arts and science colleges and private ITIs and a preference for salaried (especially government) employment over self-employment. Results of a sample survey show variations in average waiting time till the first regular job by type and level of education and caste/community. **325**

Threatened Hegemony?

The gowari stampede in last November and the harassment of dalits over the 'gairan' issue in parts of Maharashtra are an indication of the growing crisis of maratha hegemony in the state. **303**

How far is the numerical preponderance of the marathas decisive to their political dominance? Why is it that it is the marathas of the Deccan who have a virtual monopoly of political power to the exclusion of the kunbis of Vidarbha? What is the class status of those who control political power? **336**

Money Market

The monetary authorities' anxieties about inflation have led to a liquidity strain in the money market with implications for the revival of industrial investment and growth. **293**

Gender and Tamil Identity

After its formation as a separate party in 1949 the DMK in Tamil Nadu used the cinema effectively to project its identity, political claims and elaboration of Tamil culture. Gender and cultural identity in a landmark Tamil film. **309**

After Marx, McCarthy

How does a marxist poet/writer in India and Asia become 'entrapped' because the Stalinist systems in central and eastern Europe have collapsed? **292**

Marine Wealth at Risk

The government's new policy of joint ventures in fisheries allows a handful of bureaucrats and politicians to trade the intergenerational heritage of our marine resources to parties who are only interested in short-run profits. **300**

More Open Doors

The two new agreements signed between India and the US recently, one a defence pact and the other a commercial alliance, are an open acknowledgement of the linkages between commercial and strategic interests. **305**

Micro View

It is necessary to qualify the assessment of the Jawahar Rozgar Yojana based on aggregative data from the concurrent evaluations with evidence from in-depth field studies. **343**

Health Research

Failure to make the vital conceptual distinction between health research and medical research reveals the major constraint on health research, and on community-oriented health research in particular. The experience of Pakistan. **307**

LETTERS TO EDITOR

Codifying Hindu Law

MADHU KISHWAR's article 'Codified Hindu Law – Myth and Reality' (August 13, 1994) gives valuable insights into the multiple frictions afflicting India of our times. In fact, the whole exercise of codification of the Hindu law has been a subversion and a violation of the time-honoured principles of governance evolved historically in pre-British India. I would illustrate with three examples, namely, Kautilya, Ashoka and Akbar, whose successful attempts to evolve principles of governance are as much a tribute to their statesmanship as to the rich diversity of the people whom they sought to rule.

Kautilya's *Arthashastra* recognises four sources of law, namely, 'dharma' (scriptures), 'vyavahara' (mutual agreement), 'charitra' (local custom) and 'rajashasana' (state decree) in ascending order of importance. He stipulates that in case of a dispute arising, each succeeding one shall prevail upon the earlier one. Thus the legal sanctity enjoyed by the scriptures is the lowest and that by the state the highest. Customary law prevails upon the scriptures but can be overruled by a state decree. The temporal power of the state is thus enabled to veto all other sanctions.

What Kautilya postulates in theory is brought into actual practice by Ashoka through his 'Dhamma', a statement of his state policy, which is clearly distinct from his personal faith. His Dhamma, evolved painstakingly over several years of his rule, and propagated nationwide through his edicts, consisted of the following salient features: (1) There is no attempt by the ruler to impose his personal faith on his subjects. (2) Likewise, the king repeatedly exhorts his subjects to respect holy men and faiths of other communities. But also, (3) the king bans such popular practices as animal sacrifice and certain congregations specific to certain communities, on grounds of their being harmful to the state's objective of maintaining communal harmony. In his Jaugada edict he even issues a veiled threat to those communities who fail to toe the royal line. In this way, while allowing and promoting internal autonomy for all communities alike, Ashoka firmly places the state above all the various churches.

More than 15 centuries later, emperor Akbar arrives at the same principles through his personal experience in governance. To recount very briefly the relevant incidents of his reign: He gave equal status to his Hindu subjects by abolishing pilgrimage taxes and 'jizya', and by throwing open state services to Hindus and the 'ibadat khana' to all communities. He read the *Khutba* which empowered him to overrule the Muslim law and to select a suitable interpretation of it. This was not only a separation of the state and the church, but also the proclamation of the sovereign power of the latter over the former. While on the one hand Akbar married many Hindu women

and practised many Hindu customs, his attempts to end such practices as sati and child marriage failed as they were seen by the Hindus as interference in their internal matters. And finally, towards the end of his reign Akbar succeeded in evolving Din-e-ilahi, the national religion based on consensus, but characteristically made no attempts to impose it on anyone.

The colonial interlude destroyed this valuable tradition of governance, the indigenously evolved principles of secularism, designed to foster communal harmony by protecting the autonomy of the communities, with the state retaining the sovereign, residual power of intervention an supersession, without identifying with any particular community. The fact that after nearly 50 years of independence India is still struggling to reinvent this simple principle, is one reflection of the deep injury caused by the British rule.

SHUBHA KHANDDEKAR

Kalyan

Journal to be Revived

MANKIND (1956-67; founder-editor Ram Manohar Lohia, executive-editor Vinayak Purohit) is being revived. Well researched and sourced contributions up to 5,000 words (exceptionally even longer) are invited from those who accept that the solution to the Indian crisis lies along the triple and confluent paths of nationalism, democratic socialism and revolutionism, whatever be the new name by which the historic revolutionary urge of the neo-colonised, limited-war torn, compradouristically exploited and globally brainwashed masses, especially of the third world, may be designated in more recent times. (Serious contributions challenging this triple perspective may also be entertained.) *Mankind* will debate all Indian political issues centring on the demands for a new

Constituent Assembly that rejects the old 1946-47 Congress-League compromise with British imperialism and for a New Economic Policy that opposes the drive towards 'liberalisation, privatisation and globalisation' as dictated by the WB, IMF and WTO. *Mankind* will also discuss the theoretical implications of the collapse from the mid-80s of Stalinist Russia and its east European empire. It will seek to analyse all the substantive issues thrown up by Trotskyism, Titoism, Maoism, Dengism, Castroism and similar ideological currents.

Mankind, a non-profit enterprise, will endeavour to pay its contributors an amount per article that will be determined eventually by the response that its readership evokes. *Mankind* will try to publish about 10 numbers per year of circa 100 pages demi-octave size, provided sufficient contributions are received that merit publication, and will be priced, subject to experience, at Rs 25 per issue (subscription for 10 issues Rs 200). *Mankind* will for the present accept contributions in English, Hindi, Marathi and Gujarati and eventually in all Indian languages.

Address for communications: Vinayak Purohit, 3, second floor, 372-A Veer Savarkar Marg, Ravi Dhuru Wadi, Dadar, Bombay-400 028.

VINAYAK PUROHIT

Bombay

Forest Bill Seminar

THIS refers to the appeal regarding a seminar on the Forest Bill to be held on February 25 and 26 in Nashik by Van-Vidheyak Samiksha Samiti (December 31, 1994). We hereby declare that we dissociate ourselves from this forum due to serious differences with the other members of the Samiti regarding its functioning.

MILIND MURUGKAR, ASHWINI KULKARNI
Nashik

Revised Subscription Rates

Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	-	600	1125	1650
Individuals	250	475	875	1275

Concessional Rates

Teachers/Researchers	-	325	-	900
Students	-	225	-	-

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe,				
Japan, New Zealand,				
Australia & Russia	150	100	90	65
All other countries	100	70	70	50

All remittances to *Economic and Political Weekly*

States as Sinners

THE loss of objectivity engendered by the structural adjustment and stabilisation policies is evidently all-pervasive, affecting also institutions which are expected to be independent and objective. A case in point is the Reserve Bank of India's assessment of the state governments' finances and its general attitude to centre-state financial relations. One discerns, first, a tendency to be generous with criticism of the state governments and, second, total preoccupation with the mechanical nostrums of structural adjustment and stabilisation, altogether ignoring basic developmental issues, in particular the role of public expenditure in development.

The Reserve Bank's study of the finances of state governments for 1994-95, just published, is aghast at "the increasing revenue deficit" of the states and at the fact that the financing of these deficits "is often done by relatively high cost borrowed funds". The states' revenue deficit would account for 6.4 per cent of their total revenue expenditure in 1994-95, against 5.5 per cent in 1993-94 and an average of 6.5 per cent for the period 1987-93. As a result, there has been a surge in the gross fiscal deficit (GFD) of the states to Rs 29,321 crore or 20.1 per cent of total expenditure in 1994-95 compared to Rs 23,312 crore or 18.4 per cent in 1993-94. The large revenue deficits have been absorbing a major portion of the states' borrowings: 27.1 per cent in 1994-95 against 26 per cent in 1993-94. And with rising borrowings, debt servicing as a proportion of aggregate disbursements has been as much as 17 per cent in the past three years.

All this is true, of course. But should not the Reserve Bank have gone behind the numbers and ratios and asked whether, considering the rapid changes that have occurred in the composition of the state governments' expenditures, the deficits on revenue account could have been avoided and even whether in the given circumstances a revenue deficit of about 6.5 per cent of revenue expenditure was at all high? The centre's revenue deficit as a proportion of its revenue expenditure had crossed 20 per cent in 1992-93 and has shot up to 27.5 per cent in the budget for 1994-95. Likewise, its total debt servicing has touched Rs 1,09,632 crore in 1994-95, with interest payments eating up 53.4 per cent of all revenue receipts and repayment of debt accounting for 43.6 per cent of total capital receipts. It is certainly pertinent to ask if debt servicing at 17 per cent of aggregate disbursements is indeed unsustainable and in any case what the yardstick of unsustainability is.

It must be admitted, of course, that all is not well with the finances of state governments. The state governments can legitimately be taken to task on two grounds – first, their

inability to mobilise resources through non-tax sources such as upward revision of electricity tariffs and road transport fares; and, second, their abysmal failure to contain wastage and corruption in the use of resources so as to arrest the growth of non-developmental expenditure. The rise in non-development expenditure from 26.9 per cent of total expenditure in 1992-93 to 30.5 per cent in 1994-95 or in non-development expenditure excluding appropriation to reserves and interest payments from 15.3 per cent to 17.4 per cent has certainly eaten into resources available for development. The share of development expenditure in total expenditure has dwindled from over 70 per cent in the 1980s to 65.1 per cent in the states' budgets for 1994-95. Of course, this explosive rise has come about to a great extent because the centre has granted large increases in remuneration to its own employees and the state governments have been compelled to follow suit. Likewise, there has been a sharp rise in the state governments' cost of borrowing; the raising of the coupon rate on state government securities to 13.5 per cent in 1993-94 was decidedly questionable.

The state governments' management of their finances has otherwise been reasonable. During the whole of the 1980s, the states' revenue receipts grew at the rate of about 15 per cent per annum, which speaks well of their mobilisation of additional resources. Between 1990-91 and 1994-95 (BE), the states' own total receipts have expanded at an annual rate of 13.9 per cent per annum. The states' own tax revenue as a percentage of gross domestic product (GDP) rose from 4.9 per cent in 1980-81 to 5.7 per cent in 1990-91 and has been sustained at 5.8 per cent in 1994-95, whereas the centre's tax revenue, which had risen from 9.7 per cent in 1980-81 to 10.9 per cent in 1991-92, has fallen back to 9.5 per cent in 1994-95. The central government has indeed surrendered enormous amounts of resources in favour of the richer sections of society.

What the RBI study makes clear is that in the deterioration of the state governments' finances, a major role has been that of the sharply reduced transfers from the central government. The devolution to the states by way of their share in central taxes and grants shows a rise of only 7.1 per cent in 1994-95 compared to 13.6 per cent in 1993-94. This was due to a revenue loss of Rs 477 crore as the states' share of the resources sacrificed by the centre and a sharp slowing down of the growth of grants from 19 per cent in 1993-94 to 7 per cent in 1994-95. The reduced tempo of grants was essentially because of a fall in the rate of growth of plan grants to 8.9 per cent from 25.8 per cent in 1993-94. Loans and advances from the centre did record an increase of 21.6 per cent in 1994-95 against 16.7 per cent in 1993-94; even so, net resource

transfer from the centre has been budgeted to rise by 10.7 per cent in 1994-95 against 12.6 per cent in 1993-94. Besides, as a result of the reduction in tax concessions for small savings, provident funds, etc, the growth in the states' share of those collections has also slowed.

These facts are well known to the RBI; it is the circular reasoning of the RBI studies that is objectionable – high revenue deficit necessitating high cost borrowing which in turn leads to unsustainable levels of debt and debt servicing and reduced availability of resources for long-term investment. First, a closer look would have revealed that the structural changes in expenditure since the second half of the 1980s as proposed in the Seventh and Eighth Plans required the state governments to shift the emphasis in favour of rural development and social and economic infrastructure which have a relatively high revenue expenditure component. Capital expenditure in such areas as agriculture, energy generation and industry and minerals has suffered because the states have had to expand expenditure under revenue heads. Second, considering the overall size of the states' development expenditure – Rs 99,483 crore as budgeted for 1994-95, which is much larger than the figure for the central government at Rs 72,889 crore – a gross fiscal deficit of Rs 29,321 crore or about 3 per cent of GDP for the state governments as a whole cannot be considered as excessive when the figure for the central government was over 7 per cent of GDP. Interestingly, the gross fiscal deficit of the state governments had touched 3.5 per cent of GDP way back in 1984-85; it has remained subdued since then whereas the centre's deficit galloped to 8.5 per cent by 1990-91 as the union government used its unlimited borrowing powers through *ad hoc* and regular treasury bills as also dated government securities. The states' market borrowings, on the other hand, have been pegged to a pre-determined level. In the final analysis, the sustainability or otherwise of debt cannot be decided purely on the basis of size of debt and debt service ratios. The manner in which resources are mobilised and the purposes for which and, the manner in which expenditures are incurred have also to be considered. In these respects, it can hardly be said that the central government has been any less culpable than the state governments.

AKALI POLITICS

Unity Moves

WHETHER or not the various Akali factions ultimately become one, the moderates among them will take some time to recover from the setback they have suffered as a result of the latest unity efforts. The setback

inheres in the fact that the moderates, led by Akali Dal(B) of Prakash Singh Badal, have been forced to agree 'in principle' that they desire unity. What compounds the matter is that the pressure came from the Sikh clergy – the acting head priest of the Akal Takht, Manjit Singh. What is even more serious is that the unity is sought to be achieved in the name of the 'Sikh panth', an entity which may exist only in the minds of the clergy and the interested political and intellectual 'leaders' of the Sikhs but which has a great potential for political mischief.

The seriousness of these developments does not stop even here. Akali Dal(B), which at core remains highly sceptical of the outcome of the unity efforts and even of the very idea of unity, has asserted that the entire matter would be placed before the 'Sikh sangat' who would be the final arbiter. Although AD(B) has invoked the idea of Sikh sangat in order to underline its own independence *vis-a-vis* the clergy, and although this move is not without a democratic potential, the privileging of the idea has grave political consequences which are essentially undemocratic in their nature. For, the idea of Sikh sangat (Sikh community) is one of the core ideas of the Sikh religio-political thought, a tradition of thought in which the disjunction between the religious and the political has not yet taken place. In the idea of Sikh sangat the Sikh community is referred to as essentially a religious, as against a political, body. Thus while the privileging of the idea of Sikh sangat makes the AD(B) more democratic than the other main Akali faction, namely, the Akali Dal (Amritsar), it distances the party from the modern notion of democracy in which the growing fissure between the religious and the political is taken for granted. By thus privileging this idea, the Akali Dal(B), in other words, not only strengthens the grasp of the clergy on Sikh politics – for the clergy holds the final authority to interpret Sikh thought – it also shows itself to be a democratic novice in the modern sense.

The only way the AD(B) can wish this image of democratic *naivete*, and the only way, in fact, it can play a truly democratic role at this critical moment in Akali and Punjab politics, is by firmly rejecting the unity moves, rather than warming up to the attempts of the clergy, and taking up an independent stand regarding the direction in which the Akali politics should turn

ELECTIONS

wooing Minorities

NO one in one's senses is going to be fooled by the CBI's sudden act of generosity in dropping the charge of waging war against the nation against the Memons and other accused in the Bombay bomb blast case.

Coming fast on the heels of several other significant gestures by people in authority, the CBI's latest decision to withdraw charges and request the courts to discharge several among those hauled up earlier under TADA cannot escape the suspicion that the investigative agency is being manipulated from above by politicians for electoral requirements.

Despite repeated allegations about misuse of TADA against innocent people (including members of minority groups in certain areas) by human rights groups, the government at the centre had always been angrily dismissing the charges as false and inspired by 'anti-national' elements. All of a sudden, on the eve of the elections in Maharashtra and Gujarat (the two states where the indefinite detention of a large number of Muslims under TADA had alienated the Muslim electorate from the Congress), prime minister Narasimha Rao came out with a statement acknowledging that TADA was being misused by state governments. At around the same time, the apex court of the country by a ruling reinstated as voters several thousand Muslims of Bombay, who had earlier been disenfranchised by the authorities on the plea that they were 'foreigners'.

The same apex court, only some months back, had dismissed a special leave petition asking for a judicial directive to the government of Maharashtra to prosecute Bal Thackeray, editor of the Shiv Sena mouthpiece *Saamna*, for inflammatory writings that led to attacks on Muslims in the state following the demolition of the Babri masjid in December 1992. Why this sudden change of attitude towards the rights of the Muslim minorities?

But leaving aside the ethics of using such crude methods to win votes, the sequence of these recent developments has further eroded the credibility of institutions which are supposed to protect the citizens. The CBI in particular, having failed to apprehend those really guilty of the Bombay blasts, had been taking it out on any member of the Muslim community found to have even the slightest connection with the Memon family. In its craze to build up a case to suit the anti-Pak bellicosity of the Indian government, it went to the ridiculous extent of blaming Pakistan's ISI for hatching a conspiracy with the help of the Memons and other Muslims in India. The CBI is now being forced to eat humble pie. It has acknowledged its failure to find sufficient evidence to back the allegations to Pak involvement and has therefore been compelled to withdraw the charge of conspiracy to wage war. But who will compensate the 192 citizens who were arrested, tortured and humiliated and who languished in jails all these months – for no fault of theirs, but because of a botch-up by the country's leading investigative agency?

The apex court also cannot hope to improve its already battered image by running with the hares and hunting with the hounds. While one will surely welcome its decision to set right the wrong done to a large number of Muslim voters by restoring their voting rights – which had been taken away by the administration at the behest of the Shiv Sena mafia which literally runs the show in Bombay – one also expects it to carry out its responsibilities to the citizens by recommending punishment of the Shiv Sena and other Hindu communal outfits which continue to threaten and persecute members of minority communities.

UTTAR PRADESH

Opportunity for Mulayam Singh

IT all started seven months ago when the students of Uttarakhand, the hilly region of Uttar Pradesh, protested against the government's decision to extend 27 per cent reservation for the backwards to all educational institutions in the state. Uttarakhand has only a 2 per cent OBC population. Chief minister Mulayam Singh's directive to the vice-chancellors of Garhwal and Kumaon universities to admit OBC students from the plains to fill the quota aggravated the insecurity of the sizeable educated unemployed population of the region. The Uttarakhand Kranti Dal (UKD), spearheading the demonstrations, demanded amendment in the reservation policy in accordance with the demographic pattern of Uttarakhand. When the demand failed to evoke a response from the state government, UKD started an agitation for a separate state.

N D Tiwari who was appointed UPCC chief in August last year seized the issue to catapult himself to the forefront of national politics. Right from the beginning Tiwari never endorsed the demand for a separate state of Uttarakhand. Admittedly, it is politically unviable for the party's central leadership to concede the demand of a separate state given that such demands may proliferate across the country. But more importantly, Tiwari also did not desire to confine himself to the backwaters of state politics. Like his political predecessors, Govind Vallabh Pant and Hemvati Nandan Bahuguna, Tiwari too nurtures the ambition of making a mark in national politics as a leader from the largest state in the union. Tiwari's immediate demand, after gauging the force of the Uttarakhand agitation, was that Congress support to Mulayam Singh's government be withdrawn. When the central leadership vacillated over the decision, Tiwari forwarded his resignation within a month of his becoming the UPCC chief. After the party took a sound beating in the

assembly elections in Andhra and Karnataka, an emboldened Tiwari asked for the dismissal of Mulayam Singh's government. Meanwhile, Arjun Singh's tirade against Rao in Delhi had added to the party's woes and observers noticed an anti-Rao Tiwari-Singh axis emerging on the political horizon. In a belated move, Rao tried to salvage his position by appointing his political secretary Jitendra Prasada as UPCC chief. But not only did Prasada fail to win over the UPCC, in a few weeks he was forced to voice the same demands as Tiwari.

As against the Congress brinkmanship, it is Mulayam Singh Yadav who has played his cards shrewdly. Unrelenting in his reservation policy, Mulayam Singh made clear his readiness to forgo Uttarakhand, a region in which his party has very little stake. Like the previous BJP government, Mulayam Singh's government too passed a resolution in the assembly approving the creation of a separate state of Uttarakhand. In fact Mulayam Singh must have relished the emergence of UKD as a regional force cutting into the traditional base of the BJP and the Congress. By staging a successful bandh in September, he drew the battle-lines between the forwards and the backwards, the anti-reservationists and the pro-reservationists in the state, signalling that if the Congress pulled the carpet from underneath his feet, it would be the loser. And when eventually Congress decided to withdraw support to his government, Mulayam Singh took a hand in the mudslinging going on within the higher echelons of the Congress. By alleging Tiwari's collusion with the VHP during the 'Shilanyas' in 1989 and Arjun Singh's efforts to topple the Rao government, Mulayam Singh has sought to project an 'anti-national' brahmin-kshatriya nexus against the backwards-minority unity in the state. This tactic of Mulayam Singh is not only going to further marginalise the Congress, but will also put the BJP on its toes. The BJP has no quarrel with Mulayam Singh over Uttarakhand but the latter's ploy of projecting himself as the sole leader of the backwards in the state might erode the BJP's base in the western UP. Kalyan Singh has already started to point out how the recruitment to the police force in the state has favoured the yadavs.

The crisis which Arjun Singh and Tiwari have precipitated in the Congress has provided Mulayam Singh with an opportunity to extend his hegemony over UP politics. Even the BSP which at one time was determining Mulayam Singh's actions has had to take the backseat after its reversals in the last round of assembly polls and the threat to the survival of the SP-BSP government in the state. It is only after the results of the current assembly elections are known that the final denouement of UP

politics will take place. A defeat of the Congress, especially in Maharashtra, is certainly going to turn the tables against Rao and as a sequel may bring instability to Mulayam Singh's government in UP.

POLITICS

Cakes for the Poor

RULING elites world over have compulsively to indulge in pious talk sharply at variance with their actual practice. Even while indulging in some do-gooding exercises, they often demonstrate utter insensitivity. The police firing in New Delhi on January 30 and Jyoti Basu's conclave the next day at Taj Bengal with kind-hearted ladies (over lunch?) about problems of malnutrition in Calcutta's slums would have been eloquent instances of the ruling castes' mindless casualness, but for the dimensions of cruelty and mockery respectively.

January 30, as is well known, is the anniversary of Gandhiji's supreme sacrifice. It is observed throughout the country as the martyrs' day, which gives the dignitaries a grand occasion to wax eloquent on their commitment to serve the lowest of the lowly. On this day, just when in the misty Delhi morning the topmost of the top were assembling at Gandhiji's 'samadhi' at Rajghat for their customary rituals, a bloody policing exercise at another end of the capital took a toll of four lives. A young man of the labouring class, to follow a newspaper account, had passed the previous night as a guest at the 'jhuggi' (slum) adjacent to the middle class residential area of Ashoka Vihar. He was killed by a policeman on duty when he scaled a boundary wall to land in the community park to relieve himself. This is indeed a daily routine of the 'jhuggi'-dwellers as this huge slum of 5,000 residents has no toilet facilities. The death of the young man led to a row which was followed as a matter of course by the appearance of a posse of policemen. Then came the bursting of about 300 teargas shells and 20 rounds of firing leading to three more deaths and serious bullet injuries to another dozen.

Neither the executive nor the judiciary whose leaders miss no opportunity to pay lip-service to Gandhiji's injunctions about service to the poor spared a thought about provision of some elementary toilet facilities for the 5,000 slum dwellers, the lack of which was at the root of the events ending in the grim tragedy. The coincidental juxtaposition of the annual Rajghat rituals and the police violence at Ashoka Vihar poignantly brings out the essential hypocrisy of our ruling circles.

So also did Jyoti Basu's picture in some Calcutta dailies, flanked by two plump ladies, at the five-star Taj Bengal, pretending to be concerned about malnutrition in the slums.

CURRENT STATISTICS

EPW Research Foundation

Inflation has further accelerated, with the WPI for primary articles as also the composite food index continuing to show sharp increases. These increases are reflected in the two-digit rate of rise of the different cost of living indices. Bank credit to the commercial sector has been galloping. Equity prices have taken a beating. Industrial production has registered a rise of 8 per cent during April-October 1994, with manufacturing output rising by 8.3 per cent and capital goods by 21.7 per cent. Exports in dollar terms have risen by 16.9 per cent during April-December 1994, while non-POL imports (excluding aircraft and gold and silver) have risen by about one-fourth. Foreign assets worth \$ 560 million have been added in the past month.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Jan 21, 1995	Variation (Per Cent) Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	281.3	1.7	11.1	9.1	8.9	8.6	10.8	7.0	13.6	12.1
Primary Articles	32.3	292.6	2.5	14.3	8.8	13.0	10.2	11.5	3.0	15.3	17.1
Food Articles	17.4	320.0	1.6	13.4	3.8	14.1	5.1	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	315.7	4.8	19.5	15.4	12.7	17.7	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	281.4	0.0	4.3	12.2	1.2	9.7	13.1	15.2	13.2	14.4
Manufactured Products	57.0	274.9	1.5	10.7	8.8	8.1	7.4	9.9	7.9	12.6	8.9
Food Products	10.1	275.0	2.7	12.2	11.0	9.1	9.3	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	303.5	2.0	13.0	6.1	12.4	6.4	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-January 21, 1995)	100.0	271.8	-	12.5	7.9	10.5	8.1	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent) Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	291 ¹¹	0.3	9.8	8.6	9.0	9.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	240 ¹⁰	0.8	10.1	6.3	8.1	6.3	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1297 ¹²	0.9	11.2	9.3	10.4	10.7	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Jan 6, 1995	Over Month	Variation					
			Fiscal Year So Far		1993-94	1992-93	1991-92	
			1994-95	1993-94				
Money Supply (M ₁)	495672	1319 (0.3)	62106 (14.3)	50931 (13.9)	66741 (18.2)	49344 (15.5)	51653 (19.4)	
Currency with Public	96534	592 (0.6)	14336 (17.4)	11288 (16.5)	13925 (20.4)	7175 (11.7)	8050 (15.2)	
Deposits with Banks	396444	1261 (0.3)	47604 (13.6)	39294 (13.2)	51601 (17.4)	41741 (16.3)	43392 (20.5)	
Net Bank Credit to Govt Sector	217084	-4204 (-1.9)	13298 (6.5)	29362 (16.7)	27548 (15.6)	17975 (11.4)	18070 (12.9)	
Bank Credit to Comm'l Sector	267414	11392 (4.3)	30211 (12.7)	12673 (5.8)	17068 (7.8)	32141 (17.1)	16225 (9.4)	
Net Foreign Exchange Assets	69796	-522 (-0.7)	16069 (29.9)	10700 (42.9)	28775 (15.3)	3726 (17.6)	10645 (100.6)	
Reserve Money (Jan 13, 1995)	167273	2898 (1.7)	28651 (20.7)	22881 (20.7)	27843 (25.1)	11274 (11.3)	11726 (12.4)	
Net RBI Credit to Centre	97276	694 (0.7)	493 (0.5)	10434 (10.8)	263 (0.3)	4257 (4.6)	5904 (6.7)	
Scheduled Commercial Banks (Jan 20, 1995)								
Deposits	360008	1533 (0.4)	44876 (14.2)	38821 (14.5)	46560 (17.3)	37814 (16.4)	38216 (19.8)	
Advances	193386	6220 (3.2)	28968 (17.6)	10403 (6.8)	12436 (8.2)	26390 (21.0)	9291 (8.0)	
Non-Food Advances	179619	5885 (3.3)	26108 (17.0)	6436 (4.4)	8272 (5.7)	24317 (20.1)	9127 (8.2)	
Investments	148057	-4186 (-2.8)	15534 (10.5)	21605 (20.4)	26867 (25.4)	15460 (17.1)	15131 (20.2)	

Index Numbers of Industrial Production (1980-81=100)	Weights	Oct 1994	Variation (Per Cent) Fiscal Year Averages								
			Average for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
			1994-95	1993-94							
General Index	100.0	238.1	232.8 (8.0)	215.6 (3.8)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	245.8	219.4 (6.2)	206.5 (3.0)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	225.0	224.4 (8.3)	207.2 (3.1)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	318.3	303.2 (7.7)	281.5 (7.6)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Feb 10, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year			
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92	1990-91
BSE Sensitive Index (1978-79=100)	3522	3604*	4040	3600	4604	2037	4286	3779	2281	4285	
	(-12.8)		(43.7)					(65.7)	(-46.8)	(266.9)	
National Index (1983-84=100)	1708	1732*	1939	1765	2176	934	2050	1830	1021	1968	
	(-11.9)		(53.8)					(79.2)	(-48.1)	(234.1)	

* data pertaining to January 13, 1995

Foreign Trade	Dec 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95					
		1994-95	1993-94				
Exports: Rs crore	7490	57503 (16.9)	49182 (31.8)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2387	18328 (16.9)	15681 (20.0)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	8587	63814 (23.9)	51477 (8.4)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2736	20339 (23.9)	16413 (-1.3)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	2230	16138 (33.1)	12121 (-1.4)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-1095	-6308	-2295	-3259	-9687	-3809	-10640
US \$ mn	-349	-2011	-732	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Jan 27, 1995	Jan 28, 1994	Mar 31, 1994	Variation Over							
				Month Ago	Year Ago	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
						1994-95	1993-94				
Rs crore	61673.5	33111.6	47626.0	1199.1	28561.9	14047.5	12916.0	27430	5385	10223	-1383
US \$ mn	19790.0	10600.0	15176.0	560.0	9190.0	4614.0	4148.0	8724	731	3383	-1137

Foreign Trade

Commodity Composition of Imports and Exports	Apr-Oct 1994		Apr-Oct 1993		1993-94		1992-93		1991-92	
	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn
Imports										
Food and live animals										
chiefly for food	2847(6.0)	907	814(2.0)	260	1551(2.1)	494	1911(3.0)	660	804(1.7)	326
Pulses	312(0.1)	99	279(0.7)	89	567(0.8)	181	334(0.5)	115	255(0.5)	104
Cashewnut raw	404(0.8)	129	163(0.4)	52	483(0.7)	154	376(0.6)	130	267(0.6)	108
Sugar	1906(4.0)	608	neg	neg	neg	neg	neg	neg	neg	neg
Crude materials, inedible oils except fuels	3608(7.6)	1150	2280(5.7)	727	4199(5.8)	1399	4777(7.5)	1649	3268(6.8)	1326
Fertiliser crude	242(0.5)	77	198(0.5)	63	390(0.5)	124	459(0.7)	158	455(1.0)	185
Metaliferous ores and metal scrap	1199(2.5)	382	749(1.9)	239	1299(1.8)	414	1922(3.0)	664	1175(2.5)	477
Mineral fuels, lubricants and related materials	11496(24.1)	3664	11765(29.5)	3752	19514(26.8)	6222	18525(29.2)	6396	14160(29.6)	5744
Petroleum, crude and products	10246(21.5)	3266	10971(28.2)	3499	18055(24.8)	5756	17142(27.0)	5919	13123(27.4)	5323
Animal and vegetable oils, fats and waxes	355(0.7)	113	83(0.2)	26	166(0.2)	53	168(0.3)	58	249(0.5)	101
Chemicals and related products	6786(14.2)	2163	4930(12.4)	1572	9286(12.8)	2961	8913(14.1)	3077	7526(15.7)	3053
Organic chemicals	2371(5.0)	756	1426(3.6)	455	2882(4.0)	919	1871(3.0)	646	1361(2.8)	552
Fertiliser manufactured	1064(2.2)	339	1093(2.7)	349	1988(2.7)	634	2023(3.2)	699	1591(3.3)	645
Manufactured goods classified chiefly by materials	7487(15.7)	2389	8238(20.7)	2627	14715(20.2)	4691	12455(19.7)	4300	9193(19.2)	3729
Pearls, precious/semi precious stones	2660(5.6)	848	4992(12.5)	1592	8284(11.4)	2641	7072(11.2)	2442	4825(10.1)	1957
Iron and steel	1788(3.7)	570	1146(2.9)	365	2452(3.4)	782	2060(3.3)	711	1741(3.6)	706
Non-ferrous metals	1323(2.8)	422	829(2.1)	264	1490(2.0)	475	1144(1.8)	395	839(1.8)	340
Capital goods	10540(22.1)	3360	8022(20.1)	2558	18944(26.0)	6040	13123(20.7)	4531	10432(21.8)	4232
Machinery except electrical and electronic	4244(8.9)	1353	3108(7.8)	991	6871(9.4)	2191	4786(7.6)	1653	3593(7.5)	1458
Transport equipment	2138(4.5)	681	1728(4.3)	551	3973(5.5)	1267	1338(2.1)	462	915(1.9)	371
Project goods	3116(6.5)	993	2270(5.7)	724	4394(6.0)	1401	3701(5.8)	1278	3625(7.6)	1471
Others	4612(9.7)	1470	3694(9.3)	1178	4430(6.1)	1412	3503(5.5)	1210	2220(4.6)	900
Total	47732(100.0)	15215	39826(100.0)	12700	72806(100.0)	23212	63375(100.0)	21822	47851(100.0)	19411
Exports										
Food and live animals chiefly for food	6236(14.4)	1988	5608(14.8)	1788	10770(15.5)	3434	8084(15.1)	2791	6861(15.6)	2783
Cashew kernels	725(1.7)	231	599(1.6)	191	1042(1.5)	332	745(1.4)	257	672(1.5)	272
Oil meals	911(2.1)	290	1086(2.9)	346	2309(3.3)	736	1545(2.9)	534	921(2.1)	374
Marine products	1726(4.0)	550	1210(3.2)	386	2537(3.6)	809	1743(3.2)	602	1443(3.3)	585
Beverages, tobacco and tobacco manufactures	58(4.0)	18	88(0.2)	28	136(0.2)	43	160(0.3)	55	102(0.2)	42
Crude materials, inedible oils except fuels	2481(5.7)	791	2803(7.4)	894	4048(5.8)	1291	2798(5.2)	966	3022(6.9)	1226
Iron ore	679(1.6)	216	761(2.1)	243	1357(2.0)	433	1104(2.1)	381	1435(3.3)	582
Mineral fuels, lubricants and related materials	809(1.9)	258	814(2.1)	260	1248(1.8)	398	1379(2.6)	476	1022(2.3)	415
Animal and vegetable oils, waxes and fats	242(0.6)	77	197(0.5)	63	344(0.5)	110	162(0.3)	56	169(0.4)	69
Chemicals and chemical products	4109(9.5)	1310	3102(8.2)	989	5973(8.6)	1904	4198(7.8)	1449	4146(9.4)	1682
Drugs, pharmaceuticals and fine chemicals	1291(3.0)	412	1077(2.8)	343	2014(2.9)	642	1533(2.9)	529	1550(3.5)	629
Dyes/intermediates/coal tar chemicals	799(1.8)	255	617(1.6)	197	1150(1.7)	367	958(1.8)	331	781(1.8)	317
Plastic and linoleum products	743(1.7)	237	493(1.3)	157	1013(1.5)	323	433(0.8)	150	276(0.6)	112
Manufactured products classified chiefly by materials	24314(56.1)	7750	21061(55.4)	6715	38851(55.9)	12386	30752(57.3)	10618	23540(53.4)	9549
Leather manufactures	1103(2.5)	352	1052(2.8)	335	2634(3.8)	840	2512(4.7)	867	1984(4.5)	805
Footwear, leather	784(1.8)	250	746(2.0)	238	1505(2.2)	480	1188(2.2)	410	1143(2.6)	464
Gems and jewellery	7954(18.3)	2535	7033(18.5)	2243	12528(18.0)	3994	8897(16.6)	3072	6750(16.1)	2738
Cotton yarn, fabrics, madeups, etc	3692(8.5)	1177	2628(6.9)	838	4837(7.0)	1542	3911(7.3)	1350	3203(7.3)	1299
Manmade yarn, fabrics, madeups, etc	1012(2.3)	323	792(2.1)	253	1324(1.9)	422	1079(2.0)	373	821(1.9)	333
RMG cotton incl accessories	3721(8.6)	1186	3246(8.5)	1035	6166(8.9)	1966	5156(9.6)	1780	3754(8.5)	1523
Capital goods	3820(8.8)	1218	3133(8.8)	1063	6232(9.0)	1987	4964(9.2)	1714	4054(9.2)	1645
Metal manufactures	1224(2.8)	390	1144(3.0)	365	2174(3.1)	693	1622(3.0)	560	1194(2.7)	484
Machinery and instruments	1207(2.8)	385	1126(3.0)	359	1996(2.9)	636	1569(2.9)	542	1433(3.3)	582
Transport equipment	1239(2.9)	395	947(2.5)	302	1840(2.6)	587	1546(2.9)	534	1224(2.8)	496
Others	1286(3.0)	410	1009(2.7)	322	1957(2.8)	620	1192(2.2)	412	1125(2.6)	457
Electronic goods	655(1.5)	209	512(1.3)	162	978(1.4)	312	615(1.1)	212	654(1.5)	265
Total	43356(100.0)	13820	38014(100.0)	12121	69547(100.0)	22173	53688(100.0)	18537	44042(100.0)	17865

(Figures in brackets are percentages to total)

Notes: (i) Superscript numeral denotes month to which figure relates, e.g. superscript ¹⁰ stands for October. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year.

Indo Gulf Industries

INDO GULF INDUSTRIES is engaged in the manufacture of industrial explosives and accessories. In order to widen its industrial and product base, the company is now diversifying and is setting up a project to manufacture white sugar crystals and allied products with a capacity of 2,500 tcd expandable to 3,500 tcd with co-generation of 6 MW of power at an estimated cost of Rs 49.68 crore at Meizapur in UP. The company has tied up with KCP, Madras, for supply of total plant and machinery. KCP is one of the premier manufacturers of plant and machinery for sugar plants and has set up more than 40 sugar plants in India and abroad. At 100 per cent capacity utilisation the company would have an annual requirement of 45 lakh quintals of sugarcane. It proposes to meet its requirement through cultivation for which an intensive programme is being undertaken. The upcoming sugar plant is expected to commence commercial production by November this year. The company is entitled to a free sale quota of 100 per cent of its production for the first nine years as applicable to new sugarcane projects located in 'Other Recovery Zones'. The entire quantity of molasses is to be sold to various distilleries for the manufacture of potable and industrial alcohol. Bagasse, the other by-product, is to be used for co-generation of power for captive consumption. Surplus bagasse is to be sold to paper mills and the industries located around the sugar mill. In order to part finance the cost of the project, the company is entering the capital market on February 14 with a public issue of 11,08,200, 12 per cent unsecured FCDs of Rs 155 each at par aggregating Rs 1,717.71 lakh. Each FCD would consist of two parts - Part A and Part B of Rs 77.50 each. While Part A will be compulsorily and automatically converted into one equity share of Rs 10 at a premium of Rs 67.50 per share on allotment, Part B of Rs 77.50 would be compulsorily and automatically converted into one equity share of Rs 10 at a premium of Rs 67.5 per share on the expiry of 12 months from the date of allotment of the FCDs.

Gujarat Optical Communication

Gujarat Optical Communication (GOCL) is promoted by Gujarat Telephone Cables (GTCL). The company is implementing a project for the manufacture of 4,000 cable kilometres per annum of optical fibre cables. The use of optical fibre cable is advantageous due to its low power requirement at terminals,

immunity to electro magnetic induction and radio frequency induction and data integrity. Optical fibre cable finds application in fields like railways, defence and power. The construction work for the unit is nearing completion at Iyava in Ahmedabad district. Commercial production is expected to commence by March. Plant and machinery along with training and performance guarantee are being provided by Swiss Cab of Switzerland. The project has been appraised by Bank of Baroda and the cost has been estimated at Rs 39.03 crore. The company is entering the capital market on February 15 with simultaneous public issues of 25.5 lakh equity shares of Rs 10 each at par aggregating Rs 255 lakh and 25,95,000, 14 per cent secured redeemable PCDs of Rs 75 each at par aggregating Rs 1946.25 lakh. The issue is being lead managed by Bank of Baroda and DSP Financial Consultants.

Ishwar Bhuvan Hotels

Promoted by Ishwarlal P Barot and Juguldas P Barot, Ishwar Bhuvan Hotels is setting up a three-star executive hotel with 55 rooms and other facilities. The proposed hotel project is located at Sayaji Ganj, Baroda. The project has been appraised by Tourism Finance Corporation of India (TFCI) which has sanctioned a term loan of Rs 200 lakh for the project. To part finance the project the company is entering the capital market with a public issue of 40 lakh equity shares of Rs 10 each at par aggregating Rs 4 crore, including firm allotment of 9 lakh equity shares of Rs 10 each at par aggregating

Rs 90 lakh to NRIs/OBCs. The issue will open on February 21. The lead managers are Shriyam Securities and Finance and Netwest Finance.

Wilwayfort India

Wilwayfort India is entering the capital market soon with a public issue of 48 lakh equity shares of Rs 10 each at par. The funds will part finance the expansion of manufacturing capacity of metallised plastic film and diversification into manufacture of multilayered co-extruded plastic films which is much in demand by the fast growing flexible packaging industry. Technology and plant are to be imported from Atlas Converting Equipment, UK. The project has been appraised by Vijaya Bank which is also financing the project through a term loan

Crystal Credit Corporation

Crystal Credit Corporation (CCCL), the flagship company of the Crystal group, is a non-banking financial institution registered with the RBI and is in the business of leasing, hire-purchase and other financial services. The company is embarking on a diversification and expansion programme. To fund this it is entering the capital market in the last week of February with a public issue of 35 lakh equity share of Rs 10 each at par aggregating Rs 350 lakh. The issue is being lead managed by All Bank Finance and World Link Finance.

SAMEEKSHA TRUST BOOKS

Selection of Articles from *Economic and Political Weekly*

General Editor: Ashok Mitra

Poverty and Income Distribution

Edited by

K S Krishnaswamy

Contributors

Mahfooz Ahmed ★ Pranab K Bardhan ★ G S Bhalla ★ Krishna Bharadwaj ★ Nikhilesh Bhattacharya ★ G K Chadha ★ G S Chatterjee ★ V M Dandekar ★ D N Dhanagare ★ S Guhan ★ L R Jain ★ N S Jodha ★ V M Rao ★ Nilakantha Rath ★ Amartya Sen ★ K Sundaram ★ S D Tendulkar ★ D S Tyagi

pp viii + 420

Rs 240

Available from

OXFORD UNIVERSITY PRESS

Bombay Delhi Calcutta Madras.

LYKA LABS

Thrust on Exports

THE Bombay-based pharmaceutical company Lyka Labs has done well in 1993-94. Net sales were up by 21 per cent, operating profit by 28 per cent and net profit by 57 per cent. Margins would have been higher but for the fall in other income and non-operating profit by 30 per cent and 40 per cent, respectively. Also there was a rise in taxation, depreciation and interest charges by 16 per cent, 6 per cent and 9 per cent, respectively. While exports jumped by 164 per cent imports fell by 24 per cent. An enhanced dividend of 25 per cent was declared for the year.

Debt-equity ratio declined from 198 per cent in 1991-92 to 185 per cent in 1992-93 and 61 per cent in 1993-94. Sundry creditors to current assets has been steady at 40 per cent for the past two years. Short-term bank borrowings to inventories rose sharply by 72 percentage points. Inventories grew by 13 percentage points. Sales to total assets has declined in the past three years while sales to gross-fixed assets has increased. Earning per share increased in the past three years from Rs 1 in 1991-92 to Rs 5 in 1992-93 and Rs 6 in 1993-94. Net value added to value of production fluctuated at 15 per cent in 1991-92, 18 per cent in 1992-93 and 16 per cent in 1993-94. Remuneration to employees has shown a steady decline in the past three years from 58 per cent in 1991-92 to 46 per cent in 1992-93 and 44 per cent in 1993-94. Return to equity has been steady at 20 per cent in the past two years.

Total sales of the formulations were higher by Rs 17 crore (21 per cent). The diversified activities of the company, such as the veterinary and diagnostic and medic equipment division, also registered a growth of 35 per cent. In order to strengthen its position in the market, the company is negotiating tie-up arrangements with internationally reputed manufacturers for marketing and manufacturing its products in India. The company is setting up a wholly-owned subsidiary in Hong Kong with the objective of functioning as a trading base for the company's foray into China and other markets. The company is also setting up a unit in Tarapur, expanding its existing facilities at Ankleshwar and diversifying into the manufacture of ayurvedic medicines by investing Rs 30 crore. The expansion and diversification plans are to be phased out over the next one-and-a-half year. The first phase which started in the last quarter of 1994 is slated to be completed in March 1995.

The company invested Rs 41 lakh on its R and D activities in the year. Development of new products for the export market, development of new formulations and import substitutes were some of the activities undertaken by the department.

NATIONAL PEROXIDE

Expanding Market

Promoted by Bombay Dyeing, National Peroxide has shown a marginal increase in net sales by Rs 29 lakh (0.53 per cent), in operating profit by Rs 14 lakh (0.86 per cent) and in net profit by Rs 31 lakh (3 per cent). There was a major fall in non-operating income, while other income was up by 13 per cent. The company paid taxes to the tune of Rs 1.4 crore for the year, while depreciation and interest charges fell by 35 per cent and 14 per cent, respectively. Imports were up by 45 per cent while exports declined by 47 per cent. A 45 per cent dividend was declared for the year as against 40 per cent in the previous year.

Earning per share increased steadily from Rs 249 in 1991-92 to Rs 364 in 1992-93 and Rs 378 in 1993-94. Net value added to value of production fluctuated at 34 per cent in 1991-92, 33 per cent in 1992-93 and 35 per cent in 1993-94. Remuneration to employees increased by 4 percentage points for the year. Inventories after having fallen by 13 per cent in the previous year have now marginally risen. Sales to total assets fluctuated at 84 per cent in 1991-92, 108 per cent in 1992-93 and 67 per cent in 1993-94. Sales to gross fixed assets fluctuated at 94 per cent in 1991-92, 111 per cent in 1992-93 and 69 per cent in 1993-94. Sundry creditors to current assets rose to 42 per cent in 1993-94 from 29 per cent in 1992-93. Short-term bank borrowings to inventories ratio has been steady at 83 per cent for the past two years. Debt-equity ratio fluctuated at 107 per cent in 1991-92, 50 per cent in 1992-93 and 94 per cent in 1993-94.

Hydrogen peroxide production increased by 726 MT and sales by 752 MT. Phase I of the expansion project has been completed and commercial production from that additional stream commenced in March 1994. The plastics additives division achieved a capacity utilisation of 105 per cent, recording increased production by 1,166 MT and sales by 477 MT for the year. The company expects the demand for PVC stabilisers to improve as new PVC resin manufacturing capacities have been commissioned.

The company incurred an expenditure of Rs 67 lakh for the year for R and D. Pulp and paper industry is emerging as one of the major markets for hydrogen peroxide in the

country and R and D efforts have been continued during the year to establish usage of hydrogen peroxide in this industry. As a result, all newsprint mills have switched to the usage of hydrogen peroxide. In the area of plastics additives the company is making concentrated efforts in developing a number of new products including processing aids and calcium-zinc stabilisers for mineral water packaging with a view to diversify the market and improve capacity utilisation of the plant.

GARWARE-WALL ROPES

Diversification Plan

The Pune-based Garware-Wall Ropes is the largest manufacturer of synthetic wall ropes in the country. The company has done well in 1993-94. Net sales were up marginally by Rs 21 lakh (0.31 per cent), operating profit by 25 per cent and net profit by 66 per cent. There was a rise in other income by 89 per cent (Rs 1.55 crore) and non-operating profit rose to Rs 12 lakh for the year. Taxation and depreciation decreased by 6 per cent and 14 per cent, respectively; while interest charges increased by 8 per cent. The company declared a dividend of 30 per cent for the year. Imports were up by 56 per cent, while exports fell by 9 per cent.

Debt-equity ratio fell to 34 per cent in 1993-94 from 44 per cent in 1991-92. Short-term bank borrowings to inventories rose from 60 per cent in 1991-92 to 69 per cent in 1992-93 and 109 per cent in 1993-94. Sundry creditors to current assets showed a steady rise from 16 per cent in 1991-92 to 17 per cent in 1992-93 and 22 per cent in 1993-94. Sales to total assets declined by 69 percentage points over 148 per cent in 1992-93. Sales to gross fixed assets fluctuated at 192 per cent in 1991-92, 231 per cent in 1992-93 and 142 per cent in 1993-94. Growth in inventories has declined drastically in the past three years. Earning per share fluctuated at Rs 10 in 1991-92, Rs 14 in 1992-93 and Rs 12 in 1993-94. Net value added to value of production increased by 5 percentage points in the year as against 15 per cent in the previous year. Remuneration to employees was steady at 29 per cent for the past two years.

The company is now diversifying into the fish-net machinery manufacturing business. This project is the first of its kind in the country, since the current demand for fish-net machinery is being met by imports from Japan and Korea. This division is being set up with technical collaboration with a Japanese firm. The setting up of an in-house fish-net machinery manufacturing facility would help the company's fish-net webbing

Financial Indicators	Lyka Labs		National Peroxide		Garware-Wall Ropes		DGP Windsor		Padmatex Engineering	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	10052	8259	5463	5434	6880	6859	9090	8896	5144	5821
2 Value of production	10371	8526	5442	5272	6764	7037	9404	8486	5306	5866
3 Other Income	436	628	52	46	328	173	218	525	272	407
4 Total income	10807	9154	5494	5318	7092	7210	9622	9011	5578	6273
5 Raw materials/stores and spares consumed	5124	4646	1777	1850	3423	4178	6565	5918	4368	3982
6 Other manufacturing expenses	2378	2177	471	415	413	427	115	104	73	143
7 Remuneration to employees	790	762	487	393	460	377	1068	953	486	472
8 Other expenses	1579	842	1126	1041	1589	1266	1107	1097	714	957
9 Operating profit	936	727	1633	1619	1207	962	767	939	-63	719
10 Interest	469	428	405	472	302	279	401	502	470	480
11 Gross profit	503	359	1212	1151	917	679	381	489	-364	331
12 Depreciation	81	76	202	311	165	193	375	373	165	128
13 Profit before tax	422	283	1010	839	752	486	6	116	-532	203
14 Tax provision	70	60	140	0	75	80	11	32	0	35
15 Profit after tax	352	223	870	839	677	406	-5	84	-532	168
16 Dividends	105	82	103	92	116	85	106	106	0	82
17 Retained profit	247	141	767	747	561	321	-111	-22	-532	86
Liabilities/assets										
18 Paid-up capital	533	412	230	230	561	284	1064	1064	1293	829
19 Reserves and surplus	1183	693	2773	2006	3330	1412	2785	2882	633	976
20 Long term loans	1047	2052	2845	1125	1346	645	998	1553	1388	1705
21 Short term loans	2222	323	1037	966	1523	1199	1264	1134	417	336
22 Of which bank borrowings	1927	21	637	635	1144	821	794	25	0	0
23 Gross fixed assets	1372	1230	7861	4863	4834	2963	4083	3908	2554	2450
24 Accumulated depreciation	487	408	2012	1811	1585	1406	2255	1907	716	599
25 Inventories	2607	1884	764	758	1041	1182	4571	4667	1707	3022
26 Total assets/liabilities	8326	5580	8071	4988	8602	4620	10111	10314	5142	6775
Miscellaneous items										
27 Excise duty	238	356	772	872	261	226	111	43	331	284
28 Gross value added	1783	1624	2134	2073	1562	1263	1835	1971	750	1263
29 Total foreign exchange income	3394	1281	73	140	1340	1474	1391	2170	42	1720
30 Total foreign exchange outgo	1139	1487	802	491	2885	1828	518	680	2282	3335
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	120.7	148.0	67.7	108.9	80.0	148.5	89.9	86.3	100.0	85.9
32 Sales to total net assets (%)	201.6	237.3	79.3	125.6	101.8	193.8	148.7	134.1	137.9	151.4
33 Gross value added to gross fixed assets (%)	130.0	132.0	27.1	42.6	32.3	42.6	44.9	50.4	29.4	51.6
34 Return on investment (gross profit to total assets) (%)	6.0	6.4	15.0	23.1	10.7	14.7	3.8	4.7	-7.1	4.9
35 Gross profit to sales (gross margin) (%)	5.0	4.3	22.2	21.2	13.3	9.9	4.2	5.5	-7.1	5.7
36 Operating profit to sales (%)	9.3	8.8	29.9	29.8	17.5	14.0	8.4	10.6	-1.2	12.4
37 Profit before tax to sales (%)	4.2	3.4	18.5	15.4	10.9	7.1	0.1	1.3	-10.3	3.5
38 Tax provision to profit before tax (%)	16.6	21.2	13.9	0.0	10.0	16.5	183.3	27.6	0.0	17.2
39 Profit after tax to net worth (return on equity) (%)	20.5	20.2	29.0	37.5	17.4	23.9	-0.1	2.1	-27.6	9.3
40 Dividend (%)	25.00	20.00	45.00	40.00	30.00	30.00	10.00	10.00	0.00	12.00
41 Earning per share (Rs)	6.60	5.41	378.26	364.78	12.07	14.30	-0.05	0.79	-4.11	2.03
42 Book value per share (Rs)	32.2	26.8	1305.7	972.2	68.3	57.1	36.2	37.1	14.9	21.8
43 P/E ratio (based on latest and corresponding last year's price)	18.9	25.6	16.5	16.4	10.8	9.8	-2207.8	0.0	-12.2	12.1
44 Debt-equity ratio (adjusted for revaluation) (%)	61.0	185.7	94.7	50.3	35.1	39.8	25.9	39.4	72.1	94.5
45 Short term bank borrowings to inventories (%)	73.9	1.1	83.4	83.8	109.9	69.5	17.4	0.5	0.0	0.0
46 Sundry creditors to sundry debtors (%)	89.8	89.7	117.0	78.4	220.5	61.6	103.4	108.1	173.3	198.8
47 Total remuneration to employees to gross value added (%)	44.3	46.9	22.8	19.0	29.4	29.8	58.2	48.4	64.8	37.4
48 Total remuneration to employees to value of production (%)	7.6	8.9	8.9	7.5	6.8	5.4	11.4	11.2	9.2	8.0
49 Gross fixed assets formation (%)	11.5	3.1	61.6	13.0	71.7	26.1	4.5	11.4	4.2	42.3
50 Growth in inventories (%)	38.38	25.43	0.79	-13.17	-11.93	2.43	-2.06	-2.04	-43.51	80.20

division. The division presently operates 19 imported machines producing 1,200 tpa of fish nets. Garware would be cutting down on its cost by manufacturing the machinery, for import duty on finished goods is quite high. The division does not plan to sell its machinery in the domestic market but plans to export it at a later stage. Having a strong presence in the international market with 40 per cent of its total production of twines and ropes being exported to more than 35 countries in Europe, West Asia, USA, and south-east Asia, the company has recently entered into a joint venture with the Indonesian 'Penta Group' to manufacture 1,200 tpa of synthetic ropes. Since the unit is being set up in Indonesia, the company would be saving 10 per cent import duty, thus enabling it to price its product competitively in the market. Garware-Wall Ropes has commenced its spadework to become the largest cordage manufacturer in the world. The company has also entered into an agreement with a party in Jabel Ali, Dubai, for providing technological and marketing support for manufacture of 600 MT of synthetic ropes thereat, including supply of entire set of plant and machinery as also continued supply of requisite quality of yarn from India.

The company invested Rs 25 lakh on its R and D activities in the year. Developmental activities of speciality fishing nets and sports nets, and length stretching and depth stretching machines and special air intermingled sewing thread were undertaken.

PADMATEX ENGINEERING

Tariff Policy Problems

Padmatex Engineering, manufacturers of textile machinery, suffered a setback in 1993-94. The company has been showing continuous fall in profitability for the past three years. However, this year the company has suffered losses. Net sales were down by 11 per cent (Rs 6.77 crore), operating profit by 108 per cent (Rs 7.82 crore), and net profit by 416 per cent (Rs 7 crore). While other income was down by 33 per cent (Rs 1.35 crore), non-operating profit was up by 83 per cent (Rs 77 lakh). Depreciation rose by 28 per cent while there was a marginal fall in interest charges. Exports and imports fell by 99 per cent and 34 per cent, respectively.

Last year the debt-equity ratio had suffered due to a more than proportionate increase in long-term debt, but this year it has again got steadied. Sundry creditors to current assets ratio declined steadily from 42 per cent in 1991-92 to 38 per cent in 1992-93 and 28 per cent in 1993-94. Sales to gross fixed assets fell by 36 percentage points. Earning per share fell sharply. Net value added to value of production fluctuated at 13 per cent in 1991-92, 19 per cent in 1992-93 and 11 per cent in 1993-94.

High tariffs on indigenous capital goods industry has been one of the major reasons for the company's automatic cone winders (ACWs) becoming completely uncompetitive in relation to fully imported machines. Since the duty on imported components is 40-65 per cent and because the newly introduced ACW-Autoconier-238 has a high import content, the company has to bear a high duty burden. To escape this, efforts are being made to indigenise components as rapidly as possible.

The company has invested Rs 19 lakh on R and D activities in the year. Production of ACW Machine-238 model, manufacture and introduction of blow film line, indigenisation of ACW-238 model with individual spindle slicing were some of the activities carried out by the department.

DGP WINDSOR

Hit by Recession

Formerly Klockner Windsor, the now Thane-based DGP Windsor is a 30-year old company and has been a pioneer in manufacturing and selling plastic processing machinery and a leader in injection moulding machinery. The company has not done well in 1993-94. Though net sales went up by 2 per cent, operating profit and net profit declined by 18 per cent and 105 per cent. The decline in other income by 58 per cent and non-operating profit by 71 per cent was balanced by a 65 per cent decline in taxation and 20 per cent decline in interest charges. Exports and imports declined by 35 per cent and 30 per cent, respectively. The company declared a 10 per cent dividend for the year.

Debt-equity ratio rose by 10 percentage points in 1992-93 and fell by 14 percentage points in 1993-94. Short-term bank borrowings to inventories increased by 17 percentage points. Sundry creditors to current assets has been steady at 32 per cent for the past two years. While sales to total assets has

fluctuated in the past three years, sales to gross fixed assets has declined steadily. Net value added to value of production declined from 19 per cent in 1991-92 to 18 per cent in 1992-93 and 15 per cent in 1993-94. Remuneration to employees increased from 34 per cent in 1991-92 to 48 per cent in 1992-93 and 58 per cent in 1993-94. Earning per share has been falling in the past three years. Current dividend to total paid up capital has been maintained at 9 per cent in the past two years. Even with falling profitability the company has maintained its dividend at a minimum of 10 per cent. Return on investment declined by 9 percentage points in a span of three years from 12 per cent in 1991-92 to 3 per cent in 1993-94.

Recessionary conditions in the machine-user industry was one of the major reasons for the depressed performance. The company's machines find application in telecommunications, automobiles, plastics, electronics and consumer durables. With abundant availability of raw materials, good export potential for plastic components and an overall growth in plastics industry the company expects to perform better. It is planning to double the production capacity of its injection moulding machinery and extrusion machinery. From the original capacity of 1,000 units for the injection moulding machinery the company plans to double it in three years. As for the production of extrusion machinery it plans to increase capacity to 600 units from the present 250-300 units.

The company invested Rs 92 lakh (increase of 87 per cent) on R and D. The division is recognised by the department of scientific and industrial research, government of India. The department has contributed to developing a number of new products. Also there were significant developments in microprocessor controls for machines. The department also designed and developed a new range of 'Winmicro' injection moulding machinery and some of the models were exhibited in Plastindia 94.

Sociology of G.S. GHURYE

S.K. Pramanick

This book is the first comprehensive attempt to analyze three major areas of Ghurye's contributions to Indian sociology. First, his own substantive writings, his theoretical postulates and his vision of the role of sociology in India. Second, his role in promoting and directing the course of research in diverse fields of Indian society. And third, his role as an institution-builder in the establishment of the Indian Sociological Society and in introducing the Sociological Bulletin, which continue to be the platforms for professional sociologists in India even today.

ISBN 81-7033-261-X

280 pp

Rs. 375



RAWAT PUBLICATIONS

3-Na-20, Jawahar Nagar, JAIPUR 302 004

Phone: 0141-567022 Fax: 0141-567748

Marx Is Dead, Long Live McCarthy

GPD

How does a marxist poet/writer in India and Asia become 'entrapped' because the Stalinist systems collapsed in eastern and central Europe?

IT was in the last week of last year that the annual literary meet of people writing and interested in Marathi took place in Parabhani in the Marathwada region of Maharashtra. A distinguished poet and a life-long communist, Narayan Surve, presided over the proceedings. I do not know if a member of a communist party or even a known marxist had ever presided over these annual sammelans (meetings). These meetings are important basically as a celebration of literature, a celebration which does mix the popular with high-brow to a small extent. Forty thousand people listened to the presidential address at the inaugural function. In our world where the visual and electronic media seem to have overshadowed the written word, that a poet and one writing in a small-time language like Marathi, is so celebrated is great news indeed. For the various seminars and symposia organised at the Parabhani too there was no dearth of audiences. Five to ten thousands listened to these not always very illuminating or entertaining discussions with rapt attention. Some tribute to the tolerance of the Marathas, one must say. But that is not the reason why we have chosen to write on the occasion. It is some representatives of the smug Bombay elite who find all the 'jnanvridhas' (senior learned people) usually in England and America who made us aware that at least for some the Parabhani meeting was more than a celebration of literature. It was a celebration of a marxist, something they could not take.

Now, you would think that we live in a post-socialist and, more importantly, a post-marxist world. It would not now matter what kind of a marxist you are or were. We had thought that the only people worried about that in our country were the communists of different 'varnas' themselves. Obviously, that does not seem to be the case. It is the non-communists who seem to be worried about marxists and, if correspondence in this very journal is to be taken seriously, about 'Stalinists', real or imaginary, too!

Be that as it may, Narayan Surve's election to the chairmanship of the 'utsav' (celebration) of literature seems to have worried at least some of the scribes writing in Marathi newspapers. One editorial called him "an entrapped poet". One would have thought

all good poets are essentially entrapped souls, marxism or the lack of it notwithstanding. It is not for no reason that 'shoka' (sorrow, bereavement, unhappiness) and 'shloka' (verse), the two ancient terms, are phonetically so close. How does a marxist poet/writer in India and Asia become entrapped because the Stalinist systems collapsed in eastern and central Europe? Do we take these editors and scribes as entrapped souls because liberal democracy has failed in most of the coloured world? To be sure, we do not have to because their assessments of democracy or capitalism are essentially Europe-based. Consult a Marathi editor and in all probability he will tell you how the marxian critique has proved false and misleading. What he will not tell you is that his assessment is based on his understanding of Europe and North America. What happens in the rest of the world and what Euro-American prosperity has got to do with domination over and continuous impoverishment of the coloured world rarely ever dawn on him. The fact of the matter is that it is not poets like Surve who are entrapped but rather these scribes — in Euro-American glitter and glamour. Unwittingly they have devised a way to get out of their entrapment. For them, people who think that critique of capitalism is not dated, not yet anyway, are the entrapped souls. Pity them and throw them in the dustbin of (capitalist) history is their policy. Their concern for 'entrapped poets' springs from this. When a writer with known and established 'feudal' and 'Hindu nationalist' credentials is elected to preside over the annual festival of Marathi letters, no editorials are forthcoming on the 'entrapped' people who elect them. We are not suggesting that they should be. What we are suggesting is that McCarthyism should not pass off as concern for the literary health of somebody like Surve.

As if pontification on the setting of the socialist sun and marxist authors was not enough, another scribe came up with what can only be described as a witch-hunt. This scribe, whose main claim to literary fame springs from his translation activity decided to refer to the emergency imposed by Indira Gandhi 20 years ago. A section of communists, to which Surve belonged, had supported the emergency at that time. This scribe

makes a reference to a Sahitya Sammelan which had taken place in Karad in the presence of Y B Chavan at that time. Durga Bhagwat, the then president, had chosen to take up cudgels against the emergency and had confronted Chavan on the question. There is little doubt that the grand old lady of Marathi letters had taken a courageous position then. But the scribe does not only say that. He asks an almost tearful question. Oh, lovers of Marathi letters, he seems to ask, think what the world has come to! Somebody who had supported the emergency 20 years ago is now going to occupy the same chair which was once occupied by Durga Bhagwat. This is simple Stalinism in reverse. Or perhaps worse. It is actually McCarthyism. For these people the fact that Surve is a fine poet is not as important as the fact that he is a known and self-confessed communist. No European takes such simplistic and anti-democratic positions. It is in Russia, and not in western Europe, that Mayakovsky is under attack and it is in Bombay that Surve has to suffer condemnation because he declares himself to be a communist and his party (not just he as an individual, a distinction that our scribe would probably not even understand) had taken a patently wrong political position on the emergency.

In other words in the post-socialist world any reason is good enough to declare the marxists out of bounds for the civilised world. We have not used the names of the scribes concerned for two reasons. One, we have no personal quarrel with these scribes, in fact we have some respect for their reading and prose style. Two, for non-Marathi readers the names would not make much sense anyway. It is the McCarthy-like element in their criticisms which does worry us. One had not thought that the democratic instinct of these people was basically so weak and that authoritarian views would masquerade as liberal views. But that's the price one has to pay, one reckons, if one takes the view that Marx is still relevant in an atmosphere in which the battle-cry of Maharashtra liberals seems to be: Marx Is Dead, Long Live McCarthy!

Economic and Political Weekly

available from:

Churchgate Book Stall
Churchgate Station
Opp Indian Merchants Chambers
Churchgate
Bombay-400 020

Inflation Anxieties Cause Liquidity Strain

The monetary authorities' anxiety about inflation has led to the current liquidity strain in the money market.

(1) GROWING LIQUIDITY STRAIN

JANUARY began with the legacy of an unusually tight liquidity regime that dominated the whole of December as a result of several seasonal and non-seasonal factors, such as arresting of the foreign currency accruals and reduced bank deposit growth on the supply side and, on the demand side, advance tax payments, PSU disinvestments, subscription to the UTI's rights offer for US-'64 scheme, and a dramatic spurt in the demand for bank credit to the commercial sector. The legacy persisted throughout January. Again, on the supply side, though the official foreign reserves (other than gold) experienced a small recovery with the RBI re-entering the market for surplus dollar purchases after it withdrew for a quarter or so, the commercial bank deposits have generally stagnated for the second month in succession. Foreign currency assets (including SDRs) increased by only Rs 926 crore in four weeks between December 30, 1994 and January 27, 1995. But the aggregate deposits of scheduled commercial banks, which rose by Rs 1,632 crore during the last week of December, fell by an almost equivalent amount in the week ending January 6 and recovered again by a similar amount in the fortnight ending January 20, thus exhibiting over the four-week period virtual stagnation. The short-term investible funds available with the public sector financial institutions, which are parked as 'other deposits' with the RBI and which touched a peak of Rs 3,584 crore on December 23, have remained since then about Rs 1,000 crore below that level up to January 13. On the other hand, demand for bank credit became further buoyant with non-food advances of scheduled commercial banks showing an increase of Rs 3,225 crore between December 30 and January 20. Added to it, from the fortnight beginning January 21, RBI stepped up the cash reserve ratio (CRR) on foreign currency (non-resident) accounts (banks) [FCNR (B)] scheme from 7.5 per cent to 15 per cent and introduced a CRR of 7.5 per cent for the first time on non-resident non-repatriable rupees (NRNR) scheme, which together are expected to impound as much as Rs 1,155 crore of banks' resources. With the termination of exchange cover for the foreign currency non-resident accounts (FCNRA) scheme, a large reduction in deposits under the scheme was accompanied by a corresponding growth in deposits under the above non-resident schemes which hitherto enjoyed zero or concessive CRR. The root cause of the current liquidity strain in

the money market is the RBI's tightfistedness as a result of the authorities' anxiety regarding the persistence of high inflation which, with a 11.1 per cent rise in WPI over the past 12-month period, now stands nearly at double the rate of 6 per cent visualised as a year-end goal despite a bumper agricultural crop.

(2) CALL MONEY RATES

The phenomenon of unusually high and volatile interest rates in the overnight market that dominated virtually the whole of December persisted, in fact to a greater extent, in January. Apart from the strain on liquidity, apprehensions of banks about their ability to meet the requirement of maintaining 85 per cent of their CRR liability on a daily basis from the fortnight beginning January 7 also loomed large on the money market scenario. The reporting fortnight ending on January 6 covered also the last week of December that faced severe month-end/year-end liquidity crunch. As the tight liquidity position lingered on, the call rates in the first week of January remained high and also volatile. The first two working days of the New Year saw the rates ruling in the range of 18-14 per cent, but on January 4 the market opened with a clamour for borrowings even at 35 per cent and hence the RBI reportedly injected Rs 1,900 crore for the second time in the recent period (about Rs 2,000 crore having been provided in December), through the STCI under repurchase/refinance arrangements against government securities and through the DHFI under similar arrangements essentially against treasury bills: these institutions in turn are said to have provided funds at 15-20 per cent to banks under ready-forward deals, the call rates did ease after this injection. But on the next day, January 5, which was the penultimate day of the reporting fortnight, the overnight rates again went berserk and ranged from 25 to 60 per cent as some of the foreign banks became desperate to cover for CRR on this day rather than on the reporting Friday, particularly before moving on to the new system of CRR coverage (Graph A). This is because inter-bank borrowings on the reporting Friday

raise the base-level net demand and time liabilities (net DTL) for the CRR/SLR coverage in the following fortnight. Dealings on reporting Friday (January 6) also opened with call rates being quoted at a high of 25 to 30 per cent for a few borrowers amongst nationalised and foreign banks who had failed to cover their CRR positions on the penultimate day as they could not borrow under the commercial bills rediscounting avenue – another preferred method of borrowing so as to avoid a rise in the base-level net DTL. While market reports suggested the day's closing quotation for overnight money at 6 per cent, the DFHI reported the closing rate to have dipped to 1 per cent on January 6.

The second fortnight beginning January 7 saw the call money rate remaining stubbornly high generally in the range of 11 to 18 per cent but at the same time less volatile; it was so even in the last week of the month. This generally represented the anxiety on the part of the banks to adhere to the new system of CRR maintenance which tended to firm up the rate in the range of 15-18 per cent in the first week of this second fortnight. The following week saw some easing of the rates to a range of 10 per cent to 13.5 per cent except on the reporting Friday (January 20) when they dipped to a low of 5 per cent. Apart from the new CRR maintenance system, the upward revision in the reserve ratio on certain non-resident deposits effective from January 21, combined with the general shortage of liquidity, made the rates rule high in the range of 10.5 per cent to 17 per cent in the last 10 days of the month.

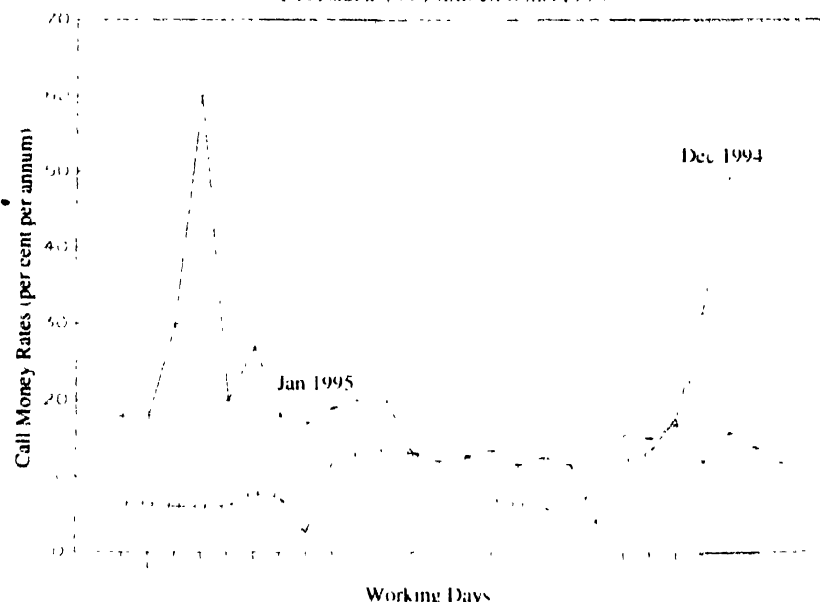
That the call rates were unusually high during January 1995 are evident from the fact that the average of top-end rates at 17.7 per cent was the highest in recent months (Table 1). Though the coefficient of variation measuring the extent of volatility was lower in January than in December, it hid the fact that intra-day fluctuations were more in January (Table 2).

The general upheaval in the money market during January 1995 activated different institutions and instruments to assuage, to hedge and to profiteer. The injection of liquidity by the RBI repo facilities provided to banks through the STCI/DHFI have been noted earlier. Yet another development in the market related to the operations of the UTI. The authorities' expectations were that the funds mopped up by the UTI through subscriptions to its rights issues on its US-'64 scheme would revert to the money market and thus help subside the call rates but the

TABLE 1. DAILY TOP-END QUOTATIONS IN CALL MONEY RATES (PER CENT)
SIMPLE STATISTICAL CHARACTERISTICS

	Sept 94	Oct 94	Nov 94	Dec 94	Jan 95
Mean	25.62	7.36	9.61	11.84	17.68
Standard deviation	25.08	3.46	3.16	9.95	9.87
Co-efficient of variation (percentages)	97.09	47.01	32.88	84.04	55.92

GRAPH A: DAILY TOP-END QUOTATIONS OF CALL MONEY RATES
DECEMBER 1994 AND JANUARY 1995



UTI apparently changed its strategy; it did not lend in the call market, which pushed up the overnight rates and thus forced the banks to sell gilts at attractive prices which were then purchased by the UTI itself. Finally, the general liquidity crunch and the persistence of high call money rates made the banks desperate to mobilise deposits. As the Indian Banks' Association (IBA) allowed banks to offer interest rates on short-term deposits as they deemed fit, many banks went ahead offering the maximum permitted rate of 10 per cent on deposits of 46 days to one year. While the RBI had freed interest rates on bank deposits with only the ceiling of 10 per cent prescribed in April 1993, the IBA had prescribed a progressive scale then. So fierce has been the competition that some of the banks, contrary to the RBI regulations, even discriminated between depositors and offered higher rates to large depositors. The RBI had to step in and caution the banks that if caught discriminating between customers based on deposit size or the value of a customer, they would invite penalty. These RBI instructions have always existed since 1985.

(3) IMPACT ON FOREIGN EXCHANGE MARKET

During the month of January 1995, the foreign exchange market experienced wild swings in cash-spot differentials and forward premia for all maturities. The general illiquidity of money market instruments and

high degree of volatility and uncertainty in call rates had pushed up the six-month forward premia (annualised) from an average level of 4.01 per cent in the last week of December 1994 to 4.27 per cent on January 3, 4.65 per cent on January 4 and 4.78 per cent on January 5. It is interesting to observe that the demand for forward dollar had emanated not from importers but from the banks and exporters who sold dollar cash/spot and bought forward thereby providing an upward push to the forward premia; the rupee proceeds so obtained were invested in the call money market to reap arbitrage benefits of high call rates.

While some banks were engaged in forward bookings, other banks and some ex-

porters sold dollar for instant cash so as to invest the proceeds in the call money market where the rates touched the high level of 35 per cent on January 4, and purchased dollar spot the transaction of which is completed in the next two working days. As a result, the cash price of dollar declined and the counterpart purchase of spot dollars pushed up its price, thereby widening the cash/spot percentage differential to a whopping 29 per cent (or five paise as against the average one paise) on January 4 (Graph B). The speculative returns these players are said to have reaped ranged from 30 per cent to 45 per cent. The difference between cash and spot dollar further widened to seven paise on January 5.

The six-month annualised forward premia eased subsequently to 4.56 per cent on January 6 and to 4.53 per cent on January 9. However, it again flared up to 5.43 per cent on January 11 which is said to have been due to heavy overnight forward covering by SBI which covered heavily cash over spot and forward. The six-month rupee-dollar swap rate again scaled a new height of 6.06 per cent on January 12 with a premium of near-one rupee for the US dollar (Graph C). The cash/spot percentage differential (annualised) had widened to 17.5 per cent on this day. Besides the wild volatility in call rates, the other responsible factors were FCNR covering by all foreign banks and SBI covering for some corporate clients. The forward premia rates, however, started softening somewhat from January 13 onwards to reach 4.99 per cent on January 16, there was a brief skirmish during the next three days when the forward premia moved up to 5.61 per cent following a rumour of rupee devaluation. The annualised premia in the cash/spot market remained in a narrow range of 3 per cent to 4 per cent. After a brief spell of easiness, the cash/spot differential and the forward premia got widened, with the former touching near 27

TABLE 3: RBI'S REPURCHASE (REPO) AUCTIONS

(Rupees in crore)

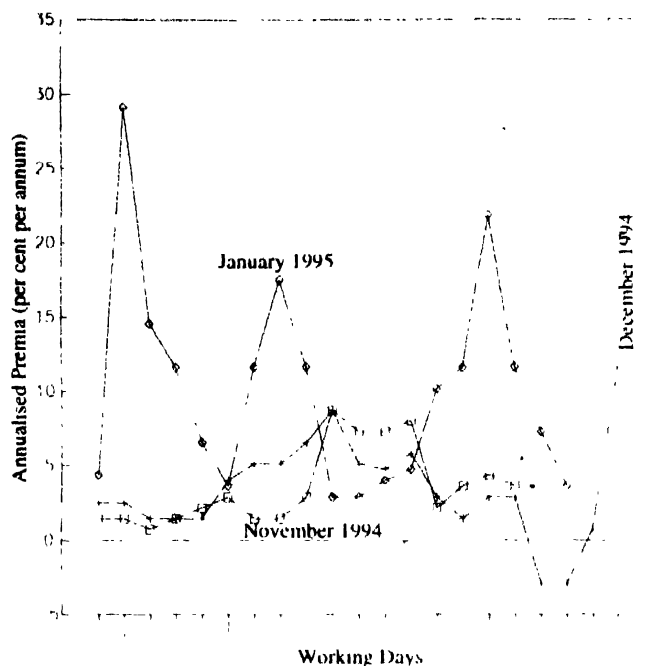
Date of Auction	Repo Period in No of Days	Bids Tendered		Bids Accepted		Cut-off Repo Yield Rate (Per Cent)
		No	Face Value (Amount)	No	Face Value (Amount)	
1993						
Dec 10	16	39	4870	17	3202	6.25
Dec 24	12	31	1508	21	1285	6.25
Jan 7	14	27	1148	17	902	6.25
Jan 21	14	6	166	1	35	6.25
1994						
Dec 9	14	1	10		All rejected	
Dec 21	14	1	10		All rejected	
Jan 6	14	1	10		All rejected	
Jan 20	14	1	5		All rejected	

TABLE 2: CALL MONEY RATES

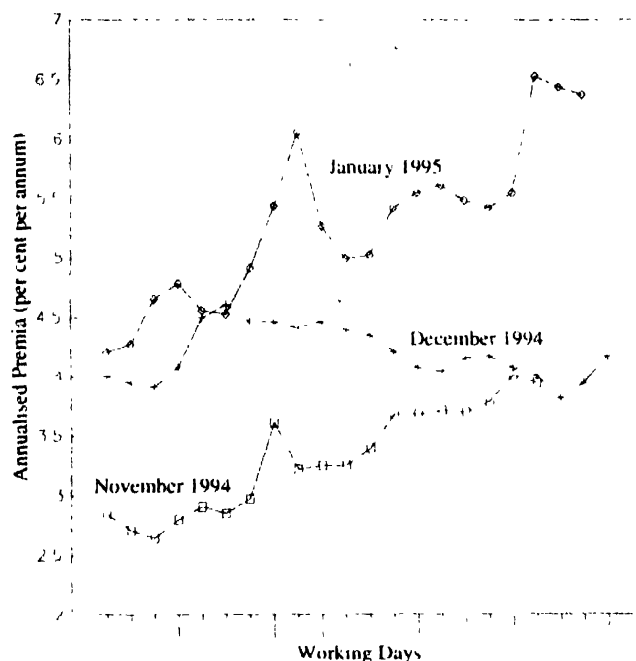
(Per cent per annum)

Items	January 1995				December 1994					
	27	20 (RF)	13	6 (RF)	30	23 (RF)	16	9 (RF)	2	
Weekly range	17.00-13.50	13.50-0.25	27.00-11.00	1.00-60.00	10.25-50.00	7.00-0.25	13.50-11.50	7.75-0.25	6.50-5.00	
Weekend (Friday)	16.00-13.50	4.00-0.25	20.00-13.00	20.00-1.00	3.00-50.00	2.50-0.25	13.25-11.75	2.50-0.25	6.50-5.00	
Weekly weighted average	na	10.43	14.89	20.03	15.24	7.40	12.13	5.59	8.16	
DFHI lending rates (range)	na	8.00-5.25	16.75-13.00	20.50-13.25	10.50-15.00	11.50-1.00	11.00-13.00	7.50-1.50	11.00-5.45	

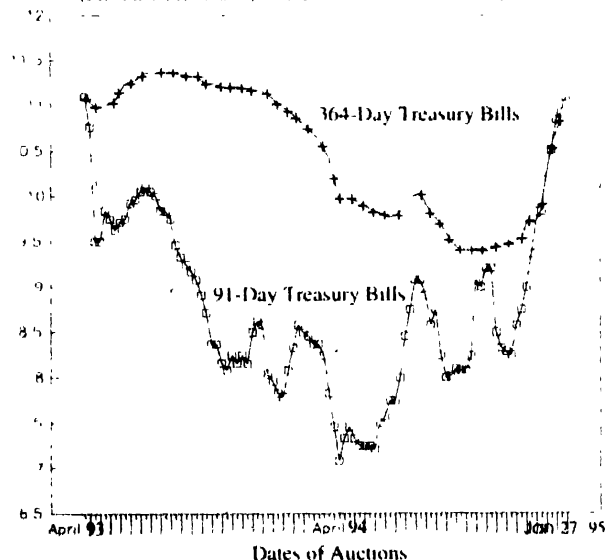
GRAPH B: ANNUALISED DAILY CASH/SPOT PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



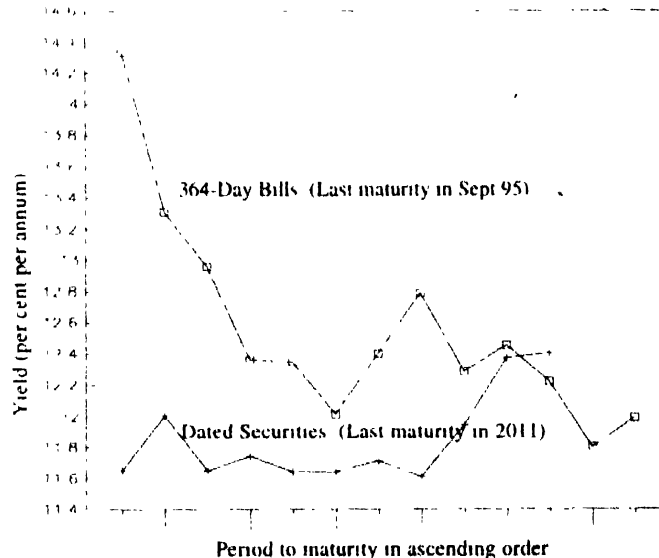
GRAPH C: ANNUALISED DAILY 6-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



GRAPH D: CUT-OFF YIELDS OF 91-DAY AND 364-DAY TREASURY BILLS (PRIMARY AUCTIONS) APRIL 1993 TO JANUARY 27, 1995



GRAPH E: YIELD CURVES FOR 364-DAY TREASURY BILLS AND GOI SECURITIES - WEIGHTED AVERAGE FOR JANUARY 1995



per cent on January 26 and the latter jumping to 6.53 per cent on January 27. As against the end-December forward premia price of 70 paise, the forward premia on January 27 stood at over Rs 1.02, at which level the exchange rate worked out to be Rs 32.41 as against the end-December rate of Rs 32.07 – a depreciation of 34 paise of 6 per cent in a matter of three weeks. (On January 27, the RBI reference rate for the US dollar, which is based on noon rates for a few select banks in Bombay, increased to Rs 31.40 from the generally sticky rate of Rs 31.37, showing a mild depreciation of the rupee.) More importantly, the spread between the bid and ask price of forward covers widened to a high of 5.5 paise as against the normal differential

of 2 paise indicating the shifting of heavy cost to forward buyers. This also indicates that dollar was being sold cash/spot to gain the advantage of a weak rupee which went down to Rs 31.41 per US dollar and bought forward resulting in an upward pressure on forward premia.

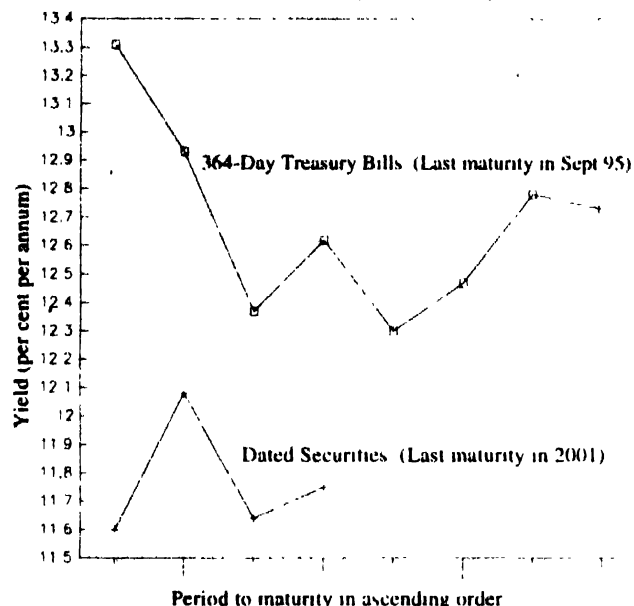
The general trend in the forward premia in the recent period seems to be on an ascending trajectory, reflecting market perception of a possible depreciation of the rupee in the near future. First, the trade deficit is expected to widen as the annual rate of increase in non-POL imports has galloped to over 32 per cent. Further, oil prices are expected to increase as the prices have bottomed out now in the international market.

The process will also be aided by the reduced inflow of dollars due to poor FIIs' portfolio investment and limited GDR inflows.

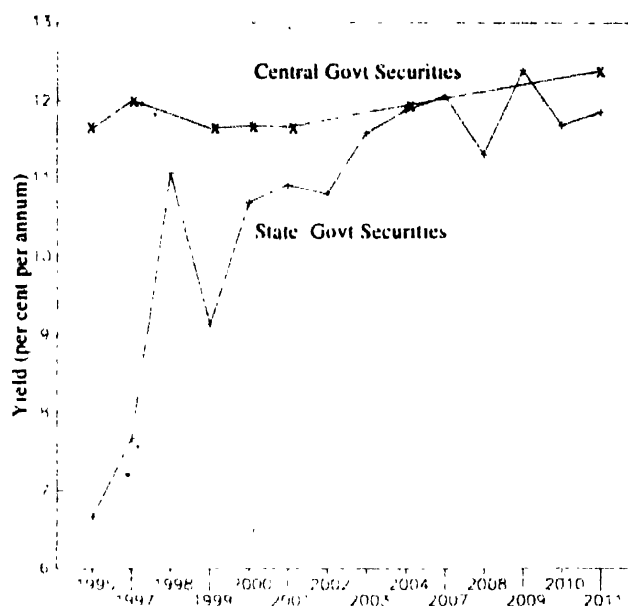
(4) PRIMARY MARKET AUCTIONS OF GILTS

While the market response to the government's short-term debt floatations has been steadily declining in recent months, there was seen a silver-lining in that at the fag end of January/early February, there was adequate response to a five-year zero coupon bond probably based on yield considerations, lower cash outgo for the present and bulk cash flow inclusive of principal and interest at maturity, no tax deductions at source and the market expectation that interest rates in the medium-term would be lower.

GRAPH F: YIELD CURVES FOR 364-DAY TREASURY BILLS AND DATED SECURITIES - WEIGHTED AVERAGE FOR THE LAST WEEK ENDED JANUARY 27, 1995



GRAPH G: YIELD CURVES FOR DATED GOI SECURITIES AND STATE GOVT SECURITIES - WEIGHTED AVERAGE FOR JANUARY 1995



Repurchase Auctions (Repos)

The Reserve Bank's repo auctions, done twice a month, continued to receive poor response with only one bid received in each of the month's auctions, which too was rejected in both the auctions, as in December 1994 (Table 3).

91-Day Treasury Bills

The tight liquidity position reflected in this weekly auction also. While a good number of bids were received, in terms of amounts, they were too little compared to the notified amounts. The Reserve Bank had to give progressively higher cut-off yield from 10.51 per cent at the beginning of January to 11.10 per cent towards the end of the month (Table 4). The Reserve Bank has further curtailed the size of notified amount from Rs 100 crore in the first two auctions to Rs 50 crore in the subsequent two auctions of January (so also in the first two auctions of February).

364-Day Treasury Bills

Unlike the above two, these auctions received a relatively better response. Interestingly, investors bid small amounts in a large number of bids. They also expected a higher yield which the government obviously would not have liked to concede. As a result, though the Reserve Bank accepted a majority of the bids and paid a yield higher than the preceding auction each time, in terms of amounts it rejected more than it accepted. The yields in the month's two auctions were 10.56 per cent and 10.86 per cent, respectively, which significantly have turned out to be much lower than those offered on 91-day treasury bills.

Dated Securities

On January 30 the government announced a borrowing programme through zero cou-

pon bonds. Bonds worth Rs 2,000 crore with a maturity of five years were to be auctioned on February 2. Given the unduly poor response of the market last December (2.77 per cent of the outstanding bills were converted) towards the conversion of 364-day treasury bills into a 3-year security at a coupon rate of 11 per cent, the central bank has preferred the zero coupon bond route which has the advantage of keeping the cut-off price/yield open. Besides, the RBI has also added an additional attraction of conferring purchase facility to these bonds straight away.

The market which had just taken a breather from the seething rates in the overnight market naturally expected a higher yield on the bonds. The cut-off price and the implicit yield accepted by the authorities on the first zero coupon bonds of similar maturity issued in January 1994 were Rs 53.90 and 12.7508 per cent, respectively. The expectations were based on the fact that the liquidity crunch had pushed interest rates across-the-board to a higher level. With most banks offering 10 per cent to short-term deposits of 46 days to one year, the cost of resources for them had increased; in fact there have been hints held out by banks that they would have to resort to a hike in the lending rates so as to maintain their already reduced spreads. On the other hand, major concerns on the part of the government and Reserve Bank were two-fold: a desire to bring down interest rates on commercial lendings so as to aid the process of economic recovery and to contain the government's growing debt and debt service ratio. If the government gave a higher yield this time, the investment portfolio of banks would also tend to depreciate.

The results confirmed the central bank's perception that interest rates in the medium term are likely to decline. Bids worth over Rs 2,300 crore were received and the Reserve Bank accepted the bids at a cut-off

price at Rs 54 and above with partial allotment to two bidders. At this price, the YTM worked out to 12.71 per cent which compared well with the YTM of 12.75 per cent for the zero coupon bonds floated in January 1994. (However, total bids received at that time amounted to Rs 6,995 crore against a notified amount of Rs 3,000 crore.) The rate was noticeably higher than the existing yield to maturity observed in the secondary market for gilts of similar maturity.

(5) OPEN MARKET OPERATIONS

The Reserve Bank resumed its open market operations once again on January 28. This time it offered 6.25 per cent security maturing in 1996 at a sale price of Rs 92.38. The same security was put on sale in December last at a price of Rs 92.31 which meant a YTM of 10.15 per cent. By lowering the yield further to 10.10 per cent the Reserve Bank continued to remain passive in its open market operations. At a yield of 10.10 per cent, this offer did not match the market trading rates of securities with similar maturity. For instance, on January 25, 12.75 per cent 1996 security was trading at an YTM of 12.1249 per cent or on January 21, at an YTM of 12.0329 per cent. Therefore, like last time, there were no takers for this paper in the market. Apart from the insufficiency of yield to maturity, there was also the question of a poor coupon rate of 6.25 per cent which has implications for the current income and the ensuing year's profit and loss accounts of banks.

Incidentally, the Reserve Bank had also offered on January 28 to buy 12 per cent 1999 security and 12.35 per cent 2004 security at par from the market. The offer being only as a matter of safety net no investor found it necessary to sell the security at par to the central bank. The market was trading the 12 per cent 1999 security at Rs 100.05

on January 30. The Reserve Bank withdrew the above purchase/sale offers on February 3 and instead placed the brand new zero coupon bond for purchase at par (i.e., Rs 54) and the 12 per cent 1999 security for sale at Rs 98.33.

(6) NEW ISSUES OF PSU BONDS AND OTHER INSTRUMENTS

Along with the government's debt market, the public sector bonds market, the corporate debt market and the certificates of deposit (CD) market also showed signs of growing. This was a direct consequence of the downturn in the capital market, the testimony of which was given by the withdrawal of the mega IDBI issue scheduled for January 27. Private placement of PSU bonds, as also issuance of CD, in favour of financial institutions, became a dominant feature in January as the primary as well as the secondary equity market failed to provide the investment outlet for the surplus funds of the FIs.

PSU Bonds

Many PSUs began to look at bonds as an alternate route for raising money. The interesting aspects of this trend was that most bonds were privately placed with primary investors, viz. banks and financial institutions and the structure of the debt instrument which reflected a wide variety. Notable among the bonds issues was Rajasthan State Industrial Development and Investment Corporation which issued structured obligation bonds worth Rs.250 crore. The privately-placed bonds of IFCI were worth Rs 200 crore. The IFCI bonds had two schemes – vanilla note and liquid note. The vanilla note was a straight offering with 12.75 per cent coupon rate payable half yearly. It also has a call option to be exercised by IFCI at the end of three years at a premium of 1.25 per cent. The liquid note allows the investor to redeem the paper through put option at the end of each year four times during the bond tenure of five years. The note has graded coupon which, beginning with 11.75 per

cent in the first year, increases every year to reach 13.75 per cent in the fifth year. The IFCI has the right to call the note at the end of three years at a premium of 1.25 per cent.

Corporate Bonds

The instruments of floating rate bonds, however, took a beating as corporates postponed issues of bonds due to volatility in the overnight market. At least three corporates – Ashok Leyland, Infrastructure Finance and Leasing (IL and FS) and Bharat Forge – were known to have postponed their FRNs. A market for SCICI's FRN also could not be created for the same reason.

CD

In their search for deposit resources, some banks resorted to the issuance of CD even though the yields offered have had to be pushed to as high as 13 per cent with their effective costs touching even 14 to 14.5 per cent. This was in sharp contrast to the yields of 9-9.5 per cent quoted a couple of months ago. The CDs in the recent period have been issued by banks in favour of financial institutions such as IDBI, ICICI and IFCI, though such issues subsided towards the end of January.

(7) SECONDARY MARKET

The trend of distress selling of gilt-edged paper and increased use of ready forwards in treasury bills and permitted dated securities which had begun in December contin-

ued in January. The weekly data on the NSE operations, as presented in Table 6, testify to the fact that sell orders generally outstripped buy orders on that exchange. The system of ready forwards received an impetus from the RBI's injection of liquidity through the DFHI and STCI, as explained above. The aggregate amount of ready-forwards during January was Rs 6,005 crore as per the RBI's SQL data (Appendix Table) as against a range of Rs 1,200 crore to Rs 2,356 crore during each of the previous four months. Investors resorted to disinvesting in state government loans too in order to access additional resources. The acute pressure faced by funds managers tended to distort the behaviour of the yield curve for government of India treasury bills and dated securities with sharp upward movement at the short-end and downward trend at the long-end. The pressure was also reflected in the stiffening of the forward premia for the US dollar in the domestic inter-bank market in all its maturity transactions.

Apart from the activation of the market for CD and CP, the public sector bonds market and the corporate debt market also showed signs of added activity essentially as a direct consequence of the downturn in both the primary and secondary markets for corporate equities. Many corporates began to look at bonds as an alternative route for raising money and the investing institutions found them as alternative outlets for deploying their surplus funds.

TABLE 5 AUCTIONS OF 364-DAY TREASURY BILLS

(Rupees in crore)

Date of Auction	Bids Tendered		Bids Accepted		Cut-off Price in Rupees	Cut-off Yield Rate (Per Cent)
	No	Face Value (Rupees)	No	Face Value (Rupees)		
1994						
Jan 5	125	3552.01	54	1356.01	90.13	10.95
Jan 19	91	3001.00	8	1012.00	90.21	10.85
1995						
Jan 4	14	358.00	10	42.00	90.45	10.56
Jan 17	14	136.00	11	116.00	90.20	10.86

TABLE 4 AUCTIONS OF 91-DAY TREASURY BILLS

(Rupees in crore)

Date of Auction	Notified Amount (Rupees)	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Rupees)	Cut-off Price in Rupees	Cut-off Yield Rate (Per Cent)	Amount Outstanding (Rupees)@		
		No	Face Value (Rupees)	No	Face Value (Rupees)				Total	With RBI	Outside RBI
1994											
Jan 7	400	22	407	22	400	0.00	98.02	8.08	3700.00	60.00	3640.00
Jan 14	400	11	49	11	49	351.00	97.96	8.33	3600.00	411.00	3189.00
Jan 21	400	18	172	16	162	238.00	97.90	8.58	3600.00	649.00	2951.00
Jan 28	250	19	736	5	250	0.00	97.92	8.05	3500.00	649.00	2961.00
1995											
Jan 6	100	9	13	3	7	0.00	97.44	10.51	2106.00	382.25	1713.75
		(2)	(150)	(2)	(93)						
Jan 13	100	13	22.5	7	7.5	67.50	97.36	10.85	2106.00	370.25	1725.75
		(1)	(25)	(1)	(25)						
Jan 20	50	13	51.5	9	47	0.00	97.34	10.93	2046.00	370.25	1675.75
		(1)	(25)	(1)	(3)						
Jan 27	50	8	7.5	6	6	0.00	97.30	11.10	1846.00	370.25	1475.75
		(1)	(50)	(1)	(44)						

Figures in brackets represent numbers and amounts of non-competitive bids which are not included in the total.

@ Outstanding amounts are estimated for all weeks of January 1995

Government Securities

The distress nature of transactions in gilt-edged securities is evident from the steady declines in their prices which in effect had begun in December. The price of frequently traded 12.75 per cent 1996 security which was Rs 103 in early Decem-

ber, fell to Rs 102.35 towards the end of December; on January 31, it was traded at Rs 100.65. Similarly, the 12 per cent 1999 which the RBI also purchased under its open market operations in early December at Rs 103.34 was traded in mid-January at Rs 101.45; its price finally fell to as low a figure as near par at Rs 100.05 on Jan-

uary 30. As a result of the banks' anxiety to avoid booking huge depreciation in their older gilt-edged holdings, much of the secondary trading has taken place in new securities like, besides the above, 12 per cent 1995, 11.64 per cent 2000, 12.75 per cent 1996 and 11.75 per cent 2001. As said earlier, repos dominated the treasury bills

APPENDIX TABLE: SECONDARY TRANSACTIONS IN GILT-EDGED SECURITIES: RBI'S SGL DATA

(Amount in rupees crore)

Descriptions	Week ending January 1995			Yield to Maturity on Actual Trading			6			Total for the month of January 1995		
	27	20	13	6	27	20	13	6	27	20	13	6
	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY
1 Treasury Bills												
A 91-Day Bills	-	-	-	-	-	-	-	-	-	-	-	-
B 364-Day Bills												
i) Jan 20, 1995	-	-	-	15.00	9.00	-	155.00	14.85	-	-	-	-
ii) Feb 3, 1995	42.50	13.31	-	-	-	-	-	-	-	-	-	-
iii) Feb 17, 1995	-	-	-	24.50	12.11	-	30.50	13.66	-	3.00	12.75	-
iv) Mar 3, 1995	15.00	12.93	-	35.00	12.36	-	13.00	11.70	-	-	-	-
v) Mar 17, 1995	10.00	12.37	-	10.60	12.44	-	1.00	11.65	-	0.44	11.18	-
vi) Apr 3, 1995	-	-	-	-	-	-	15.00	12.01	-	-	-	-
vii) Apr 14, 1995	3.45	12.62	-	26.50	12.37	-	-	-	-	-	-	-
viii) Apr 28, 1995	7.65	12.30	-	2.25	12.14	-	327.00	12.81	-	0.53	9.88	-
ix) May 12, 1995	-	-	-	-	-	-	63.95	12.31	-	10.00	12.12	-
x) Jun 9, 1995	10.00	12.47	-	48.00	12.38	-	30.00	12.56	-	-	-	-
xi) Aug 4, 1995	-	-	-	-	-	-	5.00	11.97	-	5.00	12.47	-
xii) Aug 18, 1995	20.00	12.78	-	10.00	12.47	-	110.00	11.56	-	-	-	-
xiii) Sept 1, 1995	37.50	12.73	-	63.00	12.39	-	146.00	11.64	-	6.50	11.59	-
Sub-total (volume)*	146.10	12.86	-	234.85	12.14	-	896.45	12.77	-	25.47	12.06	-
2 GOI Dated Securities												
A Converted (Per Cent: Year)												
i) 12.00, 1995	20.00	11.60	11.98	20.00	11.61	11.97	96.00	11.65	11.98	124.00	11.66	11.98
ii) 12.75, 1996	22.05	12.08	12.66	62.00	11.99	12.65	130.00	12.02	12.65	6.30	11.53	12.58
iii) 12.00, 1999	-	-	-	22.00	11.69	11.89	10.00	11.55	11.83	-	-	-
iv) 11.75, 2001	25.00	11.75	11.75	91.27	11.75	11.75	10.00	11.58	11.66	15.00	11.47	11.60
v) 12.50, 2004	-	-	-	25.00	11.96	12.15	750.00	11.95	12.14	185.00	11.91	12.12
Sub-total (volume)	67.05	11.81	12.12	220.27	11.82	12.08	996.00	11.92	12.18	330.30	11.79	12.05
B Regular (Per Cent: Year)												
i) 12.60, 2000	-	-	-	-	-	-	25.00	11.74	12.21	-	-	-
ii) 11.64, 2000	5.00	11.64	11.64	-	-	-	-	-	-	-	-	-
iii) 11.64, 2000(II)	-	-	-	-	-	-	75.00	11.64	11.64	-	-	-
iv) 7.50, 2001	-	-	-	-	-	-	-	-	-	6.00	11.61	9.20
v) 11.50, 2011	-	-	-	-	-	-	20.00	12.37	12.25	-	-	-
vi) 12.50, 2011	-	-	-	-	-	-	20.00	12.40	12.35	-	-	-
Sub-total (volume)	5.00	11.64	11.64	0.00	-	-	140.00	11.87	11.93	6.00	11.61	9.20
(A+B)*	72.05	11.80	12.08	220.27	11.82	12.08	1136.00	11.92	12.15	336.30	11.79	12.00
C Zero coupon (Per Cent: Year)												
i) 0.00, 1999	-	-	-	301.00	11.87	10.91	-	-	-	-	-	-
D RBI's open market operations (Per Cent: Year)												
i) 6.25, 1996	-	-	-	-	-	-	-	-	-	-	-	-
(A+B+C+D)	72.05	11.80	12.08	521.27	11.85	11.41	1136	11.92	12.15	336.3	11.79	12.00
3 REPO@												
i) 91-day T bill	105.00	-	-	-	-	-	105.00	-	-	75.00	-	-
ii) 364-day T bill	293.00	-	-	35.00	-	-	1110.45	-	-	630.00	-	-
iii) Govt securities (Per Cent: Year)												
12.00, 1995	74.00	-	-	18.00	-	-	524.00	-	-	30.00	-	-
12.75, 1996	350.00	-	-	-	-	-	425.00	-	-	137.00	-	-
12.00, 1999	40.00	-	-	-	-	-	210.00	-	-	98.00	-	-
12.50, 2004	353.00	-	-	-	-	-	508.00	-	-	885.00	-	-
Sub-total (volume)	1215.00	-	-	53.00	-	-	2882.45	-	-	1855.00	-	-
@ Excluding RBI's 14-day repos												
4 State Govt Securities												
Sub-total of 36 state loans (volume)	3.22	11.31	11.52	23.93	11.31	11.52	37.40	11.31	11.52	24.06	11.31	11.52
Grand total (volume)	1436.37	-	-	833.05	-	-	4952.30	-	-	2240.83	-	-

(-) means no trading YTM % = Yield to maturity in percentage per annum CY % = Current yield in per cent per annum * Yield rates of these sub-groups of t-bills and dated securities have been used for the graphs.

Notes: 1) Yields are weighted yields, weighted by the amounts of each transaction.

2) Current yield has not been worked out for treasury bills.

TABLE 6: OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING JANUARY 1995

Descriptions	Week ending January Amount in Crore of Rupees															
	27				20				13				6			
	Order		Actual Traded	Amount	Order		Actual Traded	Amount	Order		Actual Traded	Amount	Order		Actual Traded	Amount
	Buy	Sell			Buy	Sell			Buy	Sell			Buy	Sell		
1 Treasury bills																
i) 91-day bills																
ii) 364-day bills	109.00	89.00	198.00	84.00	151.00	191.00	342.00	141.00	221.00	146.00	367.00	121.00	180.00	67.00	247.00	57.00
Sub-total	109.00	89.00	198.00	84.00	151.00	191.00	342.00	141.00	221.00	146.00	367.00	121.00	180.00	67.00	247.00	57.00
2 Dated securities																
A GOI securities																
i) converted	67.56	94.56	159.12	17.56	64.30	214.00	278.30	62.00	238.00	221.00	464.00	156.00	255.05	430.05	685.10	170.05
ii) Regular	5.00	10.00	15.00	-	10.00	35.00	45.00	-	25.00	35.00	60.00	25.00	2.00	21.00	23.00	2.00
iii) Zero coupon	-	-	-	-	-	-	-	-	-	5.00	5.00	-	5.00	-	5.00	-
B State govts																
Stocks	3.01	43.01	46.02	3.01	4.29	33.79	37.55	4.29	19.89	33.89	40.79	15.15	2.58	52.58	55.16	2.13
Sub-total	75.57	147.57	220.14	20.57	78.59	282.79	360.85	66.29	282.89	294.89	569.79	196.15	264.63	503.63	768.26	174.18
3 PSU bonds																
i) Tax free	5.00	29.00	34.00	5.00	22.10	72.00	94.10	10.00	110.00	128.98	238.98	18.00	27.00	21.98	48.98	14.00
ii) Taxable	4.40	32.40	36.80	4.40	26.10	81.10	106.30	11.11	4.05	23.05	26.10	3.05	6.00	6.00	12.00	6.00
Sub-total	9.40	61.40	70.80	9.40	48.20	153.10	200.40	21.11	113.05	152.03	265.08	21.05	33.00	27.98	60.98	20.00
4 Commercial papers	11.00	7.00	18.00	7.00	7.50	7.50	15.00	7.50	6.00	6.00	12.00	6.00	15.00	58.00	30.00	15.00
5 Debentures	-	0.32	0.32	-	2.30	0.37	2.67	-	2.25	0.20	2.45	-	2.75	-	2.75	-
6 Floating rate bonds	-	10.00	10.00	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Certificates of deposits													41.50	41.50	83.00	41.50
Grand total	204.97	315.29	517.26	120.97	287.59	639.76	920.92	235.90	625.19	599.12	1216.32	344.20	536.88	698.11	1191.99	307.68

(-) No trading

and central government security transactions during the month

A phenomenon which was noticed in December but acquired some prominence in January relates to the active trading, though in dribbles, in state government loans. In the month of November 1994, 10 state loans were traded for allotted amount of Rs 10 crore and in December, 16 loans were traded for Rs 12.6 crore, but in January as many as 35 state loans were traded for an amount of Rs 88.6 crore. Significantly, while the yield curve generally indicated a smooth pattern, there was however distinct discrimination as between states based on the market's risk perceptions.

Distorted Yield Pattern

The excess holding of SLR securities by banks in the recent past followed by a sudden emergence of liquidity strain has caused various distortions in the nature of trading in gilt-edged securities and the resultant behaviour of the yield curve. First, the cut-off yields in the primary market have not only risen but the rise has been sharper for 91-day treasury bills than for 364-day bills (Graph D). Second, in the secondary market, the yield curve for the 364-day treasury bills has experienced a distinct and perceptible downward slope (Graph E) contrary to the behaviour in earlier months and contrary to its behaviour in a normal situation. In practice, with pressure for cash the holders of 364-day treasury bills appear to have dislodged those bills which are close to the redemption date at depressed prices. Third, a somewhat contrary situation obtained in the case of long-dated securities where only the longest maturity period securities ob-

tained relatively low prices and the highest yield. Even so the yields to maturity for 364-day treasury bills have remained far above those for the dated securities (Graph F). This is very similar to a situation described by Nicholas Kaldor in an essay in 1960. Arguing that when the short rate of interest is either abnormally high or abnormally low, the yield curve will be distorted, Kaldor said "at times when the short rate is very high, it is even possible for the yield on long-term and irredeemable bonds to stand lower than the current short rate of interest" (Nicholas Kaldor, 'Keynes's Theory of the Own-Rates of Interest' in *Collected Economic Essays*, Vol II, *Essays on Economic Stability and Growth* Duckworth, 1960). Kaldor further opined that the above must reflect the expectation that the short rate will fall in the future.

Finally, the yield curve on state government securities, where the number of transactions during the month was very large, has behaved in a normal fashion, of yields rising with lengthening maturity dates up to a certain high level (Graph G).

PSU Bonds

There has been a growing mismatch between buy and sell orders in the PSU bonds market with sale offers far outstripping the buy offers (Table 6). Because of the prevalence of high prices, the actual deals turned out to be meagre. Only a few selected PSU bonds were traded in the market. These were NTPC, HUDCO, IRFC, RECL, DVC, NLC, MTNL, IDBI and PFC. The yields on these papers truly reflected the risk borne by the investors in holding them. This was a positive sign for the fledgling bonds market.

Commercial Paper

Activity in the commercial paper market also gained momentum with the availability of a reliable trading floor in the form of NSE screen since December 1994. CPs issued by Alpic Finance, BPL, ITC Bhadrachalam, Jain Irrigation, Dabur and ICI changed hand at yields in the range of 14 to 18 per cent, though the amounts traded were generally small. Quite surprisingly though at one point of time the rate offered by CP and that on government's treasury bills converged, but it was a momentary and shortlived occurrence.

Certificates of Deposit

There were only a few deals worth Rs 42 crore in the secondary market for certificates of deposits during the first week of January (Table 6).

NSE and SGL Operations

The significant divergence between order value and traded value on the NSE was indicative of the fact that investors used the NSE for testing the market more than for trading. Besides, there has been a substantial difference between the transactions done on the NSE and those recorded by the Reserve Bank's SGL. All the securities which can be traded through the SGL recorded a much higher volume there and only nominal amounts at the NSE floors (see Appendix Table compared with Table 6).

Inter-Corporate Deposits

Inter-corporate deposits appear to have remained stable during the month. Though estimates of the volumes were not available, the going rates were between 12 per cent for 90 days and 16 per cent for one year.

Impact of Joint Ventures on Fish Economy

John Kurien

To permit the government's new policy on joint ventures in fisheries to proceed tantamounts to allowing a handful of bureaucrats and politicians to usurp the custodianship role of the state and trade the inter-generational heritage of our marine resources to parties who are openly interested only in short-run profits.

ON November 23 and 24, 1994, the marine fishing industry of India spread across nine maritime states covering a coastline of over 7,500 kilometres struck work and came to a virtual standstill. It is our assessment that about one million persons stood off from work at sea, processing plants and markets during these two days as a mark of protest against government policies permitting joint ventures virtual free access to the fish in the Indian Exclusive Economic Zone (EEZ). Considering that this is an industry which is largely dominated by livelihood and subsistence motivations, this is no mean achievement. Another important aspect of the fish strike was that significant sections of fish consumers – whose total number in the country is estimated to be at least 300 million – also consciously chose a fish-free diet on those days.

The credit for this goes to the National Fisheries Action Committee against Joint Ventures (NFACAJV) spearheaded by the National Fishworkers' Forum (NFF), the federation of small-scale, artisanal fish-worker unions of the various maritime states in India. The NFACAJV was, however, a consortium of strange bedfellows – traditional enemies so to speak. The artisanal fishermen were joined in this struggle by the owners of the small mechanised trawlers, as well as operators of export processing facilities. The latter two have always been in confrontation with the artisanal fishermen, during the monsoon months, on the question of regulating the operations of the shrimp trawlers. The clashes between these groups have always posed grave law and order problems right around the country's coastline. But they were together on the NFACAJV having drowned their differences to confront a larger, common foe – the newly arriving larger fishing vessels from foreign waters who have been given a 'blank cheque' to the fishery resources of India. As part of the post-1992 IMF-World Bank monitored liberal economic policies of the government of India, the EEZ has been opened up to 'joint ventures' between foreign and Indian companies. The economic

rationale is that these ventures are 100 per cent export-oriented and this will augment our foreign exchange earnings on the current account. To date about 170 licences involving about 800 vessels are said to have been issued. It is not known as to how many of these licencees have commenced operations. The authorities were however very tight-lipped on this matter following the strike call by the NFACAJV. However, considering that the decision to allow joint ventures in fishing was taken at the highest political decision-making level in the country, there seems to be little chance of an easy roll-back of commitments. One possible scenario is that, in the face of such a hostile environment within the industry in the country, a few of the foreign counterparts of the joint ventures who have received licences may fight shy of making the actual investments.

If joint ventures are a *fait accompli*, as it is made out to be at the political level by the concerned minister, given the state of the resources and the brief history of deep sea fishing using large fishing vessels in Indian waters, what will be the impact of these new joint ventures on the fish economy of India?

RESOURCES

First, let us look at the resources. Making resource estimates of the living marine wealth of the country has not been a major preoccupation of the country's fishery scientists. The estimates which were being quoted with biblical authority were based on an article by three scientists which appeared in 1977 in a non-professional publication [George 1977]. According to this estimate, the maximum sustainable yield (MSY) of the 2.02 million sq km Indian EEZ was placed at 4.47 million tonnes. Of this 2.26 million tonnes (50 per cent) was located in the inshore zone between the coast and the 50 m isobath. New estimates made in 1988 however placed the MSY at only 3.921 million tonnes but indicate the potential in the inshore zone to be 2.28 million tonnes (58 per cent) and in the offshore zone (50-

500+ m) at 1.641 million tonnes [Sudarsan 1988]. Such estimates of relative abundance are however no substitute for knowledge about their spatial and seasonal concentrations. On the whole the resources have a rather low density which makes them largely unsuited to large-scale commercial exploitation. Taking the area of these zones, and their respective MSYs, we see that the density of the fishery resource per sq km is about 70 per cent higher in the inshore zone (11 tonnes) than in the offshore (6.5 tonnes). Based on these official resource estimates and with the assistance of informed industry sources, the market value of the unexploited resources in the offshore zone, which in theory are to be the realm of operation of the joint ventures, were also recently calculated [Giudicelli 1992]. It is estimated that as much as 48 per cent of the resource (0.54 million tonnes) is valued as 'low' (between US \$ 500 and 1,000 per tonne) and 38 per cent (0.43 million tonnes) as 'very low' (below \$ 500 per tonne). The real commercial resources – those which are assessed to be valued above US \$ 1,000 per tonne – account for a 0.164 million tonnes, and of this 60 per cent are located in the west coast region.

HISTORY OF DEEP SEA FISHING

Second, a brief history of deep sea fishing. The involvement of big business in Indian fishing presumably for 'deep sea fishing' is not totally new [Kurien 1977]. There was a phase when the Indian subsidiaries of well known multinational corporations like Unilever, Union Carbide and so forth made their foray into the sea. This phase did not last for very long. The labyrinth of regulations in the country's industrial licensing policies and the organised opposition to 'big, bad, MNC' capital by 'small, nationalist' capital played an important role in curbing and finally phasing out this involvement. Having achieved this, ventures by national capital, encouraged by the liberalisation of the early 1980s, and with the backing of specialised credit agencies, began to dominate the scene. By the post-1985 period there was a rush into "deep sea fishing" with the use of chartered vessels and newly purchased boats as well. The number of deep sea fishing vessels in India rose from 68 in 1984 to 180 in 1991, making for an accumulated HP rating of 28,700 HP to 81,200 HP [Giudicelli 1992]. All efforts were concentrated in the Bay of Bengal for harvesting of shrimp. In a quinquennium, most of the 180 vessels of that fishery were running heavy losses and the credit institutions were straddled with large white-elephants at sea. At the request of the Association of Indian Fishery

Industries and the government of India a study was made by an FAO consultant to examine the measures which could be taken to salvage the situation and suggest ways and means for rehabilitation, redeployment and upgradation of the fleet [Giudicelli 1992]. This report makes an extensive analysis of the resources from a biological and economic standpoint. This is followed by an extensive review of the history and problems faced by the present deep sea fishing fleet. Following this the report concludes that the present critical situation of the deep sea fishing fleet in India does "not reside in the technologies applied, which are appropriate, nor in the shrimp market, which is still strong" [Giudicelli 1992: 27] but rather on six other reasons which are worth elaborating in the context of this analysis: (i) the competition from the small-scale mechanised fishing boats, (ii) the over-capacity of the deep sea fleet in the main shrimp fishery, (iii) absence of attractive markets for the by-catch, (iv) absence of commercially valuable alternative fish resources (other than shrimp), (v) lack of specific professional managers for the fleet, and (vi) lack of stamina of the sea-going and shore personnel.

In conclusion the report suggests that the need of the hour is redeployment by diversification of the activities of the present fleet equipping them with better on-board technologies like winches, hydraulic long-line drums, etc. The existing managers, skippers and crew should be trained and motivated for this redeployment. Some problems are foreseen in adopting this suggested approach. An important one is that "recent policies of the development of industrial fisheries in India rely excessively on foreign input and interference" [Giudicelli 1992: 30].

RATIONALE FOR NEW JOINT VENTURES

Given this status of the fishery resources in the offshore and the history of deep sea fishing in India after 1985 why should new foreign investors and Indian counterparts be vying for the joint venture licences?

Part of the answer to this question is to be found in the present scenario in global fishing. Global marine fish catch has stagnated around 85 million tonnes after 1989. Taking the 15 FAO statistical areas for monitoring global marine catch we see that between 1970-90 in nine of them there is a visible downward trend [FAO 1992]. Taking the world's fishing fleet as a whole FAO estimates that the annual operating costs in 1989 were in the order of \$22 billion greater than the total revenues with no account being taken of capital costs [FAO 1993]. Distant water fishing vessels world over are in particularly bad shape. Their capacities were built up over the years with massive state subsidies which promoted easy

entry. Unfortunately a fishing vessel once built, has a fairly long economic life and little alternative use other than as scrap metal. Redeployment to other less exploited fishing areas is therefore the only solution for owners who wish, for whatever reason or compulsion, to continue in business. Adding to this already grim situation is the fact that, much of the huge distant water fleet of the erstwhile Soviet Union is up for sale for a song. These vessels are on average very large and many of them were basically constructed for total onboard processing of any living resource from the sea. Consequently, second hand vessels for new joint ventures – which is the contribution of the foreign partner – are available at much cheaper rates than ever before. That these vessels are ecologically inappropriate for fishing in multi-specie tropical waters, and more often than not, far above the required specifications is not an issue with the investor. Given that the Indian Ocean is one of the least exploited oceans (though the least productive too) there is a general movement towards this region by distant water fishing vessels in search of obtaining a fresh lease of life.

The liberal Indian offer seems to have come at the right time for them. All the tabs have been taken out of our earlier norms for joint ventures. The state has thus made the Indian EEZ one huge 'open access regime' and the resource is up for grabs. In such a regime there are no 'property rights' – it is 'possession' that is proof of property. Hence the scramble to get at it quickly before too many join the fray. The melee is really not for any particular variety of commercially valuable fish, but for any fish resource which can be harvested quickly in order to obtain a profit on the investment made. From the side of the Indian government they've provided every bait to attract foreign investment: subsidised fuel (cheaper than what the traditional fisherman pays for his kerosene to run his outboard motor); hundred per cent export with permission for trans-shipment at sea (ensures that there can be no check on the nature or the quantum of the resource taken or the level of discards made); no compulsions to dock in an Indian port during operations (no forward linkages into the economy); permission to use any foreign port as base of operation for fishing in our EEZ (encouragement to involve in activities other than fishing which may jeopardise national security).

CONSEQUENCES AHEAD

What are the likely consequences if those who have been awarded the licences actually come to fish?

More Conflict: The majority of the licences have been given for operations along the

west coast of India. As mentioned earlier, in quality and value terms the potential resources in the offshore (beyond 50 m isobath) of this region are the largest in the Indian EEZ. Over 75 per cent of the resources considered commercially valuable and over 50 per cent of the resources valued as 'low' and 'very low' are found in these waters. It must also be noted that the inshore sea of the west coast, particularly off the states of Goa, Karnataka and Kerala are the most productive in the Indian EEZ. However, this is also the region with the highest density of fishermen per square kilometre of EEZ. They are also known to be the most skilled fishermen of the country, fishing in waters far beyond the 50m isobath using their small-scale vessels. Today these fishermen are also the most militant and well organised and have provided the main impetus for the opposition to the joint ventures under the NFACAJV. We have here the right recipe for conflict – bitter conflict. A day before the national fish strike, the government of India proudly announced that the conflict potentials will be reduced because they would implement a 'corridor at sea' which would be enforced by the coast guard. This only reveals further the total lack of understanding of the socio-economic and the ecological realities of the situation at hand on the part of the policy-makers.

Resource Ruin: The quick-profit-making compulsions inherent in the situation juxtaposed over the unchangeable nature of the resource distribution at sea, will combine to ensure a ruin of the fishery resource. Central to the pursuit of profit is the crisis of ecology. In a tropical sea ecosystem, where the specie-interactions are highly complex and little studied, even if we assume that the joint venture vessels stay in the real 'deep sea', the impact which their operations will have on the rest of the ecosystem and the resource therein, are bound to be damaging. Many of the species are 'straddling stocks' which move in and out of the inshore, offshore and the deep sea at different points in their life-cycle. Consequently, merely because resources are harvested in the offshore waters provides no guarantee whatsoever that such action will not affect the valuable resource base in the inshore zone. The point is that our scientific knowledge and understanding of this is limited. This warrants a more precautionary approach to the management of the fishery. Adding more investment into these waters, in an indiscriminate manner at that, is the least desirable action to be taken at this juncture.

Less Fish for Local Consumption: During the week of the NFACAJV's proposed strike, one joint venture vessel (originally a USSR vessel) called at the port of Cochin in Kerala. Her catch was composed of 2,000 tonnes of large perches and snappers – the mainstay

of the hook and line fishermen in the southern parts of Kerala and one of the relished varieties in the local markets. If joint ventures take hold, the prospects of less fish for local consumption is a foregone conclusion. But urban consumers need not be dismayed. An advertisement appearing in a national newspaper at about the same time assures urban Indian fish eaters who buy their fish from the cold-storages, that "Norwegian fish will be flying into India" as though to compensate for the loss of perches to the joint ventures! This honour of being able to eat Norwegian fish is also the flip side of the new liberalisation policy which permits easy imports.

Exploitation of Workers: Ruin of the resources and exploitation of the workers on board the fishing vessels go hand in hand, particularly if the objective of the enterprise is to get away with quick profits. The majority of the crew and the deck hands on these new joint ventures are not likely to be Indian fishworkers. They will most likely be composed of the 'traditional' crew of such deep sea vessels - Filipinos, Thais, Taiwanese, Mauritians and a few Indians. The evidence at hand indicates that the recruitment practices, employment terms and working conditions of these workers leaves much to be desired. The implementation of relevant ILO conventions pertaining to fishermen is often flouted by maintaining that the kind of fishing vessels being utilised exempts them from coming into the purview of these conventions.

Sifting of National Industry Initiative
Such an open-door policy for joint ventures has proven on a world scale to be beneficial only to a handful of financiers and merchants. It promotes global redeployment at the cost of national redeployment. It thus fails to create independent and genuine national fisheries enterprises. The present evidence available points to the fact that very few of the Indian counterparts in the newly licensed joint ventures have any demonstrated history of involvement in the fishing industry. It is reported that very few of them even belong to the Association of Indian Fishery Industries. India is a country with a rich maritime fishing tradition. It has a highly skilled and enterprising fishing community bordering the whole coastline and demonstrated national technological capacity to make our own hardware for the every sector of the fishing industry. Allowing joint ventures a free play is the surest way of sounding the death-knell of national industry. A careful and selective choice of joint venture collaborations, where the nature of investment made is based on our national priorities and needs, by investors with a good track record, is what we must aim to achieve. To achieve this we need an 'umbrella' body which represents the

interests of all the stakeholders in the fishery, including the consumers. Such a body must guide and monitor joint venture operations towards the larger social good, without depriving the genuine investors adequate and sustainable returns.

CONCLUSION

When no explicit property right is defined in a natural resource within a country's territory, we regard the state to be its 'custodian' on behalf of the present and future generations. In the context of the living resources of the Indian EEZ, at stake is more than just the 'benefit' of earning foreign exchange or the 'cost' of ruin of the resource. We are confronted in India with a situation where the artisanal fishworkers, the small mechanised boat operators and a section of the deep-sea fishing operators with some history of involvement in fishing, are all up in arms against the present joint venture policy of the government. It therefore stands to reason that this new policy is fuelled by motivations and considerations which are obviously intended to favour a few but are wrapped in the packaging of liberalisation and free market ideology which is being touted as the only path left to solve our problems. To permit this new policy on

joint ventures in fisheries to proceed tantamounts to allowing a handful of bureaucrats and politicians to usurp the custodianship role of the state and trade this intergenerational heritage of our marine resources to parties who are openly interested only in short-run profits. This is an affront to civil society at large. It must be opposed.

References

- FAO (1992). 'Review of the Status of the World Fishery Resources', FAO Fisheries Circular No 710, Rome
- (1993) 'Marine Fisheries and the Law of the Sea: A Decade of Change', FAO Fisheries Circular No 853, Rome
- George, P C et al (1977) *Fishery Resources of the Indian Economic Zone*, souvenir issued on the occasion of the Silver Jubilee Celebrations of the Integrated Fisheries Project, Cochin
- Guidicelli, M (1992) *Study on Deep Sea Fisheries Development in India*, FAO, Rome
- Kurien, J (1977) 'Entry of Big Business into Fishing: Impact on the Fish Economy', *Economic and Political Weekly*, Vol XIII No 36
- Sudarsan, D et al (1988) 'Marine Fishery Resource Potential in the Indian Exclusive Zone: An Update', *Fishery Survey of India Bulletin*, No 18, Bombay

OUTSTANDING BOOKS

INDUSTRIAL SICKNESS IN INDIA

S. S. Khanka

Discusses the growing magnitude of industrial sickness in its various aspects and investigates into the various causes leading to it and its consequences on the economy as a whole.

1995

ISBN 81-7169-316-4

Rs 260.

MANAGEMENT OF AGRICULTURAL POLLUTION IN INDIA

Editors G. S. Dhaliwal, B. D. Kansal

Offers a critical analysis of the role of insecticides, herbicides, fungicides, fertilizers, farm machinery and domestic and industrial effluents in pollution of different Components of our environment.

1995

ISBN 81-7169-285-0

Rs 450.

Save Indian Publishing—Buy Indian Books



COMMONWEALTH PUBLISHERS

4378/48, Ansari Road, Murari Lal Street,
New Delhi-110002 Phone : 3272541

Gowari Tragedy

Crisis of Maratha Hegemony

Gopal Guru

The recent gowari stampede and the harassment of dalits over the 'gairan' issue in parts of Akola are an indication of the growing crisis of maratha hegemony in Maharashtra.

THE state response to the stampede in which more than 113 gowaris, mostly women and children, died on November 23, 1994, and to the evacuation of the dalits from the 'gairan' (pasture land) through mindless destruction of the standing crops in nine villages of Akola district in September-October 1994, has led to a vociferous reaction, from different sections in Maharashtra. However, some political observers have explained the stampede from an academic point of view, suggesting a need to take a sociological and anthropological approach for finalising the reservation category for the gowaris (*Maharashtra Times*, December 6, 1994). Other scholars and government bureaucrats have taken a constitutional and legal approach towards the tragedy, arguing that reservations to gowaris are constitutionally untenable and socially disastrous (*The Times of India*, November 25, 1994). Certain experts have called upon the bureaucrats and the politicians to explain to the gowaris the constitutional procedure to register their demand (*EPW*, December 3, 1994).

The response of the opposition to the gowari tragedy was not only belated but was also motivated by narrow political considerations. None of the opposition leaders made an effort to approach the morcha and acquaint themselves with the grievances of the gowaris. But once the tragedy occurred, many opposition leaders came forward to capitalise on the issue. The BJP used the issue to settle scores with Sharad Pawar and pressed for his resignation. The assembly speech of the leader of the opposition, Gopinath Munde (BJP), targets Pawar but rarely touches the grave issues involved in the incident: The BJP attempted to win over the fledgling gowari leadership by performing last rites of the deceased gowaris. It now plans to construct a memorial in the villages of the victims. The leader of the separate Vidarbha movement is also reported to have filed a case against the chief minister and the state home minister on behalf of the gowaris. However, this 'legal aid' aims to enlist the electoral support of the gowaris for the party in the coming assembly elections. The role of other opposition leaders was far from satisfactory. Majority of them had volunteered to resign in protest but with

the sole exception of Makharam Pawar of Bahujan Mahasangh, none implemented it. Such half-hearted response made the Congress task of foiling the no-confidence motion tabled by the opposition much easier.

The Congress government cannot be absolved of the insensitivity and the high-handedness that it showed while handling the gowari issue. As is clear from all newspaper reports, the government refused to treat the gowari morcha seriously denying audience to more than 30,000 gowaris. Secondly, the police handobast was far from adequate to manage such a huge morcha. The morcha contained a large number of women but only a handful of women constables were on duty. The Congress ministers did not even visit the wounded in the hospital and express sympathy to the relatives of the deceased. The chief minister chose to remain at Bombay. (Interestingly, during the last winter session of the state assembly the chief minister had rushed to Pune in order to sympathise with the parents of innocent children who were killed in a rail accident.) The home minister of the state visited the victims but later, had a pleasure trip to the tiger park in Tadoba forest of Chandrapur district. The supporters of the chief minister advanced security reasons to justify the latter's failure to meet the victims. That the gowaris were an aggressive lot is a *post facto* rationalisation of the government's callousness. In fact no violent mood was evident amongst the protesting gowaris. Moreover, as a part of *post facto* rationalisation of the police action, the government sources claimed that criminal elements from the mob attacked the police, forcing the latter to take action against the gowaris in self-defence. If the police were attacked, why not a single police was reported injured? The most inhuman part of the entire tragedy was the local authorities cramping the dead bodies of the gowaris into state transport buses. In fact, ambulances from governmental and voluntary agencies could have been made available to carry the dead bodies to their destination. The gowari leaders alleged that they were denied an audience by the Congress leadership of both, the state and the central level. The state government instituted an inquiry committee after considerable hesitation and later out of

political compulsion declared 2 per cent reservation for the gowaris.

The callous treatment meted out by the state government has been read by some as routine hostility of the government towards marginalised sections of the society. Such explanation is insufficient because the Maharashtra government, at least theoretically, has shown concern for the welfare of dalits, tribals and women, and is taking special efforts to organise caste-wise meetings of these groups. In fact, it was the state chief minister who was responsible for arranging meetings of the gowaris with the social welfare minister at Delhi. The press in Maharashtra explained the gowari incident as an outcome of factional infighting within the Congress. This argument projects the gowaris as a captive populace, mobilised mechanically by the factional leadership from Vidarbha. It denies an autonomous political existence to the gowaris who are trying to carve out an independent place for themselves in the Vidarbha politics. This is borne out by their efforts to organise themselves on the issue of reservation since 1980 onwards. Secondly, unlike western Maharashtra, the absence of patron-client relationship in Vidarbha has made it difficult for the Congress to maintain its dominance over the deprived sections of Vidarbha. Thus, the fresh attempts by the other backward castes to organise themselves independently of the Congress in Vidarbha and Marathawada, has certainly influenced the gowaris. It seems that the logic of welfarism no more satisfies the rising aspirations of the subaltern sections of Maharashtra. Further, the promises the state has been giving to the deprived sections has alienated the marathas, especially of Marathawada. This feeling of alienation among the marathas was evident during the renaming of Marathawada university and also, during the declaration of Maharashtra government's women's policy.

In view of the election results of the neighbouring states, the Congress in Maharashtra can ill-afford to perpetuate the feeling of alienation among the marathas who virtually control all the co-operative institutions in the state and decide the electoral fate of 104 MLAs. The Congress has already started to redeem its maratha solidarity. Some important maratha leaders from western Maharashtra have re-joined the Congress while some are on the way. In this context it is important to note that the state government has issued directive to the police officers to withdraw the PCR cases against the marathas of Marathawada. Thus, the strategic location of the marathas at crucial centres of power enables the Congress to be indifferent to the subalterns. The maratha imposition becomes easy especially in those areas where subaltern leadership poorly articulates their rising

ambitions. The gowari tragedy shows that the politics of the dominant will decide the extent of democratic space to be conceded to the marginalised. The gowari issue underlines a shift from the maratha hegemony, mediated by conciliation of heterogeneous interests of the bahujans, to the maratha dominance, intolerant of subaltern aspirations, ambitions and self-confidence.

This shift from hegemony to dominance is also evident in the state response to the dalit land question in Maharashtra. The destruction of the standing crops in the 'gairan' of nine villages, namely, Lohari (khurd), Lohari (budruk), Pathardi, Panchagavan, Akoli Ruprao, Malegaon Bazzar, Ukali Bazzar, Pastul and Chalgawadi of Akola district is the case in point.

The state response to dalit land question has been varied. In the first phase (1959-69), the Maharashtra state appears to be somewhat sympathetic to the dalit question because it is during this period that the dalits could get whatever little land transferred on their name. The Maharashtra government claims to have distributed 1,46,827 hectares of surplus land among 37,370 dalits in the state [R V Bhuskute, Sujan 1993]. This sympathetic attitude of the state was influenced by three factors. Firstly, the huge mobilisation of the poverty-stricken dalits by Republican Party of India (Gaikwad) in 1959 and 1964 forced the state to approach the dalit land question sympathetically. Secondly, the food shortage created after the second world war also prompted the state to allow the dalits to cultivate the gairan on one-year contract basis. Finally, the maratha leadership was responding because it wanted to consolidate its hegemony by entering into an alliance with the maratha. The process of hegemonic appropriation of the dalits was complete when the RPI (Gaikwad) joined hands with the Congress in 1969.

The marathas did not make any organised attempt to oppose the dalits on the land issue. The marathas, particularly from western Maharashtra, unlike their counterparts from Marathawada and Vidarbha, did not have serious problem of surplus land. They had neither to face problem of gairan encroachment by the dalits as the latter had the 'maharki' land which was later cornered by the central government either for constructing the Miraj-Hubli railway line or government offices, schools and hospitals. But whenever there has been an attempt to threaten the land interest of the marathas of western Maharashtra, they have opposed it tooth and nail. For example, the state government in 1971 introduced land reforms which made family, and not the individual, as the unit of ceiling. This was opposed by the rich peasantry of western Maharashtra. As a

result, the state government had to abandon the land reform. However, during this phase, except for one dalit family of Lohari khurd the dalit did not get any surplus land. The struggle for ceiling land was replaced by a struggle for the government land, which for various reasons did not immediately threaten the class/caste interests of the rich and powerful marathas. However, Marathawada Vikas Andolan of 1974 and subsequent factionalism among different maratha groups within the Congress led to cracking up of the maratha hegemony. The hung assembly led by Sharad Pawar took the decision for regularisation of gairan more as need for legitimacy that was necessitated due to the tension with another maratha faction led by Vasantdada Patil. This decision was also influenced by the tribal struggle for government land going on in north Maharashtra. But by and large the decade of 1970-80 revolved round cultural issues that had become a major concern of dalit politics in Maharashtra. However, the common dalits who realised the limits of cultural issues in terms of solving material needs had to plod for means of survival. Therefore, in view of the inaccessibility of the ceiling land, the dalits from nine villages of Akola district concentrated their efforts on the cultivation of gairan. Thus, 1980-90 marked the intensification of the struggle for gairan. During this period the displacement of dalits from the gairan was achieved through terrorism and repression unleashed by the Shiv Sena and upper-caste village goondas, with tacit support from the state. For example, in Lohari khurd (1986), Pathardi (1988) and Panchagavan, the village rich, in the very presence of the police, are reported to have used Shiv Sena and the village muscle power to terrorise and evacuate the dalits. In rest of the villages the upper-caste imposed social boycott on the dalits. In Avahane village of Jalgaon district, dalits were roasted alive by the upper-caste village goondas while skulls of two dalits were shattered into pieces by the upper-castes in Limbani of Jalna district. It is alleged that a CPM activist was killed in the police firing to terrorise the tribals in Nashik district forcing them to forsake the government land. This repression led the left and the dalit groups to form the landless agricultural labour anti-atrocity committee and the land right protection committee. These committees successfully sought the intervention of the state governor. Thus, 1980-1990 represents violent displacement of the dalits by the non-state forms of repression.

But after 1991, one finds the state taking over the task of terrorising the dalits over gairan issue and subsequently displacing them from the land. The shift from non-state

forms of repression to direct state repression has to be understood in terms of the legal protection the upper-castes required. This was evident particularly in case of Lohari khurd in Akola district where the upper-caste village rich feel harassed by their long-pending court cases. In Maharashtra, the state government has used the grampanchayat for the displacement of the dalits from the gairan. The Guiran Act of 1991 came handy for the grampanchayat to alienate dalits from their land. According to the Guiran Act of April 1991, the state government has vested the final authority of regularisation of the land deals with the grampanchayat. Previously, the district collector took the decision regarding the gairan problems. It is possible for the grampanchayat to keep aside some portion of the gairan for grazing and allow the dalits to cultivate the remaining part. But the grampanchayat of the nine villages of Akola district decided to reserve entire gairan for grazing or for social forestry. According to Bhaskarrao Jadhav, a reputed leftist leader, about 50 per cent of the gairan has been handed over to the social forestry department by various grampanchayats in Maharashtra. In fact, if the state government is sincere to help the dalits, it can take away the gairan from these recalcitrant grampanchayats on the grounds of underutilisation or non-utilisation and hand it over to the revenue department for further regularisation. But this has not happened so far. As a result, the grampanchayats all over the state feel free to displace the dalits under the garb of 'social forestry'. However, some grampanchayats, like the CPM-led grampanchayat of Moha in Bead district, the non-dalits allowed the dalits to cultivate the gairan (*Maharashtra Times*, April 12, 1992). Besides the grampanchayats, the local MLAs of Akola district are aiming to displace the dalits of Raundla village under the garb of another environmental issue. The MLAs are interested in constructing a small dam on the gairan owned by the dalits. But the resistance of the dalits and the support from BRP (Ambedkar) has prevented the evacuation of the dalits. But the dalits of Dahihanda, Hingani and Ganori villages of Akola district could not prevent their forcible displacement which was done under the pretext of constructing a 'bandhara'.

These recent dalit experiences of nine villages in Akola district show that the state is using the representative structures, largely dominated by the upper-castes, and the local level bureaucracy and the police force to evacuate the dalits from the gairan. The tahsildar and the police were gifted cattle by the village rich for destroying the standing crops of the dalits. In short, the state response to dalit land question has been coercive.

Opening More Doors

BM

The two new agreements signed between India and the US recently, one a defence pact another a commercial alliance, are an open acknowledgement of the linkage between commercial and strategic interests.

WITH the signing of a defence pact and an agreement on a commercial alliance between India and the US the linkage between the strategic and commercial interests of the two countries, laboriously denied by prime minister Narasimha Rao when on a visit to the US last year, has now been put on record openly. The objective of the defence agreement which was given precedence over the commercial alliance is to make India accept the New World Order under the hegemony of the US and play a subordinate role in that capacity for peace-keeping and stability, above all in Asia. Some contentious issues, such as NPT and Kashmir, will now be addressed in course of time within this framework of the US-India relationship.

As far as the commercial alliance is concerned, India in advance of its signing, had given away during the last three-and-a-half years much that the US economic and business interests had sought in India - open door for the entry of foreign capital, guaranteed high returns and their quick and unrestricted repatriation and foolproof security. The US is now asking for and has secured a dispensation under which US business interests will enjoy a privileged position over and above that of even their competitors in trade and investment opportunities in the Indian market and in terms even of the GATT treaty. Negotiated arrangements from a superior bargaining position rather than competitive bidding will be the norm in the case of US corporations. This will be combined with an institutional framework which will give US-based transnational corporations and associated Indian business interests wide scope and role in taking policy initiatives and indeed, policy-making to further 'free-market reforms' in India. The point, as the US commerce secretary said, is that under US-Indian business-sponsored and driven 'no pressure' will be necessary to facilitate the entry of US business and its interests in India.

The government of India, indifferent to the well-meaning voices of caution raised - the latest being after the fiasco of similar 'economic reforms' in Mexico - is going ahead to reinforce its official commitments to foreign interests, economic, political and

strategic. It has not been deterred by the fact that it has no popular sanctions behind it and even when it is forced to act in a 'temporary caretaker' capacity on many domestic issues. The GATT treaty has been signed and the Indian Patents Act amended by promulgating an Ordinance. India has ratified the bilateral investment guarantee treaty with the UK to cover fully what are called non-commercial risks for investments from that country. All this, together with the defence pact and commercial alliance with the US during the first month of 1995 shows that the government headed by Narasimha Rao, is energetic in advancing the so-called globalisation process in favour of foreign capital. This indeed is the basic thrust of the reform programme. The success of this programme too is measured by its votaries entirely by the foreign capital it can attract, regardless of the costs, economic and political, involved.

With transnational corporations, in particular US-based, given a commanding position in the Indian market, and sanctified by international treaties, the reform process is claimed also to have become irreversible. This means that domestic impulses for and participation in the growth of the Indian economy as well as social equity, already weak, have been made subservient to the interests of transnational corporations. Investment, sluggish as it has been, from foreign as well as Indian sources, would now tend to flow only into the production of goods and services of elitist interest and it would generate minimal new employment and incomes in India. This trend will accentuate even as, repatriation of high returns on foreign investment will drain away, in increasing measure, India's national wealth. Except for a small segment of big business and professional aristocracy in the direct employment of multinational corporations and their collaborators in India, the mass of the working people face shrinking job opportunities even as investment for the production and supply of essential goods and services suffers a sharp decline. Shortages and high prices for satisfying the subsistence needs of the mass of the people in India are already a fact of life. Since gainful employment opportunities are becoming limited, a large number of workers in the large-scale organised sectors of the economy

have been retrenched. The loss in jobs in the organised industry is bound to increase further at a rate much faster than the new job opportunities which are expected to be created by capital-intensive new investment by multinational corporations and their collaborators. Workers pushed out of organised industry will swell the ranks of the unemployed and underemployed.

When the so-called structural adjustment of the economy is conceived in principle and implemented in practice as 'open door' with special dispensation for foreign capital and transnational corporations, its adverse implications are bound to be wide-ranging and far-reaching for the economic growth process and the equity principle. Those who talk glibly about the irreversibility of their misconceived 'reforms' cannot, therefore, carry conviction or credibility with their direct victims. The electorate has already registered its protest in the recent assembly elections. But votaries of the so-called economic reforms are claiming a consensus on the issue on the basis that the state governments led by the parties which oppose the Congress government at the centre too are competing for foreign capital for promoting industrial growth. The position taken by the West Bengal government gives some credence to this claim. This is indeed a disconcerting position when crucial electoral battles are ahead and mass

'Another Outstanding Contribution' by Prof. Randhir Singh FIVE LECTURES IN MARXIST MODE

Rs. 115

Contents: ● Crisis of Socialism: Notes in Defence of a Commitment ● Of Reservations: A View from the Far-Left ● Communalism in Contemporary India ● Terrorism, State Terrorism and Democratic Right ● In Memory of Punjab Revolutionaries of 1914-15

Earlier Publications
by Prof. Randhir Singh

OF MARXISM AND INDIAN POLITICS

Rs. 80

Contents: ● An 'Autobiographical' Note; ● Of Marxism Today; ● Politics - The Dialectics of Science and Revolution in Karl Marx; ● Marxists and the Sikh Extremist Movement in Punjab; ● Theorising Communalism in India; ● 'Visions for the Future': One View.

REASON REVOLUTION AND POLITICAL THEORY

Rs. 275

Address your order to:

AJANTA BOOKS INTERNATIONAL

1-U.B., Jawahar Nagar,

Bungalow Road, Delhi-110007

☎ 2926182, 7258630 Fax 91-11-7132908

discontent over the Narasimha Rao government's economic reforms programme is growing.

The cutting edge of these 'reforms' is large-scale retrenchment of workers from gainful employment in the organised industry to assure high profitability for capital, especially foreign capital. The central government too has offered preferential treatment, including fiscal concessions and guarantees for such investment across the board, including in the infrastructural sectors. The argument that governments in West Bengal and other states led by non-Congress parties have no option but to try for a share in the flow of foreign investment to India is highly questionable. It ignores the fact that transnational corporations manage the flow of capital to the so-called emerging markets only to exploit the natural resources and labour of the developing countries and not to generate economically rewarding and socially relevant growth in these countries. It is not at all surprising that already there is widespread discontent not only among the working people but among sections of business, especially medium and small industry, as well. It is indeed a pity, therefore, that the leading left party, CPI(M), and the main centrist party, Janata Dal, should land in an awkward position on the question of foreign investment which will be counter-productive for them on all counts, economic, social as well as political. For any political party imbued with socially progressive and patriotic impulses to take an ambivalent position on this issue can do grievous harm to itself as well as the ongoing popular protest and struggle against the central government's retrogressive socio-economic policies. The left parties, in particular, must not be oblivious of the fact that the ruling coterie of wily politicians running the government at the centre is engaged in selling the Indian market to foreign interests and have entered into subservient political-strategic arrangements with the developed countries, above all US. The failure to take a firm independent stand has often exposed the vulnerability of left leaders to the pressure of the Congress(I) ruling coterie. It is indeed quite remarkable that they should be found in decisive moments to place their faith in status quo and equate government stability – the stability of even a government such as the one headed by Narasimha Rao – with political stability to safeguard the unity and integrity of India. It should not be difficult for left parties and their allies to foresee that the present political and government status quo cannot endure. Popular sentiment is actually vigorously against policies which undermine self-reliant economic growth, mass welfare and sovereignty of the Indian Republic. The policies pursued by the Narasimha Rao government have also unquestionably enlarged the scope for the

reactionary socio-economic forces and ambitious and corrupt individuals to profit at the cost of the people. If left parties and their allies hesitate to take a firm principled

position they will not only hurt the mass interests but will also be marginalised in the fast-changing social and political alignments in the country.

OBITUARY

M Shatrugna

Rama S Melkote

Shatrugna did not belong to any party or even a group. Yet he was politically involved in many ways with left and democratic movements.

THOSE who gathered at the Sundarayya Kala Nilayam on January 6 were a strange mix of IAS officers, teachers from the universities and colleges of the twin cities, activists from civil liberties organisations, women's and dalit organisations, party members of CPI, CPI(M) and ML parties and several others. It reflected the person that was Shatrugna who passed away on December 31, 1994. All those who spoke had one common thing to say – that he was a friend, no matter what differences they had with him. Shatrugna died of terminal cancer of the liver.

Shatrugna – Shatru to most of us – did not belong to any party or even a group. Yet he was politically involved in many ways. A teacher of physics, from the days of being a member of the Marxist study circle in the late 60s, through the days of emergency and post-emergency to the Mandal days, Shatru was actively involved and supported left and democratic movements. In the early 70s when China was a source of inspiration to revolutionaries the world over, there was a move by some in Hyderabad to form an India-China friendship society. Shatru was one of them. Nothing came of it due to differences of all kinds within the group. Shatru took the initiative along with Saral Sarkar and me to start a journal *News and Views on China*. Hardly two issues were brought out when Shatru and Sarkar were arrested under DIR and released on bail. The hearings in the court were obnoxious. One never understood in what way a journal could be a threat to the security of the nation! Soon thereafter Emergency was declared and once again Shatru was taken in under MISA along with several others. Later when Shatru was released, he would recount hilarious stories about prison life – from the petty quarrels over who should cook and what and who should be washing dishes to serious ideological debates.

Shatru was argumentative to the point of being exasperating. Yet he never allowed political differences to mar friendships. When he embarked on his career as a journalist he wrote on various issues – AP politics, left movements and education which became his

area of research. His writings on the Telugu Desam became controversial. How could he support/promote Telugu Desam? Shatru had a certain respect for 'facts'. 'Get your facts straight', he would say. Facts may be 'ideological' but you cannot fabricate them. He had little patience with highly abstract, unintelligible ways of arguing. He never hesitated to say what he thought and felt, however controversial and unpalatable it might have been to the people around. While he supported the dalit movement, and was actively involved in the pro-Mandal agitation, what he wrote in the *EPW* on the teachers' agitation over the non-implementation of reservations in the university did not please some. But, that was Shatru, argumentative, provocative, till he was convinced of the factual veracity of the other side. Shatru was one of the few who have been critiquing education policy and writing about it. He submitted his report on the New Education Policies – a research project supported by the ICSSR. It is hard to disagree with him that whatever may be the grievances of the teaching community at the university level, there is no accountability of the teachers. He recently undertook a project on the Literary Programmes and the Subalterns with the UNDP. It is sad that he could not complete something in which he was so heavily involved.

Shatru's ability to make friends, keep in touch with people, not for his own interests but often to help them, to organise and get going something or the other was admirable. He was a founder-member of the Telengana Affiliated College Teachers Association that fought against the exploitation of private colleagues by managements. Several teachers spoke about the help he extended to them. Shatru never denied help to anyone when he knew he could do something. His involvement stretched from solving the water problem in the locality to helping a widow get her pension, secure a fellowship to a poor student, to writing on state politics. He was somewhat of a link between several progressive groups and movements. In Shatru's death we have lost a friend, I personally a very dear friend.

Health Research in Pakistan

S Akbar Zaidi

The failure to make the conceptual distinction between health research and medical research reveals the major constraint on health research in Pakistan – and on community-oriented health research in particular.

IT is almost impossible to offer solutions to problems, unless we are aware of why they exist in the first place. We need to identify and understand the underlying causes of disease and poverty, before we can proceed to find cures and recommendations, hence the need to do research. The issues in the health sector in underdeveloped countries are multifarious, and incorporate elements related to education, housing and social infrastructure, poverty, access to health facilities, cultural norms, and government policies. For example, a policy of producing highly qualified doctors who are well versed in curative techniques which require imported or advanced technology will almost always result in the doctors living and working in cities and being unable to deal with the diseases which affect the majority of the population. Furthermore, government policies which emphasise curative care at the expense of preventive care will result in a lack of social- and health-related infrastructure with more money being spent on hospitals than on water and sanitation, or on primary and maternal health clinics. Research in health-related issues is the first step in understanding the causes of disease and their subsequent cure.

Research helps in informing the public about the actual issues that exist around the health-disease matrix, promotes basic knowledge about why the problems persist and should offer possible guidelines for policy and action. Research conducted by government organisations can help design appropriate policy for future years and presents a means to evaluate past government performance. Academic and NGO initiated research, often provides an alternative lens through which government (and private) action can be more critically examined. The need for both to co-exist and confer can lead to the evolution of a proper diagnosis and hence to better and appropriate methods of getting to the roots of the problem and subsequently finding adequate solutions. Health research is critical in any attempt to deal with the problems in the health sector.

However, the problem of health research in Pakistan exists at a conceptual level. If we question a doctor about the status of and constraints on health research in Pakistan, and if he takes the question seriously, we will get a standard answer about the numerous reasons why medical research is not an important concern to most doctors. From the very few who actually do some medical research, we will be told about the constraints they face in initiating and conducting their research. Press on with a supplementary

question and ask these doctors whether they think there is any distinction between *health* research and *medical* research, at best one will get a very perplexed and confused look. This failure to make the conceptual distinction between the two, probably reveals the major constraint on *health* research, and in particular socio-economic community-oriented health research, in Pakistan.

Not surprisingly, the single most important reason why there is no relevant health research – or for that matter, even very little medical research – in Pakistan is the value system conveyed to students in medical schools. Doctors are produced so as to be able to provide clinical care, where surgeons and physicians are supposed to function in the particular model of health care which exists in Pakistan. This model is quite typical of other underdeveloped countries where health care is very unevenly and inequitably distributed. Most health care facilities are located in the larger cities – the phenomenon of ‘urban bias’ – while a larger proportion of the population lives in rural areas. Health and medical care is seldom interventionist or community-oriented. The medical personnel pyramid which shows the ratio of doctors to auxiliary staff is almost always inverted: rather than having one doctor to say five or 10 health workers, underdeveloped countries by having produced more doctors than auxiliary staff end up with five doctors to one health worker. The health care model which exists in Pakistan as in most other underdeveloped countries is a highly inequitable, western-oriented, curative care model, which certainly does not fulfil the requirements of a very large majority of the people of these countries.

And so, the doctors that are produced in the medical schools in these countries are supposed to be functional in the environment described above. Their training is supposed to be focused towards the needs of the model of health and medical care, rather than towards the needs of the people of these countries.

In the five years that medical students spend in acquiring skills and education, the subject of community medicine accounts for a mere 6 per cent of their time spent in medical schools in Pakistan. Students have no interaction or first-hand experience with communities, especially with individuals and communities from rural areas. As their background and training is usually centred around the medical college hospital, which is inevitably in a large urban area, the patients, and thus the disease pattern which these students encounter, also have an urban bias. They are not trained to function in rural areas

which in Pakistan account for 70 per cent of the population. A visit to a rural hospital just 50 miles outside Karachi revealed that the three patients who had suffered snake-bite were all being treated by the compounder, for the Karachi-trained medical doctor did not have a clue of either the problem or the cure. Furthermore, the students are not taught in detail about common diseases such as typhoid, diphtheria and malnutrition, since most of their books are written for, and in, the developed countries where many of the diseases of poverty are now peripheral. Also, due to a lack of training in the social sciences, students are unable to see the mechanism at work in the social, political and economic context in which they are expected to work. A survey of medical students in five colleges revealed that only 60 per cent knew the population of Pakistan, while 12 per cent knew the literacy rate and 8 per cent knew the infant mortality rate.

For the above reasons, it should be clear that health research is not a priority area for most doctors, but nor is medical research. Dr Sarwar Zuberi, head of the Karachi branch of the Pakistan Medical Research Council (PMRC), an organisation which is responsible for funding medical research says that doctors and the medical establishment perceive research as an “unaffordable luxury”. According to Zuberi “Research experience is not taken as something which is creditworthy and no incentives are given for research. Research is not a prerequisite for appointment or promotion and there are no academic or financial rewards.” She says that you really have to be “crazy” to do research in this country, for it is “something that is looked-down upon and considered a waste of time which should be spent seeing more patients and making more money”. It is not surprising then that with this attitude of the medical community towards medical research, health research is inconsequential.

This was made clear at a conference held two years ago in Karachi which was meant to address the issues raised in the original Health Research document prepared by the International Commission on Health Research for Development. The focus of the document was to underscore the importance of developing the need to undertake essential national health research which goes beyond the analysis of the health sector alone, and also examines the health impact of development in other sectors and on the socio-economic determinants of health. The Karachi conference was attended by people from the health ministry of the government of Pakistan, clinicians, and some medical doctors who were associated with academic institutions and a minute number of social scientists who were conspicuous because they were so underrepresented. The theme of the conference was Health Research in Pakistan, and culminated in a publication subtitled *Action Plan for the 90s*.

While the intention of the conference may have been the need to focus on the problem of and constraints on *health* research, the

discussion was restricted, almost totally, to medical research. The clinicians and the people from the ministry dominated the proceedings while those who were interested in the real issues were quite easily sidelined. Essentially, the medical community complained that they lacked funds to do their sort of research, and they felt that the government should acknowledge this constraint, provide funds, and also give some recognition to those who are doing this sort of work. The health care model, the value system and training methods, the health and disease issues which face the huge majority of the people of the country, and other real issues, were nowhere on the agenda. Thus, a conference on health research turned into one on medical research, symptomatic of the state of the medical community in Pakistan. The government representatives also played a similar role; as one of the co-ordinators of the conference later revealed, the ministry of health had objected to the participation of academicians and non-medical researchers and failed to understand the need and importance of health research. Furthermore, the agenda and ideas set in the original Health Research document were peripheral to the Karachi conference. The *Action Plan for the 90s* seems to have already fizzled out, and the conference was the first and last, and not so auspicious, landmark in the attempt to discuss issues related to health research.

The little research that there is in health is conducted in three different spheres and while they are independent in their own right, there is clearly a fair amount of overlapping. We can identify the government, NGOs/consultants, and independent/academic institutions and individuals who are involved in health research.

The above remarks about the government's attitude towards health research notwithstanding, the government does conduct some research—after all it does plan, manage, implement and develop the health care system in the country. Pakistan is a signatory to the Alma Ata Declaration promising Health for All by the year 2000. While Pakistan's government may not be in a position to provide all Pakistanis adequate health care even well after the end of this century, some inroads have been made regarding the delivery of adequate health care. The changed international climate and shift of emphasis from curative towards primary health care all over the world, has also had its repercussions on research in health care in Pakistan. Donor pressure has also meant that the government has been forced to alter priorities and directions in its health package, thus resulting in appropriate and relevant health research. Moreover, the government does provide the largest data-bank regarding health (and other) statistics which are used by others interested in research.

NGOs and independent consultants working (most frequently) for foreign donor agencies are to be seen in all social sector areas, ranging from health, to education, to urban uplift, to sewerage programmes, to

environmental issues, etc. They form an educated and (usually) socially conscious group of professionals who conduct studies, or carry out interventions and programmes often on the behest of donor agencies. Because of their growing number, a large number of studies have been conducted with a well-focused approach towards socio-economic health research. Presently, their collective output would constitute the largest share of health research. However, a word of warning is due.

Given the large number of consultants and NGOs in the field of health, it is not surprising that many are incompetent, undedicated and only interested in the huge pay-checks such assignments bring. In most cases, studies are very specifically related to the needs of the client and as one consultant said, "data are frequently fudged to suit the client's needs". Zafar Ahmad, who has had many years experience with a number of international funding organisations working in Pakistan, says that there is no accountability regarding these studies. He says that "the local representatives of donor agencies are usually not experts in their field. Also, they want acceptable reports to be sent to their donors, so they make sure that the reports are acceptable and more funds are released." Since there are no ways of authenticating such health research which is of a primary data nature, one doesn't know how authentic and real the study is.

The Applied Economics Research Centre in Karachi and the Pakistan Institute of Development Economics in Islamabad are two institutions where some individuals work on health-related issues. The Community Health Sciences department at the Aga Khan University (AKU) is another important institution which has been able to develop a large health research, management and health intervention programme. Because this is a medical college, it has access to a very large number of potential doctors, and unlike the economic institutes, the medical personnel—faculty and students—can conduct not only research, but following that, can play a significant role in altering the disease and health structure with the communities with which they interact. Dr Fozia Qureshi, an associate professor and often the acting chairman, feels that "due to the Aga Khan University, people's views regarding health have changed. We have been a crucial catalyst in this change and now people have different views regarding health care, health research, and health management."

One cannot deny the fact that unlike most public medical colleges, the Aga Khan University along with the Baqai Medical College in Karachi has tried to implement important changes. Dr Qureshi believes that "we are changing people's perceptions regarding health care". With 3-400 students available, some impact of these values probably does filter down. Also, the AKU trains all its students in research methodology with emphasis on Epidemiology, biostatistics, and some social science. There are frequent

workshops and seminars with faculty participation where findings from their research is presented. The Community Health Sciences department has a staff of about 40 personnel and promotion to senior lecturer status requires, along with an MBBS degree, an additional degree of Master in Public Health. However, one shortcoming of the department is a severe shortage of skilled social scientists. Dr Qureshi agrees, and says that her department has only two non-medical researchers, because "there is a dearth of good social scientists in our country", a conclusion which would be contested by many.

Despite the work that the Aga Khan University has been able to accomplish, as a catalyst or otherwise, the surprising thing is that there are very few publications from the Community Health Sciences department. Dr Qureshi argues that "while we have a lot of research papers and data, it is not presented in a publishable form. Our faculty are not publishing as much as they ought to because they are very busy." Without the dissemination of research there can be little debate and hence insufficient intervention. Dr Qureshi agrees with this but feels that most of the research conducted by her department is used by faculty and students working on those projects and for their particular purposes, intervention does take place.

Very few professionals in health-related fields appreciate the need and importance of health research. They do not recognise the fact that it is difficult to have adequate and appropriate health care unless one has adequate and appropriate (and sufficient) documentation, analysis, discussion and dissemination of health research. Also, to be able to be effective, health policy must move away from large hospitals and focus on communities and on people. Health research must also follow the same pattern. While some scholars and researchers in the health sector must focus on more global and macro issues and concerns, others will have to identify and study specific problems in specific regions, areas and communities.

Research and the dissemination of information and knowledge is an essential requirement for better understanding whether it be health, education or any other concern. Unless one knows, understands, and interprets the world, one cannot change it. In Pakistan, the status of health research is dismal. A conscious effort must be made to demonstrate the urgent need for more and better research. Relevant health research, where social, political and economic issues are central to the health and disease matrix must be encouraged and supported. Only then can we have better health care, and only then can we hope to provide Health For All in Pakistan, perhaps not by the year 2000, but soon enough.

[Research for this article was supported by the PANOS institute, London.]

Seduction, Speeches and Lullaby

Gender and Cultural Identity in a Tamil Film

C S Lakshmi

After its formation as a separate party in 1949 the DMK in Tamil Nadu used the cinema effectively to project its identity, political claims and elaboration of Tamil culture. The film Parasakthi is a landmark in this context and it is useful to examine the construction of cultural identity in the film and its references to gender in the process of this construction.

I HAVE chosen to write about a film released in 1952 for several reasons. It is five years after independence and it is three years after DMK was formed as a separate party stressing dravidian identity, with political ambitions to enter electoral politics. The film was dubbed anti-god, communist, 'anti-establishment' and there was a move to ban the film. That the film was really an effort to 'soften' earlier radical statements on religion and an attempt to project a more favourable and acceptable image for future entry into parliamentary politics has been pointed out by recent research [Pandian 1991]. The purpose of this note is not to debunk radical claims made by a political party, for its attempts to compromise are quite obvious. What we are interested in is the construction of cultural identity and the utilisation of space and language in the film and its references to gender in the process of this construction and the elements that have gone into this construction.

The DMK Party (Dravida Munnetra Kazhagam) had been part of a movement that began in the 20s to stress a dravidian identity with Tamil language, literature and lifestyle as the core of this identity. The movement was to find the lost dignity of the non-brahmins as opposed to brahmins who were considered outsiders and non-Tamilians with a Sanskritised past. In order to anchor its cultural identity the movement had time and again resorted to the use of language conventions and images of a past which was considered glorious. In this reclaiming of the past, gender was framed in specific ways. Men became warriors fighting battles to protect the honour of a nation and women became not just preservers of culture but embodiments of culture literally containing the culture within their bodies which got loaded with notions of purity, chastity, language, nation, etc [Lakshmi 1990]. The oratory platform,

print media and theatre were used as major areas of intervention in these years. Pamphlets elaborating the dravidian-identity claim, journals espousing their cause of social and political dignity and plays of parody were the modes of intervention. After its breakaway in 1949, the DMK Party continued to use the same methods but also discovered cinema as an additional space from which to project its identity, political claims and elaboration of Tamil culture. A film made in 1949, for which their leader C N Annadurai wrote the script and dialogues, was indicative of how the woman who had become as much part of the public sphere as man was going to be seen in reference to a Tamil past. The English-educated, 'modern' woman in this film was dressed in pants, played tennis and was rude and arrogant. She is finally brought back to the fold by a man, of course. Controlling a woman through marriage has been an image that has continued to haunt Tamil films. A later film which was produced by a leading DMK personality has a song describing the kind of bride needed [Lakshmi 1990]:

Wanted a bride
a good bride
Even if she gallivants freely
like the temple bull
romping around with no one to check her
I shall put a string around her nose and
drag her and control her
I shall make her as patient as a buffalo.
Wanted a bride
a good bride.

The 1952 film, *Parasakthi*, was not different in its intentions but was a much more elaborate, deliberate attempt to reclaim images and languages from the past and superimpose them on contemporary images and events in a stylisation that would continue to dominate the Tamil film in years to come.

The story has to pick up a period of struggle, since 1952, the year it was made, was not a year characterised by any specific political struggle. The chief minister at this time was a brahmin and there was a drought in this area around this time and the chief minister was coping with the problem in several ways and he had asked the people to pray to the gods for rains to come. By itself this is not a good enough background to voice grievances or proclaim a cultural identity. So the story moves back to 1942, a time when identity claims had been vociferous. It is a war year. Many Indians from Burma began to come back to India, many of them walking the entire distance. There were many Tamilians among them. This provides a sufficiently undefined, unstable space to mount a story of lost and found relatives, abandoned women and coincidences. The story is about a Tamil family where the three brothers have gone to Rangoon to make a living. They are successful. The elder brother is a judge and the other two brothers live with him, not yet into any specific profession. They have a younger sister back in India whom they have not seen. They get a letter saying that her marriage has been arranged. A sister's marriage is an occasion that no brother would miss. All of them want to go. But due to problems of war only one ticket is available. They decide to send the last brother. He reaches Madras and on the very first day loses his money to a dancer who cheats him. He is penniless and begins to wander around like a mad man looking for his sister. He finds her but as a widow with a child making her living selling 'idlis'. He does not tell her who he is as he is ashamed of not being able to help her and protect her economically as a brother should. The widowed sister is harassed by many men and at one point decides to kill her child and die. She throws the child into the river and jumps in herself. But she is arrested and brought to the court for killing her child and attempting suicide. Coincidentally her own elder brother is the judge. But she does not know him. When he finds out who she is with her description of her life, he faints and takes ill. Her other brother, who hears of her harassment, attacks the temple priest who tried to rape her and is brought to the same court. By another strange coincidence everyone who troubled her and the woman who enticed him to go to a dancer are all in the same court being tried for some crimes. The hero then elaborates on the corruption of the society. Before this he has met a different kind of a woman who can talk about social revolution and who is in the habit of going

on boat-rides on moonlit nights. The court room drama comes to an end with her coming and declaring that the child had never been killed. It had fallen into the boat and she had saved it. The family gets together once again and the hero, now dressed appropriately in western clothes, is all set to marry the 'new' woman – not in the old ritualistic style of marriage but in the new style of just exchanging garlands with a political leader or any important personality who can give a speech officiating.

STRUCTURING SPACE AND CHOICE OF PROTAGONIST

The national movement and the self-respect movement had altered the geography of cities and smaller towns. Madras, Madurai and Tiruchi especially were cities that saw many changes. Women had poured into the streets protesting against foreign rule, singing national songs, walking on the streets, going to jail and being received with garlands at railway stations on release, proclaiming from platforms and demanding reforms and changes and political rights, organising marches against Hindi, meeting to give speeches on Tamil culture and travelling around supporting either the nationalist cause or the cause of a language and culture. Women had been taken to courts for supporting causes. The film reclaims this space and alters it. The streets, the court and the platform now become spaces from which men function. Women enter this space in marginal ways as vendors or in other unnoticeable ways. The streets suddenly become dangerous for them to move about unprotected by men of the family. Some moonlit boat-rides are possible but only in a fictionalised space. Tiruchi, where these boat-rides take place in the film, does have a river but whether women took boat-rides there on moonlit nights by themselves is not recorded history. Creation of this fictionalised space is interesting for it is an uncontested space with no specific qualities to it.

The streets become fragmented spaces in the film, not leading anywhere in particular, almost dead-end in character, looming large, gloomy and dangerous when the widowed sister walks on them and turning into abandoned roadsides when the protagonist uses them as platforms to talk, with broken walls and overgrown shrubs (obviously studio-sets) with an occasional moon when the sister sings sad songs. Each specific space becomes a symbol of corruption and degeneration of a culture. The very first introduction to Madras is with a beggar accosting the hero and the hero comments that the very first voice in Tamil Nadu is that of a beggar. Then comes the hotel where he stays. It has degenerated into a

place for procuring and then comes the place of the dancer. This is another fictionalised space for there is no record of dancers performing in their houses to entertain specific customers in south India. Creation of this space is fraught with meanings. It is a space transported from the classics to modern times. In the Tamil epic *Silapadhikaram* there is the dancer Madhavi who belongs to the Devadasi community. She gets into a relationship with Kovalan, the hero of the epic, and

Kovalan loses all his money to her. The space of Madhavi is recreated here and the dancer cheats him of his money, almost making us feel that even though the Tamil man has traversed centuries away from the epic *Silapadhikaram* he has only one way of getting cheated!

A space to appeal for justice has existed in the Tamil culture in the courts of kings. Women like the epic heroine Kannagi have entered these courts independently and spoken for themselves. So have women in

OXFAM requires

REGIONAL REPRESENTATIVE FOR NAGPUR

Oxfam, a relief and development agency, is looking for a Representative for our Nagpur office to provide overall leadership to the regional team and management of our work in the region. The Nagpur office covers Maharashtra and Madhya Pradesh.

Candidates should have relevant qualifications, a minimum of 8 years of development experience preferably with NGOs, good analytical and strategic planning skills and understanding of development issues, commitment to social justice, team management experience including finance, research and evaluation experience, good administrative and communication skills, sensitivity to the inequalities facing women in society, willingness to undertake considerable travel, ability to speak fluent Marathi/Hindi and also fluency in written and spoken English.

We offer a 5 year contract and reasonable salaries and other benefits to attract competent professionals.

Apply with full CV and a covering letter explaining fully from your experience how you meet the criteria listed to Oxfam (India) Trust, C-6/59 Safdarjung Development Area, New Delhi - 110 016 before 3rd March 1995. Only shortlisted candidates will be contacted for interviews to be held in Delhi on 27th of March 1995. No enquiries over phone or in person please.

modern times during the struggle for national independence and during the anti-Hindi agitation. This court is turned into a space now where attack is mounted upon an unprotected woman who needs a man to comment on the life of a woman. A space where women have spoken now becomes a space to be occupied by heroic men whose duty it is to protect and guard women so that they can lead a decent life. The safety is within the home, within walls to protect her chastity with men taking over the running of the world outside.

The choice of a protagonist who for three quarters of the film is pretending to be a mad man talking at length about politics, life and human beings is a choice based on contemporary times. The Charlie Chaplin image of a clown-philosopher had already caught on in India by this time and Raj Kapoor was trying to arrive at an Indian version of it. It was an extremely popular version. The Raj Kapoor version of a vagabond do-gooder who is also a symbol of protest is taken and altered into a mad man living on the fringes of the society to push the message a little harder. As a mad man he symbolises the combined fate of the Tamils exploited and pushed to the fringes by the north and by brahmin rule that was supporting the northern domination. The choice of a mad man appears to be for several other reasons too. One advantage in the main character pretending to be a mad man is that any kind of dialogue or monologue can be put into his mouth and by that act the film will carry within it a defence for the utterances of the hero: a mad man's rantings need not be taken seriously. This is to assuage the censor board. In his 'mad' moments the hero is a person indicting the society for its politics and corruption. In his sober moments he surfaces as the Tamil man as he ought to be in the conception of the script-writer: a protector of family, a lover and a man with a mission. The actor who plays the hero is a DMK activist at this time and he is obviously seen and presented as the voice of the party. The party is not only putting together its politics but it is clearly making a gendered division of spaces that is going to characterise its politics in the future.

LANGUAGE MODES AND GENDER

For structuring its language the film chooses a variety of elements from the cultural past. It uses the language of the Tamil epics, of Tamil folk legends and folk theatre and poetry. The Tamil epics *Silapadhikaram* and *Manimekalai* are referred to in specific ways. The folk-legend of Nallathangal who killed her seven children because she could not feed them becomes the motif for the widowed sister's life. The predominant mode of lullaby

which are very often songs that women improvise is used to describe an ideal Tamil family where a sister is protected by her brothers. The folk-theatre is always performed on the streets and the hero of the film is ideally located for utilising this language. He uses the folk-theatre mode of singing for his political commentary.

The entire spoken language of the hero is in the form of long monologues and the folk-songs or poetry set to tune are only an extension of this monologue. This pattern of poetry taking the place of the spoken word is carried out throughout the film. The widowed sister sings two songs both of which are about her present state of helplessness and her hope of meeting her brothers. A poem written by Karunanidhi, one of the leaders of the party at that time and who was later to become chief minister of Tamil Nadu, about the ideal Tamil family was written in the form of a lullaby. The widowed sister sings it to her child. The song recalls the custom of maternal uncles giving gifts [Lakshmi 1990]:

... you have three maternal uncles little boy

They will come to give you a good life
They'll come to kiss you on your
cheeks fleshy like a mango

A milk-feeder made of precious stones
A cradle of emerald

Even a white-elephant for you to ride
Your uncle will offer as *stri-dhan*

With silver slate and
a diamond pen, your

uncles will come to put you in school
to learn pure Tamil.

The lullaby is the voice of the woman normally and there are some beautiful lullabies in Tamil where the woman would give voice to her grief or happiness or hopes. The lullaby-mode is appropriated here using very similar language but politicalising it in such a way that it comes to represent an identity and an idealised domestic space where the woman occupies a specific role. It is in the voice of a woman, it is sung by a woman and its lyrics are close to what a woman would use, but it gets transformed into an act delineating the space of a woman in an ideal Tamil society. Since what is 'authentic' Tamil family or society is what anyone can construct from her or his choice of images chosen from the Tamil past, an obvious choice is made here. The marching days are over. Here come the days of taking care of the family, leaving politics to the men.

The language of the woman who protested against Hindi and worked along with her male colleagues is not abandoned; it is toned down in such a way that it does not seem like an effort to enter any space not meant for her. The 'new' woman is presented as someone with a mind of her

own but not so assertive that she will take over the job of acting out her ideas. She is the inspirer goading men on to action, willing to support and help but never taking over. Her long speeches on social revolution are made within the confines of the home whereas it is her brother who gives lectures on public platforms. Even her speech on social revolution is created to her brother. The 'new' woman is bold enough to hold her man's hand casually, call him by his name and address him in the singular and even intersperse her conversation with English, but her monologue when the hero leaves looking for his sister without taking leave of her is to wonder if he left her because she was an idealist. An idealist does not have to be a Manimekalai (who became a saint) but can be a Kannagi, she says. That particular monologue is a very crucial one in terms of the politics of the film. The leader of the self-respect movement, E V Ramaswamy Naicker or Periyar as he was known, had given many fiery speeches in the 30s on why a woman had become a slave in the society. He had made specific references to the notion of chastity and its binding on women. His critics used to reduce this to very simplistic levels and say that Periyar advocated that women must not be chaste. The DMK party does not want any doubts regarding this matter. It makes it clear that chastity is a yardstick it is not in a great haste to abandon. In fact, the character of the sister is built around this notion. Her entire struggle after she is widowed is to maintain her chastity which she finally manages to put in the protective hands of her brothers. The 'new' woman who aspires to be a Kannagi is not really different, except that she speaks at times a different language. Widow-remarriage had been a major reform advocated both by the nationalists and those in the self-respect movement. It is an issue the film does not raise. The entire political criticism of the film is in the realm of statements against the then government and economy. The changes sought are in that area. The space occupied by the woman herself is shifted to the home, overlooking many cultural images from the past of her being outside because the cultural identity is sought by fixing her space and body in non-problematised zones. The woman becomes the guarantor of authenticity by occupying an unsullied and 'pure' space.

References

- Lakshmi, C S (1990): 'Mother, Mother-Community and Mother-Politics in Tamil Nadu', *Economic and Political Weekly*, October 20-27, pp WS-72-WS-83.
Pandian, M S S (1991): 'Parasakthi: Life and Times of a DMK Film', *Economic and Political Weekly*, Annual Number, March, pp 759-70.

Anthropology as Cultural Criticism

Rahul Srivastava

Critical Events: An Anthropological Perspective on Contemporary India by Veena Das; Oxford University Press, Delhi, 1995; pp 230 + viii, Rs 350.

THE book under review may surprise those who are unfamiliar with the changes taking place in the discipline of social anthropology. The author's subject matter and its treatment are a departure from more conventional studies in the field. Das is neither studying an 'exotic' community (in a temporal or spatial sense) nor has she chalked out a fixed period of time for her 'field work'. Such restrictions have been challenged by the practitioners of social anthropology and her writings assume a familiarity with the debates involved. Her field is the open-ended space of contemporary India which includes past memories and its consequences in the present. She is intimate with her field at different levels, public and private, personal and political (though she acknowledges overlaps between these categories). Her anthropological approach comes closer to George Marcuse and M J Fischer's vision of anthropology as a form of 'cultural critique'. The approach is an intellectual response to the contemporary world using cross-cultural and historical perspectives and is acutely aware of the politics involved in inscribing itself within and outside academia.

Critical Events covers recent debates around cultural and political events in India. The author weaves critical questions into her narration of these events, questions related to the language and categories involved and their political consequences. Among the issues discussed are the response of the state to the incident of mass abduction of women in India and Pakistan during the partition, the Shahbano and Roop Kanwar controversies, Sikh militancy and the Bhopal tragedy.

The author confronts a number of dilemmas which a student of social anthropology in India often faces. These are linked to the peculiar tradition of the discipline wherein the anthropologist has usually studied communities to which she/he has been a complete stranger. The dominant theoretical orientation of the discipline assumes such a distance which it valorises in the name of objectivity. Thus when a 'native' scholar makes an anthropological inquiry into her/his own people s/he is extremely vulnerable to criticisms from the established intellectual tradition of the discipline. However, the practice of social anthropology in India is an old one and a number of scholars have challenged both the narrow definitions of

the discipline as well as the categories of familiarity, distance and proximity with which it works. In this regard, Das refers to the contributions of T N Madan and J P S Uberoi who have, in their own way, brought nuances to the disciplinary practice in India.

The author tackles the provocative statements of Louis Dumont in an engaging chapter, 'Anthropological Discourse on India'. By distancing herself from both Dumont and one of Dumont's severe critics, A K Saran, she attempts to establish a method of conceptualising India which depends neither on the "notion of progress in order to critique tradition" (p 53) nor on constructing a nostalgic vision of the traditional community to critique modernity. She wishes for a cosmopolitan academic atmosphere where scholars from the west interact with the 'native' ones to further their understanding of the subject. Her complaint against the western academic world is that scholars belonging to the community being studied are often dismissed as being influenced by western political ideals. Dumont viewed Indian scholars writing on caste in a similar way, perceiving their understanding as tainted by the desire to be part of the modern world. Such a stand leads to a hyper-nativist critique like that of Saran which Das finds equally problematic. What is particularly interesting is her contention that the debates within the academic walls of anthropology also get reflected within public discourses, especially when issues like culture and identity are involved. Thus notions of 'authenticity of tradition' or 'the superiority of western political ideals' are found as much in the arena of public discourse as in the intricate debates within the departments of anthropology.

Students who have often grappled with the philosophical queries of Euro-American intellectuals and have had to translate them into more familiar contexts will immensely benefit from the book. The author does not reject Euro-American analytical and conceptual tools as being alien, but questions them in the light of specific histories of India. They are tested purely in terms of the questions they raise and those they choose to ignore. One finds the author attempting to develop heuristic categories which reflect the complexities she is looking for. Thus, for example, she tries to escape a vision which projects a dichotomy between

'individual' and 'community' (leading to arguments been drawn in the direction either of 'individual freedom' or 'community control') by substituting the word 'victim' for the individual and thus changing the flavour of the argument. This is a useful device as it helps us contextualise the way the state, the community and its people are related to each other in concrete moments. Many of her assumptions around the category 'victim' are outlined in a thought-provoking essay entitled, 'The Anthropology of Pain'. The essay deals with philosophical and anthropological discussions on pain: the ability or inability of pain to be communicated, the use of pain by society to imprint itself on its members, etc. Agreeing with the view that pain can be a shared experience in the sense that one individual can experience the pain of another, the author gives a special resonance to the meaning of suffering which consequently allows the word 'victim' to emerge as an important political category.

The discussions in the book reflect a critical understanding of the political values embedded in conversations, narratives, legal documents and historical records and the consequences of such value systems for its victim. In the discussion on the abduction of women during the partition, the author delineates the state as a cultural make-up of a status-conscious honour-bound patriarch where the values of the family get highlighted at the cost of the biographies of women who survived, sheltered by new families belonging to other religions. In the eyes of the state these women had to be restored to their rightful owners, thus constituting the nations of India and Pakistan as metaphoric expressions of the family. The biographies of women who survived murder or death were erased not only from the collective memories of the concerned families, decades after the events, but even from the conversations, legal records and political speeches inscribed during the actual events. In the words of the author, "In all this discussion we see that women are being redefined as semiotic objects on which the actions of the state are to be inscribed. Was there any concern for the rights of those women themselves, as distinct from the demands on the state made by their relatives and the state's construction of national honour?" (p 71)

In the discussions on Shahbano and Roop Kanwar the hegemony of the community is analysed in relation to the complex issue of cultural rights, the role of the state and the demands of modernity. The actors in both these cases challenged the state and also defined 'community' in a way which homogenised its individual members. But

the author reveals the concept 'community' as essentially hiding an asymmetrical gendered world-view which divides the private and public spheres into the female and the male. This has entailed an exclusion of the women from participating within the public sphere. As a sequel, the male voice is often seen as speaking for the community. While the cases of Shahbano and Roop Kanwar are conventionally represented as a conflict between "two different kinds of communities (e.g. Muslims and Rajputs) on the one hand and women's groups on the other" this could be changed into a conflict *within* a community if women were to lay greater claims to the public cultures of filiative communities themselves" (p 115). As an illustration the author shows how women in Rajasthan worshipping sati shrines may have a different worldview *vis-a-vis* the glorification of sati *per se*. The author does not essentialise the act of women worshipping at sati shrines as representing tradition; instead she suggests that increased participation of women in the public discourse may transform the very discourse around sati at the popular level itself. Similarly, while the Shahbano case could be seen as a political discourse juxtaposing the community against the state (Das outlines a number of complexities in this argument regarding the biases within the legal statements on Muslim personal law) she also views Shahbano as a woman who became a victim of gendered power games.

The lense of gender is again used in the discussion on Sikh militancy. Even as the author mentions a number of other variables which are involved in the discourse (like the construction of a historical memory) what is underlined is the rhetoric of the masculine and the feminine which defines the Self for both the individual and the community. The author relates these conceptual systems to the justification or condemnation of violence which the community has faced during the political turmoil of the last decade. In the past the Sikhs shared a common experience of identification with the Hindus which have become their conflicting 'other' in the present. Contrarily, their conflicting 'other' of the past, the Muslims can now be identified as a co-victim in the present. The way members of the community make sense of historical complexity is by resorting to a dualism where qualities are understood as masculine or feminine and these get transposed into wider conceptual systems.

The essay entitled, 'Suffering, Legitimacy and Healing', studies the Bhopal gas tragedy in the context of the legal battle which its victims had to undergo and the eventual watered down judgment which almost let Union Carbide go scot-free. The judgment generalises the whole

event into an amorphous vision of modernity where the element of 'risk' takes on a peculiar role allowing actors of modernity like the Union Carbide to live without guilt at the calamities it bestows on structurally weaker segments of society. Das shows how intimately entwined within legal rhetoric are mechanisms which allow such incidents to be accepted as unfortunate side-effects of the advances of science and technology even though the rhetoric is couched within an apparent concern and sympathy for the victims. In this case, modernity does not have to be concerned about the accidents of technological disasters and its very definition makes it demand martyrdom in the name of progress without the fear of being labelled 'barbaric' or 'medieval'. The nexus between bureaucracies, legal infrastructures and the state, both within national boundaries and between nations is strongly underlined.

The discussions in the book attempt to problematise the relationship between the state, community, individual and culture in contemporary India. In the process, the author forces the reader to re-visualise some of these concepts, devoid of the rhetorical stance they assume in certain historical contexts. For example, in her essay on Sikh militancy she states, "...there are limits to an analysis that rests completely upon discursive practices in the creation of militancy, for clearly the militants who engage in spectacular killings are not

produced by that discourse alone. Non-discursive practices, especially the institutional and the pedagogic, exist hand-in-hand with the discourse to form a heterogeneous totality... what an analysis of the *discourse* permits however is an insight into how individual acts of violence may be reclassified and reframed as acts committed on behalf of the community. It is important to note that even in militant discourse the references to violence are framed in ambiguity" (p 11). This is a very revealing statement, yet it also brings out the limitations of her analysis. Unlike Sikh militancy, the author does not see the state as comprising a series of heterogeneous experiences and discourses within itself. Only the relation of the state to other factors are analysed. Thus the discursive practices of the state in relation to communities or victims are analysed in detail and the discourse of agencies within communities or even the heterogeneous existence of the self are given adequate attention, but the experience of the state as representing multiple historical moments is ignored. On the other hand if the overwhelming role of the state as a homogeneous voice during these events is justified then equal attention should have been paid to class as a strong presence. Even though economic determinist perspectives on culture have been very often myopic, one wonders whether a reaction by underplaying the material basis of experience may take us any further.

New
from

SAGE

Publishers of the
Professional
Social Sciences

ORGANIZATIONAL ETHNOGRAPHY

V SUCHITRA MOULY and JAYARAM K. SANKARAN

Social scientists involved with the study of organizations have become increasingly sceptical about the ability of conventional, quantitative techniques to fully comprehend organizational realities. At the same time, there is a serious lacuna in existing research on Indian R & D since there is a distinct lack of in-depth, qualitative studies. This book addresses these two related issues. On the one hand it seeks to introduce the relatively new qualitative paradigm of organizational ethnography as a viable mode of inquiry into organizations, while on the other it demonstrates the potential of ethnography to provide penetrating insights concerning R & D organizations.

180 pages • 220mm x 140mm • Rs 235 (cloth) • 1995



SAGE PUBLICATIONS INDIA PRIVATE LIMITED

Post Box 4215, New Delhi 110 048

However, the study evokes some powerful images in relation to culture. Though Das deconstructs legal practices, a strong sense of justice surfaces in her very conception of everyday life. Thus, while demarcating culture from the proprietorial hold of community, state or individual we are proffered an image of culture derived from the metaphors of justice. Moreover, in her choice of presenting the anthropological subject as a moment rather than being spatially located, she departs from conventional 'disciplinary' techniques and gives prominence to the 'script' of everyday life, which encodes the concepts of rights and justice. Such formulation helps us escape the limited view of culture as community with a boundary or as linked to demands of the state. By paying attention to these narratives, Das subverts the image of traditional ethnographic practice wherein an

anthropologist 'glazed' at the 'objectified' other. Instead, she uses the image of 'hearing' multiple voices in a sensitive and plural exercise of dialogue. Even if there may be disagreements with some assumptions of the author, it will be difficult to ignore the questions she raises. The resonance provided to the category 'victim', shorn of condescending or passive images, the sharp focus given to the question of justice even as legal discourses and practices are exposed as hiding specific interests, the powerful image of gender as linked to community, and the possibility of visualising culture as derived metaphorically from the processes of legality are some important ideas which provide food for thought. *Critical Events*, by attempting to live up to the ideal of anthropology as 'cultural critique', sets an agenda for a number of debates which are relevant within and outside academic circles.

feudalism. Since it has not happened the way it might have, rather a feudalism from below has taken over the place of feudalism from above, and since the anti-feudal struggle, as well as the harnessing of the anti-feudal forces, are still very much the high priorities in today's Bihar, all perhaps had not gone on exactly well with the kisan mobilisation that the Swami-led BPKS built up in Bihar of the yesterdays. This feeling of doubt has in due course led to an attempt at reviewing Sahajanand and his movement, and at expressing different opinions about them during the centenary year of Sahajanand's birth.

The opinion, as expressed in the two issues of the *Economic and Political Weekly* of April 1 and August 19, 1989 (in the shape of two articles by D N, entitled, 'Swami Sahajanand and the Kisan Sabha', and 'Iconoclasm Is Necessary', pp 660-62 and 1921-23, respectively) gives Sahajanand and the BPKS credit for taking in the agrarian situation of Bihar the side of the oppressed against the oppressors and for their building up a movement that weakened feudalism and led to the abolition of *zamindari*. But the author feels that the movement could not become "a full-fledged anti-feudal movement", remained confined, and consequently was exposed to steady erosion for two debilitating factors: one, its preoccupation with the occupant tenants at the expense of the interests of landless agricultural labourers, and even the under-tenants and sharecroppers, and two, its 'upper caste' bias, resulting in the neglect of the lower castes, particularly the dalits. On examination, both these appeared to this reviewer, at best, to be half-truths. Half, because, despite the Kisan Sabhas being a platform of all categories of peasants – rich as well as poor – like the Aesopian stream which quenched the thirst of the tiger and the sheep, Sahajanand and the BPKS had fought with all their might more for the poor peasants, the under-tenants, or the tenants-at-will, than they ever did for the rich and the protected occupant tenants.

To understand this, one has simply to refer to the *Bakshi* peasants' epic struggle (1937-1942 and 1946-1948) against eviction, and for the defence of the lands they tilled and the crops they raised. Besides, if for some reason (which is not known yet) Sahajanand and the BPKS could not come to the aid of the Santal 'bataidars' agitation in Dhamdaha, Purnea, between 1938 and 1942 (as has been pointed out by Anand Chakravarti in his 'Unfinished Struggle of Santhal Bataidars in Purnea District, 1938-42', *Economic and Political Weekly*, October 18, 1986, pp 1848-58), they had no hesitation in taking up the sharecropping tribal peasants' causes elsewhere, notably in Palamau in September 1940, in Dumka in

Sahajanand and 'Khet Mazdoors'

Amit Kumar Gupta

Sahajanand on Agricultural Labour and the Rural Poor edited by Walter Hauser; Manohar, Delhi, 1994; pp 238, Rs 250.

SWAMI Sahajanand Saraswati was born Naurang Rai in 1889, turned an ascetic in 1907 and moved to the bustle of public life in 1917. In 1920 he began to organise the *bhumihar* brahmins on ritual-reformist lines but soon turned to Gandhian politics. From 1934 however, disenchanted, he began to organise the suffering 'kisans', with whom he worked until he died in 1950. The kisan movement, the Swami, and others like him, tried to build up a countrywide scale, and under the banner of the All India Kisan Sabha (1936), was designed to challenge the upholders of colonialism in India – the indigenous feudal exploiters in its overwhelmingly vast countryside, and their overbearing protective, expropriative British raj. In vigorous pursuance of this two-fold task of anti-feudalism and anti-imperialism, Sahajanand devoted 16 rich years of his life. Although he was active practically throughout the country, and he attained the stature of a truly national figure, the epicentre of all his acts of political tremor remained the province of Bihar. It was mainly for his non-party, left-wing career as a militant kisan leader of Bihar, as of course, of the whole of India, that Sahajanand has carved out a niche for himself in the Indian history of the 20th century.

Evidently Sahajanand's role in accelerating the process of peasant mobilisation, his role as its publicist and theoretician, and his activity as its foremost leader, particularly

in the context of Bihar, has to be taken into serious account by scholars working on contemporary India and its people. In the last 30 years or so a number of research works have been published which have assessed the Swami's over-all contributions favourably, and highlighted his relentless anti-feudal campaigns. But of late certain misgivings about Sahajanand's strategy against feudalism in the colonial days appear to have crept into the minds of some scholars, as well as of a sizeable number of political activists who are committed to the cause of a qualitative change in present-day agrarian society. These misgivings, it seems, are borne out of the stark realisation that the feudal mode of exploitation has not only survived significant agricultural changes in post-colonial India, but has remained the dominant factor in many parts of the country, and especially so in Bihar – where landlordism, extraction of rent, sharecropping, usurious practice, bonded labour, caste-based division of work and patron-client relationship of the *jajmani* type are still ominously operative. If the Bihar Provincial Kisan Sabha's campaign against feudalism was indeed on the ascendancy in the colonial period as it has been made out, then the feudal forces ought to have been cornered in the post-colonial decades following the abolition of *zamindari* in 1950, if not rendered moribund, and more importantly, the anti-feudal popular forces should have become strong enough to deal a death blow to what remained of

November 1940, in certain other parts of Santal Pargana in April 1943, and also of the sharecroppers on 'bhowli' lands in Patna and Gaya throughout 1946-47. Ideologically, they appeared to have no reservation against either the tribal peasantry or the sharecroppers.

Similarly, Sahajanands and other BPKS leaders belonging to the upper castes - who did not so belong among the organisers of the toiling people's movements in India of the time? - do not seem to this reviewer to have stood in the way of mobilising the people of the middle agricultural castes, the kurmis, the koeris, the yadavas - as well as those of the lower middle castes. A widespread militant rising like that of the *bakasht kisans*, and an animated agitation like that of the *bhowli kisans* could not have taken place without the massive participation of most of the agricultural castes. In view also of the radical conviction in the 1930s and 1940s in the theory of class struggle as the panacea for all caste and community contradictions and therefore, of ignoring such contradictions it needs some wild imagination to see Sahajanand and his comrades in the upper casteist garb. But then the scope for taking such wanton liberty was not entirely absent, and the two half-truths do tend to point towards at least one full truth.

NEGLECTED CAUSE

From the beginning of their career as kisan organisers in Bihar, Sahajanand and his friends displayed little inclination for taking up the cause of the landless agricultural labourers or 'khet mazdoors', many of whom also happened to be the dalits of agrarian society. When the movement began to spread in Bihar they were not certain if the dalit khet mazdoors could be included in the category of 'grihastha' kisans, and whether, following the basic 'land to the tiller' slogan, it would be practicable to demand land for the dalit khet mazdoors, by flouting the age-old ascriptive notion against it. Their confusion was further reflected in the BPKS Manifesto of 1936 demanding 'gainful employment' for the landless, but not land as such, and the way they felt that the khet mazdoors' misery could not be rooted out "till imperialism is replaced by a national state", or, as Rahul Sankrityana was reported to have sceptically stated, not before "the advent of communism and revolution".

Sahajanand and the BPKS did, nevertheless, try uncertainly to initiate a landless labourers' agitation in September 1937 in the eastern part of Patna district among the musahars (dalits) of Tirhut over the demand for increased wages and improved conditions of work. The attempt, coinciding

with the activities of a Congress-inspired and Jagjivan Ram-led, short-lived Khetihar Sangh, raised both casteist alarm and class hostility among the substantial peasants - those who usually employed agricultural labour. It eventually led to clashes between the musahars and their employers in the first half of 1938, resulting in violence and bloodshed, and enabling the authorities to crush it in the name of maintaining law and order. The set back so stunned the BPKS that it did not make another worthwhile attempt at organising the agitation of the khet mazdoors. Although its leaders continued to talk about the demands of the 'rural proletariat', their main effort throughout 1938-41 was somehow to harmonise the relations between the agricultural labourers and their kisan employers. They, in fact, tried hard to explain the 'involuntary' exploitation of the khet mazdoors by the landholders in terms of the latter's having little alternative, under the strain of rack-renting, but to minimise the cost of cultivation even at the expense of the wage-earners. They also appealed to the substantial peasants to consider the khet mazdoors as their own 'kith and kin' who should be given their due (Swami Sahajanand's presidential address, 3rd session of the All India Kisan Sabha, Comilla, May 13, 1938), and exhorted both the categories to appreciate "the great and growing need for their united front" (Resolution on Agricultural Labour, 4th Session of the All India Kisan Sabha, Gaya, April 9-10, 1939).

All this, and the fact that the BPKS neither made any serious effort to rally the khet mazdoors in support of the *bakasht* and the *bhowli kisans'* struggles, in spite of the khet mazdoors' spontaneous tacit support for them, nor succeeded in bringing the landless' rightful demand for land to the fore, irrespective of the feasibility of its being partially or marginally fulfilled, makes one believe that Sahajanand and his comrades had in fact neglected the cause of agricultural labourers (who included the dalits), failed to galvanise them into the movement against feudalism, and as a result left anti-feudalism in Bihar restricted to that vital extent.

It is in the backdrop of this living controversy over the contemporaneous agrarian society in Bihar that Sahajanand on *Agricultural Labour and the Rural Poor* assumes a special significance. Presented suitably (with an Introduction, an introductory statement to each chapter, a comprehensive glossary and an array of scholarly annotations) the book by Walter Hauser, who first brought the full stature of Sahajanand and the Bihar Provincial Kisan Sabha to serious academic attention in his pioneering unpublished research work of 1961, contains the original Hindi text

of Sahajanand's political tract, *Khet Mazdoor*, and its English translation. The *Khet Mazdoor*, along with other pamphlets, was written by Sahajanand during his imprisonment at Hazaribagh in the four months between June and September 1941. It remained in its manuscript form throughout, and had not been published in the Swami's life-time and thereafter. Consequently its contents, and their implications, were not known, though some people vaguely heard about it, and a few scholars even referred to it (notably Hauser himself in his unpublished work, 'The Bihar Provincial Kisan Sabha, 1929-42: A Study of an Indian Peasant Movement', University of Chicago, 1961, and Arvind N Das in *Agrarian Unrest and Socio-Economic Change in Bihar, 1900-1980*, New Delhi, 1983). This historical text lets Sahajanand speak, most impressively, indeed, for himself, and thereby, deal effectively with the charge of his lack of interest in the landless labourers' lot, and his neglect of their cause.

Sahajanand was very knowledgeable about the historical circumstances under which agricultural labourers came into existence in India, and about the reasons of their phenomenal growth in number during the colonial period. He knew intimately the kind of life they were forced to live in agrarian society, the problems they encountered, and the exploitation they had always been subjected to. As a typical radical believer in the theory of class struggle of his time, Sahajanand's attention was devoted almost entirely to the economics of agricultural labour in disregard of its caste aspect, though he neither failed to notice that "the agricultural labourers are chiefly constituted of castes which have been suppressed for centuries", nor did he shrink from defending them as "the rightful claimants" of land. Simultaneously, he pointed out that the non-dalits had also turned khet mazdoors in great numbers, especially because of the small marginal peasants' steady loss of land under colonial conditions. Consequently, Sahajanand found a kisan characteristic among the khet mazdoors, some of whom subsisted not only by wage-earning, but also by clinging desperately to tiny pieces of land, and tilling them. This "half kisan and half wage-earner" character of them, the total dependence of all others on the cultivation of land, despite their being wholly landless, and the similarity of their precarious existence with that of the small and marginal peasants, prompted Sahajanand to treat the khet mazdoors as the 'poor' kisans, and to try to mobilise them under the leadership of the Kisan Sabha.

If the Kisan Sabha was to become rallying point of the khet mazdoors along

with the poor kisans, then it must undergo a drastic change in its nature and composition. It must then defend the rural poor against the exploitation not only of the landlords and mahajans, but also of the rich peasants – not only for their freedom from the bondage, but also for getting them the minimum living wages – and turn itself essentially into a poor kisan-cum-khet mazdoor organisation. Apparently, in 1941 Sahajanand had no qualms about it ("we should have no consideration at all for the rich peasants", he said), and he recommended to the khet mazdoors two different approaches for settling their wage disputes: an uncompromisingly stern one towards the rich peasants, keeping the stakes somewhat high, and a compromisingly soft one towards the other kisans, keeping the stakes somewhat low. Together with the continuous struggle for wages, he invited the khet mazdoors to rebel against every form of bonded and forced labour, and supported their claim, along with that of those poor kisans with very little land, to a share of the landlords' excess lands, and the pool of other lands to be brought under cultivation.

Sahajanand, however, was of the opinion that the dispossessing of the landlords of their 'zirat', 'bakasht' and 'khud kasht' lands, and the distribution of these and

other lands among the khet mazdoors and the poor kisans should be undertaken only by the government. Uncharacteristically he maintained a complete silence over the issue of the 'land seizures' or the rural poor's snatching away – at the peak of anti-feudalism – the landlords' and the government's lands, and distributing them under the Kisan Sabha's overall guidance. If the 'land seizures' were not resorted to, he did not say how, and what other way, his Kisan Sabha would lead the khet mazdoors to spearhead the struggle against feudalism to its climax. Rather than elaborating on these mobilisational and agrarian revolutionary issues, Sahajanand preferred, like an economic planner (and surprisingly good one at that), to dwell on the ways and means of expanding the country's agriculture, and stepping up its total agricultural production. He showed, with the help of official reports and statistics, that the cultivable land available in 1941 was too inadequate (about three-quarters of an acre per agriculturist) to satisfy the land hunger of the kisans and the khet mazdoors. If more lands from all possible sources (including the fallow, marshy and jungle lands) were brought under cultivation, increasing the total amount to such an extent as to be possible to allot two acres per agriculturist, and the

productive capacity of land, and the production per acre, were vastly improved through full scale 'modernisation', "only then the land hunger of the kisans can be met, and only then will the agricultural labourers be able to get land".

One may, or may not accept Sahajanand's contentions in *Khet Mazdoor* as to have constituted the perfect strategy in the 1940s for mobilising the agricultural labourers in the anti-feudal struggle. One could hardly say that Sahajanand was not mindful of the landless labourers and dalits. However, the theorisations are of little importance without their being put to some practice, and similarly the intentions are scarcely useful till they are actually acted upon. The accounts of Bihar of the 1940s do not show any significant evidence of khet mazdoors' agitation, or of their coming into a certain focus in agrarian politics. They remained as unorganised after 1941 as they were before, and clearly Sahajanand's exhortations had no discernible effect on their position. Why was it so in Bihar, and not exactly so in certain other areas, and what prevented Sahajanand and his comrades from translating their ideas into actions? Had Hauser endeavoured to answer these questions at some length in his Introduction, his readers would have been benefited further.

NATIONAL INSTITUTE OF PUBLIC FINANCE AND POLICY

NEW DELHI

Requires immediately

One Environmental Economist for a period of 15 months to work on the World Resources Institute/NIPFP Project on Fiscal Policies for Sustainable Development.

Candidate should preferably have a Ph.D degree in Environmental Economics and capability of working on Taxation and Pricing of Services such as Energy, Water Supply and Solid Waste Disposal and Treatment.

Consolidated remuneration in the range of Rs. 12,000 - 15,000 p.m. will be offered depending upon qualification and experience of the candidate.

Other things being equal, candidates belonging to Scheduled Castes/Scheduled Tribes will be given preference. Applications indicating qualifications and experience should be faxed (91-11-6852548) to Secretary, National Institute of Public Finance and Policy, 18/2 Satsang Vihar Marg, Special Institutional Area (near JNU), New Delhi - 110067 or delivered within 5 days of this advertisement.

'Our Time'

History, Sovereignty and Politics

Vivek Dhareshwar

If the modernist injunction has been to make the present an object of reflection and to make ourselves the object of interrogation, the question for post-colonials is, what does it mean to be modern? This paper raises questions about how the political present theorises itself, focusing on three concepts – history, sovereignty and the subject. It is argued that deploying the problematic of community should enable us to delineate the conceptual limits of the political languages of modernity and to show the impasses of post-modernity as well as the reflexive possibilities of the political present.

IF the modernist injunction has been to make the present an object of reflection and to make ourselves the object of interrogation, then we are forced to ask with Leo Bersani: 'Is it possible not to be modern? More exactly, can we ever *experience* a time other than our own?'¹ But the question for post-colonials has been for quite some time: What does it mean to be modern? What is our own time? That question, of course, derives its force not only from the fact that modernity has been an imposition, but also from the growing apprehension that its post-colonial perpetuation may be in some profound sense an error. We are here on a conceptually precarious terrain, for it is indeed difficult to make room for that judgment and to make sense of it without losing our hold on the present. But as 'critical historians' we cannot make that judgment.

I do not invoke the expression 'critical historian' in vain. We may be able to illuminate our *fin-de-siècle* predicament by turning to Nietzsche, that other *fin-de-siècle* anti-modern, and his formulation of the dilemma confronting the 'critical historian':

The same life that needs forgetfulness sometimes needs its destruction: for should the injustice of something ever become obvious – a monopoly, a caste, a dynasty, for example – the thing deserves to fall. Its past is critically examined, the knife put to its roots, and all the 'pieties' are grimly trodden underfoot. The process is always dangerous, even for life; and the men or the times that serve life in this way, by judging and annihilating the past, are always dangerous to themselves and others. For as we are merely the resultant of previous generations, we are also the resultant of their errors, passions, and crimes; it is impossible to shake off this chain. Though we condemn the errors and think we have escaped them, we cannot escape the fact that we spring from them... It is an attempt to gain a past *a posteriori* from which we might spring, as against that from which we do spring.²

The post-colonial predicament is that we have been mediating modernity but that mediation has always carried or secreted

within itself the sense of another historicity, which introduces almost stealthily the non-self-identity of the Indian modern. And it is this historicity which allows the critical historian of our *fin-de-siècle* to call for a critique of modernity which would at the same time be an attempt to provincialise Europe. Thus Dipesh Chakrabarty argues that,

To attempt to provincialise this 'Europe' is to see the modern as inevitably contested, to write over the given and privileged narratives of citizenship other narratives of human connections that draw sustenance from dreamed-up pasts and futures where collectivities are defined neither by the rituals of citizenship nor by the nightmare of 'tradition' that 'modernity' creates

Do these other narratives provide us with an *a posteriori* past from which we might spring or from which we might have sprung? Chakrabarty continues:

There are of course no (infra) structural sites where such dreams could lodge themselves. Yet they will recur so long as the themes of citizenship and the nation-state dominate our narratives of historical transition, for these dreams are what the modern represses in order to be

Critical history, then, attempts the 'impossible' and therefore embodies a 'politics of despair'. The project is impossible because history and the theory (the figures and categories) it uses has only one subject, 'Europe', no matter whether we are ostensibly concerned with the history of Ghana or of India.

There is a great deal of ambiguity as to what Chakrabarty means by "other narratives of human connections that draw sustenance from dreamed-up pasts and futures". The ambiguity arises mainly because Chakrabarty leaves it unclear how those 'dreamed up pasts and futures' relate to our present; and this present begins to lose its already precarious hold on us, and we, our hold on it, when he declares that the critique of modernity, the provincialisation of Europe, involves sending the categories of political

modernity back to philosophy and presumably to Europe – "in the same way as suspect coins returned to their owners in an Indian bazaar" (22). Furthermore, when he argues that "In unravelling the necessary entanglement of history – a disciplined and institutionally regulated form of collective memory – with the grand narratives of 'rights', 'citizenship', the nation state, 'public' and 'private' spheres, one cannot but problematise 'India' at the same time as one dismantles Europe" (21), it is far from clear what the implication is of problematising 'India'. If the impossible narratives of dreamed up pasts and futures float free of the present, then how does the present get problematised? On the other hand, if the task of critical history is to narrate the violence of modernity why would one need to attempt the impossible? It seems that the impossible narrative attempts to redeem the past but generates a politics of despair both because it cannot do so and because critical history is unable to explain its own implication in the present. However barren that present may be, without grasping its figurations of the *in* of our in-common, we can only think of the past as a refuge or as a loss.⁴ The present too is surely dreaming up new futures, new ways of being together, whose figurations are yet to be embodied in any theory or institutions.

Let us contrast Chakrabarty's critical history with Walter Benjamin's attempt to write the prehistory of modernity, with which it clearly has some affinity. Unlike Proust, who searched for time past in order to escape from the future and from temporality as such, Benjamin looked for "hope in the past". As Peter Szondi puts it, "the future is precisely what Benjamin seeks in the past". "The task", as Szondi notes,

is paradoxical, like the joining of hope and despair to which it gives voice. The way to the origin is, to be sure, a way backwards, but backwards into a future, which, although it has gone by in the meantime and its idea has been perverted, still holds more promise than the current image of the future.⁵

This contrast allows us to see why despair is disjoined from hope in Chakrabarty's critique of modernity. Admittedly, Benjamin too has a problem in accounting for why the 'current image of the future' is less promising than the futures past. For Benjamin, however, it is clear that the glimmers of an open, incomplete future in the past helps us break out of a paralysing historicism and thus perhaps prepares in us a receptivity to the present. In contrast, Chakrabarty's critical history, by embodying a politics of despair, by showing us why our predicament is necessarily "inescapable", will imprison us even more deeply in a historicism that is unable to open itself to any future and thus unable to determine any historical present. If we have no independent access to the real except through the interarticulation of our political concepts – the concepts of political modernity – then it is not clear what we are doing by sending them back to Europe, especially when the critique of modernity confesses its inability to provide us with any other hold on our present. And with that we lose any sense we might have had of why our modernity may be an error, for without a sense of the historicity of our present, of even the Benjaminian kind, we will have no way of seeing our present as containing futures that are not already lived out elsewhere – this elsewhere being of course Europe, the origin and telos of modernity.

The non-negotiability of political structures and idioms in India can only be accounted for by the fact that that structure and that idiom never evolved out of any existing traditions (languages, historicities). When they become part of our history, or, more accurately, when we begin to have a 'history' thanks to them, our time can only appear as 'prehistory'. When, therefore, we begin to reflect on the conditions for a critique of our modernity, it would be futile, and intellectually incoherent, to deny our 'history' as alien in order then to reach back to a different historicity as our 'impossible' history (nonmodern or premodern time, culture).⁶ But what is this present that leads us into this aporia? "What is it", as Michel Foucault has asked, "in the present that produces meaning now for philosophical reflection?"⁷ In order to determine a reflective relation to our present we must think the historicity of history itself. Here is then the paradoxical task: we need to deploy historicity against the very notion of history such that historicity is not reabsorbed by historicism. How is this possible?

It is not difficult, however, to decipher, beneath Chakrabarty's despair, the outline of another, more fascinating problematic. That is to say, beneath the despairing project of provincialising Europe, the problematic that takes shape is the problematic of community. I am proposing therefore that we raise the questions of our modernity as

a question of our time, since, as Jean-Luc Nancy expresses it so well, "The possibility of saying 'our time' and the possibility of this making sense (if it does) is given by a reciprocity between 'our' and 'time'." "Today the question of modernity presents itself as the possibility of taking up once again the question of who we are and how we are related to one another."

This paper then is designed to raise questions about how we might understand the ways in which the political present is disposed to theorise itself. What happens to some of the central concepts or the key words of our cultural and political self-understanding – such as sovereignty, citizenship, rights, democracy, secularism, the nation – when the conditions that rendered them intelligible no longer obtain? Would it be possible to map the semantic shifts wrought in them by the emergent configuration of institutions and practices? Do they retain their intelligibility today, and can they still mobilise our politico-ethical horizon? If not, what new concepts are replacing them and what are their semantic field?

Without pretending to answer these questions, I shall attempt to sketch at least the programmatic outline of an approach to them by looking at three concepts: history, sovereignty and the subject. The hypothesis is that none of these concepts can be understood without the other two. Postmodernity is a problem or a challenge for the discourse and history of sovereignty insofar as the history that we are living as well as practising is bound up with the discourse/history/institution of sovereignty. History has always been a discourse of sovereignty, and sovereignty has always been structured in the form of a subject, whether we take the latter to refer to the citizen subject or to the collectivity named by the nation.⁸ These concepts, moreover, have defined the very intelligibility of 'politics', indeed of political modernity itself.⁹ Other political concepts, too, derive their context and force from these three. The link between sovereignty, history and politics has been mutually constitutive because sovereignty has involved creating a political structure capable of defining its own past and determining its own present. Now this history/subject of sovereignty finds itself threatened above all by what one might call the 'sovereignty' of market. The play of market forces is not only indifferent to the history/subject of sovereignty, but it is also capable of reconstituting it at will, thereby denying or negating history and politics. J G A Pocock, the historian of political discourse (as he styles himself), whose formulation of the issue seems to me to capture the theoretical and political perplexities of the issue of sovereignty, has argued that

It can be seen for the first time that the interplay of market forces is capable of abolishing whole national cultures if it does not need them any more, and whatever the outcome, the mere realisation that this is possible raises problems in human values alarming if stimulating to the critical intelligence. Should this happen? What in fact happens if it does? Among the problems arising is that of historical self-location. In what history is one living if one lives in a world where this can happen? The question is complicated and enriched if the experience begins with the demolition of the national histories which, if they did not encourage the belief that one had a share in determining one's fate, at least located fate and its mastery in an intelligible culture, tradition, and politics.¹⁰

Historical self-location becomes a problem because of the intimate link between sovereignty, the state and history. The logic of capital seems to force the state to reassert its (crumbling) sovereignty in order only to surrender it. Historiography, which was the product of the liberal state, suddenly seems to lose its focus. The crisis, however, raises even more serious questions for politics, some of which I shall try to briefly indicate. That we find the very notion of the 'political' opaque is because politics as a notion and practice derived its meaning from the unity, as it were, of history, sovereignty and the subject. So when we speak metaphorically of the sovereignty of the market that is threatening the cultural/political autonomy of the nation, we are obliquely confessing that politics has lost its meaning; and it has lost its meaning, as I just indicated, because, we no longer make sense of the triad history, sovereignty and the subject.¹¹

Although I began by considering the threat posed by the market to the history/subject of sovereignty, our interrogation of political modernity – an interrogation that seems indispensable to ascertain the possibilities of the political present – would have to show when and how the 'play of market forces' detaches itself from the discourse of sovereignty, especially since in the early modern political debates – the discourse of the market was internal to or part of the discourse of sovereignty.¹² Furthermore, we would need to come to terms with the arguments which, without necessarily welcoming or positively evaluating the effects of globalisation, seem to suggest that the nation-state's (and hence of sovereignty's) decreasing significance opens up other political possibilities which may be able to avoid some of the major problems that the nation-state creates or at least is unable to resolve.¹³ We need then to explore, on the one hand, the limits or possibilities of existing political concepts when confronted with new forms or structures and, on the other, whether any new political

concepts are being generated in the process. It may be that the discourse of sovereignty is not tied to any given conception of the nation-state, and that the debate about the appropriate form of the state is internal to the historical dialogue that constitutes the discourse of sovereignty.

The career of these concepts in non-European contexts creates impasses or aporias that are yet to be resolved. What is the logic of history/sovereignty in India (and in postcolonial places in general)? It is on this site that both their constitutive force and their present crisis can be made perspicuous, and questions asked about the reflexive possibilities of the political present.

The history/subject of Indian sovereignty has been constituted as a "biography of the nation-state",¹⁶ and this history, in fashioning itself as a history of sovereignty, has had to exclude and delegitimise other idioms and agencies. It would be instructive here to look at the problem of secularism. There is an obvious sense in which it is culturally alien (imposed, like most of our political institutions, by the British and deriving its authority in large measure because of that), and it is also what the nationalists – more precisely Nehru and Nehruvians – saw as a rational normative choice which a multi-religious sovereign state would do well to make. But it has been unclear what it means for Indians to share its history as henceforth part of theirs or what history it enjoins Indians to determine. For this question could not arise as long as the authority and value of political concepts embodied in the post-colonial state (taken over intact from the British) legitimised only one history. Only when that authority began to be undermined and challenged by very different processes did questions long suppressed come to the surface.

To put it very schematically, the state's espousal of secularism entailed, paradoxically, an active attempt on its part to secularise what it took to be religious institutions (Hindu/Muslim/Christian). This was far from being a benign process.¹⁷ The Hindu right (the emergence of Hindu as a political identity is a fairly recent phenomenon) now claims that the state, as well as the liberal/left intelligentsia, is favouring the minorities ('appeasement of the minorities' in their political rhetoric) by allowing them to have their own 'personal law'. So they claim that the state is 'pseudo-secular' because far from being neutral between religions it intervenes in Hindu institutions but protects the Muslims. If secularism as a doctrine or policy as well as a cultural ideal has not only failed but has in fact created a space which the Hindu right is mobilising to take over in order to marginalise (to put it euphemistically) an already marginalised community, then we seem to need something more, or, at any rate, something other, than

mere reiteration of secularism (which most leftists and liberals end up doing). Secularism as a doctrine of toleration is closely linked to the principle of sovereignty (and the juridical power associated with it). Rather than argue that the only consistent, viable position for Muslims is to demand, and for the state to grant, sovereignty in 'cultural' matters, I would argue that we must work toward a political space from which we can question the very principle of sovereignty as embodied in the state. This questioning would have to begin with an attempt to redefine citizenship, and in the process explore the limitations of the politics of rights. This questioning may end up deconstructing these notions, not merely or primarily on grounds of their Eurocentricity, but because they no longer tell us the terms of our practical and passionate relationship to one another¹⁸ because they no longer embody a politics.

The state functions by naturalising the classes and groups of civil society. When these groups and classes form or mediate representations of themselves through the state, antagonisms and dislocations of the social emerge in the open. What we have called 'political identity' emerges as the articulation of these antagonisms. Thus the 'Hindu' as a political identity is irreducible to the interests of any one group in civil society and to the cultural/religious entity called Hindu. The attempted new equation, Indian citizen=Hindu, is a result of the attempt to compensate for the excess of universality; it is not primarily intended to appropriate the state or to make it religious. In fact, one could argue the radical proposition that religion is not the issue at all, and therefore the focus on 'secularism' is misplaced – yet another instance of left/liberal literalism that negates politics. The citizen's becoming a subject depends on the state – and, as we know, in the post-colonial context the state is the most powerful modernising agent – insofar as the abstract, universal slot (whose ideality is given as interior to itself) needs the state to guarantee it as such. It would be possible to show, following Foucault, that governmentality in the colonial/post-colonial context deploys both sovereignty and discipline to institute modernity, including the institutions and practices of political modernity, it also in the same process inscribes or reassigns inequality as difference (usually onto those it constitutes as not-yet-citizens – women, 'minorities', 'scheduled castes/tribes').¹⁹ Can we then invoke sovereignty to defend difference?

The Muslim and the dalit are in a similar position in relation to the state: their identity is too particular and too excessive. In imposing an identity on them, the state seeks in effect to circumvent their agency. Their identities become excessive because they are blocked from the space of citizenship.

The political identity 'Hindu', on the other hand, emerges as a reaction to the excess of universality. What the 'Hindu' envies/hates in the Muslim is precisely the predicament of the Muslim, namely, the Muslim's confinement to his/her identity (the excess of it).²¹ If we now readily accept that there is violence in the denial of identity, we must begin to understand the conditions in which the affirmation of identity can turn into an imposition of identity (as well as an incitement to identity) and thus lead to a kind of violence not dissimilar to that involved in the denial of identity.

Is there a sense of historicity and agency that does not obey the structure of sovereignty? This formulation imposes itself on us; however, one must resist turning it into yet another expression, or an inversion, of the sovereignty principle. Rather, what we should look for is the process of imbrication whereby the principle of sovereignty assimilates – or tries to, at any rate – structures and practices that do not conform to the logic of sovereignty, for example, caste, whatever kind of an entity or a practice we take it to be. A theory of caste-practice would have to converge on the attempt to explore a politics that interrupts the logic of sovereignty.

When scholars and political commentators look at caste practices, they note the irony of various caste-groups declaring themselves 'backward' and demanding that their caste too be included in the list of castes deserving of reservation. There is nothing at all ironical in this if we reverse our perspective and see them as redefining citizenship and reaffirming the singularity of their identity. Despite the regimentation of caste by the state, it remains a fuzzy concept. The redrawing produces a different kind of thickness. The task for a political theory is not simply to identify or clarify or criticise or justify their statist goals nor describe the state's view of them, but to reflexively explore the possibilities opened up by the enormous fluidity of caste practices and identities. It can also go some way toward resisting and recasting classifications such as 'scheduled castes and tribes' and 'Backward Castes', so that a new vocabulary – which embodies the new possibilities – may come to replace the statist bureaucratic categories: so that identities are open to political agonism, and do not merely remain state-mediated. "How", Balibar has rightly asked, 'can we inscribe the programme and the very name of equality in singularities?'²² The present, then, requires redescription—which is not to suggest that mere redescription will somehow take care of the problem, but argue that the attempt at redescription requires rethinking history, subject and sovereignty. The futurity, understood as the reflexive possibilities of the present, depends perhaps

on the excessive figures generated by the citizen-becoming-a-subject, rather than on the universalisation of the citizen subject, for the latter's impossible sovereignty forever requires a supplement or a doubling.²³

The larger problem here involves, of course, understanding what modernity has meant in India and how the state as a modernising agency *par excellence* has functioned and with what consequences. Let me present a highly simplified – but not, I hope, simplistic – spectrum of positions with which we would need to contend.

(1) Modernisers and Postmodernisers: The first position would argue that despite all the problems encountered and even created by modernity, carrying through the project of modernity (politically, economically) is still the best choice. It would see the recent attempt by the state to 'liberalise' the economy as a betrayal of the goals of modernity, as a surrender of sovereignty. In its left-liberal version (dominant until recently) it organised its politics around the agency of the state and predicated the identity of the citizen subject on the rationality (and hence modernity) of that agency and its ideology of sovereignty. Politically, however, this position has lost its persuasive power, and it would be important for us to analyse the loss of hegemony of this position. Where did it derive its authority from and how does it respond to its loss of authority? What changes can one envisage in its idiom? What new 'moves' is it capable of? The postmodernisers, those who wish the state to follow globalisation, would argue that politics will take care of itself if economy is freed; their vision is inspired by the International Monetary Fund model of civil society. That is to say, in this neo-liberal vision, only the agency of the market is recognised as rational, and unlike its earlier incarnations, it presents market itself as its own justification. However, as an idiom it is yet to articulate itself fully and in the Indian context at least its constituency, the globalising middle class seeking access to the cosmopolis of communication (apart of course from the state itself), is yet to establish its dominant motifs politically.

(2) The more radical position, admittedly a minority position held by a section of the intelligentsia, but which may reflect a fairly pervasively, if incoherently, felt experience, would argue for a rejection of modernity itself. Or, at least, it would see modernity itself as the problem; although many are tempted by this position, its articulation as a viable political position faces insurmountable difficulties. The claim that modernity has been an imposition of something alien, that we non-westerners would do well to evolve our 'own' institutions and practices, runs into difficulties when it tries to narrate and make sense of the history of, say, the last 200 years. Insofar as its

critique of modernity seems to involve a rejection of modernity (and, consequently, of the present) this position seems headed toward an untenable nativism. Nonetheless it does open up some very serious questions about what history we are living in and how we characterise our political present.²⁴

(3) There might conceivably be another position (opened up to a large extent by Partha Chatterjee) which, taking its bearing from the insights as well as the impasses of the previous positions, would argue that what needs to be rejected is perhaps not modernity but the modernist understanding or interpretation of modernity.²⁵ This position would start with an acknowledgement that there is something like a 'suspension' of history – the inability of the history that has constituted our present to 'go forward', as it were – in order to begin an interrogation of the different idioms as well as a dialogue between different historicities.²⁶ The history that is under suspension – for various heterogeneous reasons – is the history that has constituted itself or has been written as the "biography of the nation-state". If this history/subject of sovereignty is in crisis now, does it mean that our present is post-historical and post-political, given over entirely to the market and its sovereignty? Or can we speak of other political possibilities contained in different historicities and agencies that have a chance, a future, precisely because of that impasse?²⁷

Unlike the position above, this position would not reject political concepts simply on the grounds that they are western. Instead it tries to ask, conceptually and historically, why those concepts/institutions have turned out to be inadequate, troublesome and even disempowering – not only for minorities but for what the state calls 'scheduled castes and tribes'. And it hopes this questioning will generate a more complex sense of the historicity of our present. But would that help us ascertain the political possibilities of the present? This question forces us to address difficult issues – which are both philosophical and historical – such as how political concepts relate to cultural practice, under what conditions they change; how new political concepts come into being (if they do). If culture is supposed to tell us who we are, politics, one imagines, has the task of telling us what we are and how we are related and should relate to others. The problem with the sovereignty model in India (as elsewhere) has been that it both sutures and reproduces the split between culture and politics.

Partha Chatterjee has formulated the problem elegantly and forcefully:

Here lies the root of our post-colonial misery: not in our inability to think new forms of the modern community but in our surrender to the old forms of the modern state. If the nation is an imagined community and if

nations must also take the form of states, then our theoretical language must allow us to talk about community and state at the same time. I do not think our theoretical language allows us to do this.²⁸

If Foucault sees sovereignty (and the juridical representation of power associated with it) as superseded by governmentality, and surviving, in conjunction with disciplinary power, as an instrument of governmentality, and if for Pocock modernity is defined by the discourse of sovereignty, which renders possible history as a meaningful structure and politics as an activity that defines and redefines that structure, Chatterjee's work opens up a way of mapping the colonial articulation and post-colonial interrogation of disciplinary power, governmentality and the discourse of sovereignty.²⁹

Chatterjee argues that Indian nationalism first established its sovereignty in the cultural domain constituting it as the 'inner' and 'spiritual' (family, education), where it began to carry out the process of 'normalisation'. Its political articulation, however, never challenged the ideology or the political form of the colonial state. Subsequently, of course, this state was appropriated and 'domesticated'. Yet the imagining of the nation-state remained within the logic of sovereignty as the latter was deployed as an instrument of governmentality, often in conjunction with disciplinary power. What remains suppressed or denied, both in western theories and in Indian nationalism, is the possibility of articulating the nation by acknowledging the claims of community itself. The thinking of community remains, and will remain, impoverished because our imaginary and our institutions have so far found no place for it. So, Chatterjee's provocative hypothesis is that "an investigation into the idea of the nation, by uncovering a necessary contradiction between capital and community, is likely to lead us to a fundamental critique of modernity from within itself".³⁰

The crucial question, then, is how the 'who' (of 'culture') and 'what' (of 'politics') relate to each other. This question lies at the heart of the concept of the citizen subject. What is involved in the translation of political idioms? How to characterise the resulting imbrications? Are there any 'prerequisites of citizenship' – economic, cultural, or gender? Are the problems and antagonisms generated in the process of putting citizenship (and other related concepts such as rights) into practice contingent by-products, or are they internal to it? The post-modern condition has perhaps only precipitated a debate that was long overdue. That debate would have to address the question: what are the ways in which the concept of 'history' is being, should be and can be formulated with regard to the necessities and reflexive possibilities

of the modern Indian state? Are there conceptions of historicity, community and political agency that are not tied to the subject-structure of sovereignty and its conception of history and politics? In other words, what are the possibilities and dilemmas of post-modernity in India?

The problem of 'historical self-location', with which I started, intersects with the problem of inventing a language (or languages) which would help us break out of the shackles of the modern state and the form of politics that it imposes. It is at the intersection of these problems, I have tried to suggest, that the concept of community re-emerges as the great unthought of our political and philosophical theory.¹¹ If we now combine Chatterjee's hypothesis with my suggestion that we need to think the historicity of history itself, there opens up a possibility, but no more than a possibility, of thinking about the nation differently.

I began by asking in what sense we could call modernity an error, an error perhaps that we ourselves are. Asking how one could arrive at this difficult, perhaps impossible, judgment, involves asking questions about our time, about the historicity of the present. What is our time, then? "Our time", says Jean-Luc Nancy, "is the time, or a time... of the *suspense* or *suspension* of history – in the sense both of a certain rhythm and of uneasy expectation" [emphasis in original].¹² What is suspended is history as the self-presentation of a subject or an idea. This is not of course the end of history much in the news recently, or, rather, it is the end of precisely that history whose end has been announced. For that history was/is the history of "historicism – with or without teleology. As Nancy puts it, 'historicism in general is the way of thinking that *presupposes* that history has always already begun, and that therefore it always merely continues. Historicism presupposes history, instead of taking it as what shall be thought" [emphasis in original].¹³ That also means that historicism cannot think the present – our time – as inaugural, as a promise that is not predetermined by an origin or a telos. History, finite history (and, as Nancy says, there is no other kind) is always the history of community, of a being-in-common; the in-common, however, cannot be thought of as substantiality, as substance or subject, despite the fact that the 'in' of in-common is always figured, as fraternity, as nation, as proletariat. Community is not to be thought of as a subject or a supra-individual. Fusion, immanence or oneness is the death of community, for "[c]ommunity is, in a sense, resistance itself: namely, resistance to immanence".¹⁴ Nancy's ontology (for the lack of a better term) of community attempts to describe it as finitude of singularities. But this singularity is not produced or extracted;

it takes place in the unworking of being-together. Or as Nancy puts it, "[i]n myth, community was proclaimed: in the interrupted myth, community turns out to be what Blanchot has named 'the unavowable community'" which both promises and forbids articulation. But is it unavowable because, like Nietzsche's *a posteriori* past, one can only 'live it in what makes it contemporary to a past which it has never been possible to live'?"¹⁵

We need then a critique of modernity which involves neither a denial of the history of political modernity that has produced the 'error' we ourselves are, nor an acceptance of that history (the end of history) that denies the *eventuality*, the noncontemporaneous historicity of our present – neither a denial of the hegemonic work of nationalist modernity that has produced 'our' national identity, nor a ratification of that identity as the sovereign embodiment of community. As Nancy argues,

[C]ommunity cannot arise from the domain of work

One does not produce it, one experiences or one is constituted by it as the experience of finitude. Community understood as a work or through its works would presuppose that the common being, as such, be objectifiable and producible (in sites, persons, buildings, discourse, institutions, symbols in short, in subjects).¹⁶

The task is to formulate a conception of historicity that allows us to think the history of community, but community thought without and against the subject-structure of sovereignty, to think our singularity – contingent, without origin or end – rather than our sovereignty – which cannot do without origin or end because it so centrally involves property (real as well imaginary, legal as well as cultural). So we need to ask, what sort of a community is the nation? What do we understand by community and its relation to politics? Is the idea of the nation exhausted by nationalism – cultural or political, and by the claim of the nation-state to embody it? There is a sense in which nationalism is always cultural nationalism. If one wants to theorise the nation without recourse to nationalism (or to the nation-state), how does one get around the fact that it is always the 'culture' of the people that provides the ground for political claims (sovereignty, autonomy, etc), that ultimately, nationalism – the enjoyment (*jouissance*) of the nation-thing, as Žižek would put it, subtends all claims regarding the nation (including, and especially, the elementary and elemental claim implicit in the 'magical' pronouns 'my' or 'our')?¹⁷ The only way out lies in constantly interrogating the relationship between work (nationalism, nation-state) and unworking (the nation as community).

A culture, as Derrida reminds us, is never identical to itself.¹⁸ It is this self-difference

of a culture – unstable, precarious, yet always present – that allows for the possibility of a different signification than a total and remainderless identification with the figures generated by the 'work' of modernity or the nation. The figuration of the community has produced a singularity – a shared identity that we call national identity – but this figuration has tended to deny or disavow its own non-foundation, its finitude. Because nationalism is always an attempt to dissimulate this non-foundation or finitude, it always requires an excess or a *supplement* of nationalism.¹⁹ Nonetheless, can we not think of the nation as the interruption of myth?

Thus once myth is interrupted, writing recounts our history to us again. But it is no longer a narrative – neither grand nor small – but rather an offering: a history is offered to us. Which is to say that an event – an advent – is proposed to us, without its unfolding being imposed on us. What is offered to us is that community is coming about, or rather, that something is happening to us in common – neither an origin nor an end: something in common.²⁰

Once the myth is interrupted – including the myth of history as sense, direction, telos – the principles, questions and formulations that had organised the myth are prohibited; but this prohibition is "a decision without justification."²¹ Perhaps no justification can be offered without restoring the myth, without the fiction of another foundation.

'Thus', to put it in the words of Blanchot,

one will discover that it [the unavowable community] also carries an exacting political meaning and that it does not permit us to lose interest in the present time which, by opening unknown spaces of freedom, makes us responsible for new relationships, always threatened, always hoped for, between what we call work, *oeuvre*, and what we call unworking, *desoeuvrement*.²²

When we initiate a critique of nationalist modernity, the basis for it cannot be found in residual practices – the practices that are (as we used to say) left behind by modernity or those that somehow survive into modernity – but to what is engendered by the process of normalisation of modernity, namely, the figures of unworking. There is a sense in which those who claim to critique modernity cannot avoid repeating the Tonniesian/Weberian story of increasing thinness of practices, concepts. Bernard Williams, for example, repeated that story in his theory of thick and thin ethical concepts, our ethical modernity being characterised by thin ethical concepts such as ought, good, right and by the disintegration of thick concepts such as shame, treachery, courage. Chatterjee too shows a certain weakness for the myth that the pre-modern was thick and the modern is thin when he implies a contrast

between the polysemy of pre-colonial 'jati' and its regimentation into caste by colonial modernity.⁴⁴ His idea of imbrication of idioms, however, militates against that interpretation, and has the potential for providing a different way of interrogating modernity. Our modernity too has produced thick concepts, produces them all the time; but we will not find them if we look to the self-understanding or self-justification of modernity. That is to say, we will not find them if we look to the 'work' of modernity, but to the figures of its unworking, the forms of community that come into being in the very unworking of modernity. Therefore, unless one is committed to a certain historicism, there is no reason to deny that modernity might be creating another polysemy, around other concepts and practices. Thus, for example, one could look at post-Mandal India, in the thick to thin version, as the result of that thinning process; or one could, without committing oneself to any teleology, look at it as creating, or at least making possible, the creation of other polysemic concepts/practices.

I have suggested that we must interrogate and reject the modernist interpretation or self-understanding of modernity, but it is an absurd project – historically and conceptually – to reject modernity itself. 'We' are modern. The state and sovereignty are as much an Indian thing as, say, caste. Therefore, one could argue that a critique of modernity that entails its rejection can only be an evasion of the present. It cannot be a critique of the present. Thus the question of community is a question *par excellence* of modernity. If we take the critique of modernity to imply a rejection of it, then community can only mean a residual, traditional thing, and, consequently, the politics based on that notion would have to be a rescue or recovery act – to recover a language, reclaim a tradition (even a resistance tradition). It would be a redemption project. In contrast, we take community as what 'happens' to us now and politics as the exploration of the new space of freedom opened up by the relationship between 'work' and 'unworking'. One leads to a protective, redemptive politics; the other makes possible new experiences of 'our time'.

I have argued, rather schematically and programmatically, that deploying the problematic of community should enable us to delineate the authority as well as the conceptual limits of the political languages of modernity; to show the impasses of post-modernity as well as the reflexive possibilities of the political present. The aim would be to generate a political theory for the present whose idiom will derive its layered reflexivity from a reinterpreted conceptual history. The question for that political theory would be: if political agency has been theorised in the form of a subject (rights of the citizen,

sovereignty of the subject), can we now legitimately ask: *who* comes after the subject and *what* replaces the discourse/history of sovereignty?

Notes

[Tejaswini Niranjana helped me to conceptualise the arguments. Conversations over the last year with Partha Chatterjee stimulated me to engage with the problems of the nation and secularism. I am indebted to J G A Pocock for his generous and illuminating correspondence that set me thinking on some of the issues discussed here. I am, of course, responsible for the position, such as it is, advanced here.]

¹ Leo Bersani, 'Boundaries of Time and Being: Benjamin, Baudelaire, Nietzsche' in *The Culture of Redemption*, Cambridge, 1990, p 47

² Friedrich Nietzsche, *The Use and Abuse of History*, Indianapolis, 1957, p 21

³ Dipesh Chakrabarty, 'Postcoloniality and the Artifice of History. Who Speaks for 'Indian' Pasts', *Representations*, 37, Winter 1992, p 23. Subsequent references to this text will be given in the text.

⁴ What is puzzling in this courageous, intensely personal and polemical intervention is its elision of the present. When Chakrabarty does address in passing the present while talking about "the bourgeois legal fiction of citizenship", he employs its "performance" in India as "farce" (a very Eurocentric judgment repeatedly endorsed by the Indian elite). And yet he says that he recognises how the language or fiction of rights has "in many circumstances empowered marginal groups". It is because of that elision, the non-acknowledgement of the implication of his own discourse in the present, that Chakrabarty is forced into a series of defensive pre-emptive denials of nativism, nostalgia, antimodernity, etc. Commenting on Gandhi's critique of Europe, Chakrabarty says that, it "is compromised on many points by his nationalism. ..." (8) What would be an uncompromised or uncompromising critique of Europe? One could argue that only that position is uncompromised which has never felt or which no longer feels the need to talk about or tangle with 'Europe'. Chakrabarty's own project, it seems to me, repeats the founding problematic of nationalism, namely, the split between culture and politics – 'our culture', 'their politics'. To redeem our culture, not only from their political categories but even from the figures and morphologies of their theory or historiography – isn't this a radicalised nationalism? Quite apart from the conceptual difficulties of that project, I find it incoherent because (and one does not have to be a wheel-of-progress Marxist to say this!) it seems to express a wish that we were someone else and someplace else.

My claim is that politically relevant, and intellectually challenging, questions about even Eurocentricity are to be encountered in our relationship to the post-colonial present. Without the thematisation of that relationship, the attempt to provincialise Europe may, paradoxically, simply trap us

in that province. To ask the question of what Eurocentricity means, and what its rejection means, in relation to our present, is to refuse to enter the battle against a phantasmatic west (that seems to present itself as the site of one's original alienation and therefore presumably as the object of post-colonial *resentiment*.) An acknowledgement of what we are and where we are seems necessary for exploring the reflexive possibilities of the present. Instead of focusing on Europe as an object, reality or hyper-reality, let's start by asking questions about our present. My point then is not that we should lower the stakes involved in a critique of Eurocentricism, it is rather that we cannot make sense of the stakes as Chakrabarty presents them.

⁵ Peter Szondi, 'Hope in the Past: On Walter Benjamin' in *On Textual Understanding and Other Essays*, translated by Harvey Mendelsohn, Minneapolis, 1986, p 156

⁶ Caught between an unimaginable future and an unredeemable past, it would seem therefore that the post-colonial is left with an unrepresentable present. And if Europe is coextensive with modernity itself, if Europe has universalised itself, it may be that once again history has cheated the post-colonial – or he/she has been cheated of history. Just when it seemed possible to inaugurate a post-colonial interrogation of modernity – the self-inauguration of the (western) subject, it turns out that that project has been rendered otiose either because modernity has already realised itself (history, and with it politics, has come to an end), or because its realisation itself testifies to its failure (history and politics have lost their intelligibility). The proliferation of 'post's – post-national, post-political, post-history – attests to a condition for which we may as well accept the term 'post-modern'.

⁷ Michel Foucault, 'The Art of Telling the Truth' in *Michel Foucault: Politics, Philosophy, Culture*, Lawrence D Kritzman (ed), translated by Alan Sheridan and others, New York, 1988, p 87.

⁸ Jean-Luc Nancy, 'Finite History' in *The Birth to Presence*, translated by Brian Holmes and others, Stanford, 1993, p 151.

⁹ The project I have in mind is similar to, say, Partha Chatterjee's project (*The Nation and its Fragments: Colonial and Post-colonial Histories*, Princeton, 1993) of fashioning a language that "must allow us to talk about community and the state at the same time" (p 11) in order "to claim for us, the once colonised, our freedom of imagination" (p 12); or to Foucault's proposal for a critical ontology of ourselves which "will separate out, from the contingency that has made us what we are, the possibility of no longer being, doing or, thinking what we are, do, or think" ('What is Enlightenment' in *The Foucault Reader*, Paul Rabinow (ed), New York, 1984, p 46); or to Bernard Williams' attempt (*Shame and Necessity*, Berkeley, 1993) to recover a sense of agency and responsibility that was present in antiquity, which persists despite the modern moralised notions of agency, and can perhaps be used to tell "us not just who we are, but who we are not" (p 20).

- 10 See Etienne Balibar, 'Citizen Subject' in *Who Comes After the Subject?*, Eduardo Cadava, Peter Connor, Jean-Luc Nancy (eds), London, 1992; and 'Rights of Man', and 'Rights of Citizen' The Modern Dialectic of Freedom and Equality' in *Masses, Classes and Ideas*, translated by James Swenson, London, 1994. These two important essays of Balibar show how the antinomies of the modern concept of the subject arise from the problematic of what he calls the citizens becoming-a-subject (*devenir-sujet*). My own discussion of citizen subject and sovereignty is indebted to the insights of these two essays. On the subject-structure of the historicist notion of history itself, see Nancy, 'Finite History', p. 148. For an illuminating discussion of the links, historical and conceptual, between property, sovereignty and history and between property and citizenship, see J G A Pocock, 'Tangata Whenua and Enlightenment Anthropology' *New Zealand Journal of History* 26(1), April 1992, pp. 28-53, and 'The Ideals of Citizenship since Classical Times' *Queen's Quarterly* 99(1), Spring 1992, pp. 33-55.
- 11 J G A Pocock, 'History and Sovereignty: Response to Europeanisation in Two British Cultures', *Journal of British Studies*, October 31, 1992, pp. 358-89, see also his 'Deconstructing Europe', *London Review of Books*, December 19, 1991, pp. 6-10.
- 12 Pocock, 'History and Sovereignty', pp. 361-62.
- 13 My discussion so far has I hope, set the context for understanding Pocock's suggestion (this I take it, is the 'stimulating' part of what he otherwise regards as an 'alarming' state of affairs) that "[t]he classic questions of early modern politics [citizen-subject, sovereignty, rights, and so on] may be renewed under post-modern conditions." ('History and Sovereignty', p. 368). This is, then, the sense in which 'our' situation has affinities with the early modern situation. Fundamentally, we too are required to institute or reinstitute the political, or accept its demise and draw the consequences.
- 14 As is evident from the work of the Cambridge school. See J G A Pocock, *Virtue, Commerce and History*, Cambridge, 1985, and 'A Discourse of Sovereignty: Observations on the Work in Progress' in *Political Discourse in Early Modern Britain*, Nicholas Phillipson and Quentin Skinner (eds), Cambridge, 1993, James Tully, *An Approach to Political Philosophy: Locke in Contexts*, Cambridge, 1993, Richard Tuck, *Philosophy and Government: 1572-1651*, Cambridge, 1993. See also Albert O Hirschman *Passions and Interests: Political Arguments for Capitalism before Its Triumph*, Princeton, 1977. There is no work, to my knowledge, that attempts to relate the contemporary relationship between the discourse of market, property and capital to political discourses. In his suggestive essay ('What is a Politics of the Rights of Man?' in *Masses, Classes, Ideas*), Balibar has underlined the political importance of theorising the contemporary forms of property for an understanding, in particular, of new forms of inequality and difference.
- 15 This is not the place to discuss the complicated and fascinating arguments for post-national identities or social forms. See Arjun Appadurai, 'Patriotism and its Futures', *Public Culture* 5(3), Spring 1993, pp. 411-30; Manuel Castells, 'European Cities, the Informational Society, and the Global Economy', *New Left Review* 204, March/April 1994, pp. 18-32; Michael J Shapiro, 'Moral Geographies and the Ethics of Post-sovereignty', *Public Culture* 6(3), Spring 1994, pp. 479-502; Yael Tamir, *Liberal Nationalism*, Princeton, 1993; William E Connolly, *Identity and Difference: Democratic Negotiations of Political Paradox*, Ithaca, 1991.
- 16 Gyanendra Pandey, 'In Defence of the Fragment: Writing about Hindu-Muslim Riots in India', *Representations*, 37, Winter pp. 27-55.
- 17 Partha Chatterjee, 'Secularism and Toleration', *Economic and Political Weekly*, Vol XXVII, July 9, 1993, pp. 1768-83.
- 18 The phrase is from Roberto Unger, *Social Theory: Its Situation and Its Task*, Cambridge, 1987.
- 19 It is hard to improve upon Marx's classic statement of the issue: "The state in its own way abolishes distinctions based on birth, rank, education and occupation. When it proclaims that every member of the people is an equal participant in popular sovereignty regardless of these distinctions, when it treats all those elements which go to make up the actual life of the people from the standpoint of the state. Nevertheless the state allows private property, education and occupation to act and assert their particular nature in their way, i.e. as private property, as education and as occupation. Far from abolishing these factual distinctions, the state presupposes them in order to exist, it only experiences itself as political state and asserts its universality in opposition to these elements." Karl Marx, 'On the Jewish Question' in *Karl Marx: Early Writings*, translated by Rodney Livingstone and Gregor Benton, Harmondsworth, 1975, p. 219.
- 20 Michel Foucault, 'Governmentality' in *Foucault Effect: Studies in Governmentality*, Graham Burchell, Colin Gordon and Peter Miller (eds), Chicago, 1992. However plausible this must for the time being at least remain a hypothesis.
- 21 Why this reaction now to the excess of universality? A hypothesis could be that the citizen feels deprived of those factual distinctions or they are threatened. The consumer-citizen, who emerged in the 80s, and those who identified with or aspired to that identity, feels a dislocation that threatens his very identity. In this situation, the Muslim appears as the person most secure in his identity, who is stealing our pleasure - our nation-thing, as Slavoj Žižek puts it. See his *Tarrying with the Negative: Kant, Hegel, and the Critique of Ideology*, Durham, 1993, Ch. 6.
- 22 Balibar, 'Rights of Man' and 'Rights of Citizen' The Modern Dialectic of Freedom and Equality' in *Masses, Classes, Ideas*, p. 59. He coins the neologism 'equality' to argue for their inseparability. The question of singularity marks, for Balibar, the turning point between the modern form of politics based on universality and the post-modern questions that take shape within and against it.
- 23 For an elaboration of this question, see Vivek Dhareshwar, 'Caste and the Secular Self', *Journal of Arts and Ideas* 25-26, December 1993, pp. 115-27, and Vivek Dhareshwar and R. Srivatsan, 'Rowdy-sheeters: An Essay on Subalternity and Politics', forthcoming in *Subaltern Studies IX*, Shahid Amin and Dipesh Chakrabarty (eds), New Delhi; see also Suvie Tharu and Tejaswini Niranjana, 'Problems for a Contemporary Theory of Gender', forthcoming in the same volume.
- 24 Ashis Nandy would be the most articulate representative of this position. See, among innumerable other works, his 'An Anti-Secular Manifesto', *Seminar* 314, October 1985, pp. 14-24, and 'The Politics of Secularism and the Recovery of Religious Tolerance' in *Mirrors of Violence: Communities, Riots and Survivors in South Asia*, New Delhi, 1990. Dipesh Chakrabarty's positions, too, seem to be leaning in this direction.
- 25 I take this insight from Anthony Appiah's elegant, 'The Post-colonial and the Post-modern' in *In My Father's House: Africa in the Philosophy of Culture*, New York, 1992, pp. 144-47. My interpretation of what that rejection means, however, differs from his, mainly because my interpretation of what constitutes the modernist interpretation differs from his interpretation of it as quasi-Weberian.
- 26 As Partha Chatterjee puts it, 'Now the task is to trace in their mutually conditioned historicities the specific forms that have appeared, on the one hand, in the domain defined by the hegemonic project of nationalist modernity, and on the other, in the numerous fragmented resistance to that normalising project' Partha Chatterjee, *The Nation and Its Fragments*, p. 13.
- 27 Confronted with such an impasse, it seems appropriate to argue 'that ethics, politics, and responsibility, if there are any, will only ever have begun with the experience and experiment of the *aporia*' (emphasis original), Jacques Derrida, *The Other Heading: Relections on Today's Europe*, translated by Pascale Anne Brault and Michael B Naas, Bloomington, 1992, p. 41. See also his *Aporeias*, translated by Thomas Dutoit, Stanford 1993, pp. 12-21.
- 28 Chatterjee, *The Nation and its Fragments*, p. 11.
- 29 These radically different evaluations of sovereignty issue in different conceptions of what history we are living in and what kind of subjects we are. The difficulties in making these different conceptions address each other are considerable, especially in view of Foucault's brilliant, but often idiosyncratic and inconclusive, interpretation of the triad of power, sovereignty/discipline/government. His conception of the relationship between normalising or disciplinary power and juridical or sovereign form of power as we find them in 'Two Lectures' (in *Power/Knowledge: Selected Interviews and Other Writings, 1972-1977*, Colin Gordon (ed), New York, 1980, pp. 104-108) and in *The History of Sexuality: Volume I*, (translated by Robert Hurley, New York, 1980, pp. 143-44) undergoes considerable modification with his formulation of the problematic of governmentality in 'Governmentality', in *Foucault Effect: Studies in Governmentality*, see especially pp. 102-103.

30 Chatterjee, *The Nation and Its Fragments*, p 237.

31 Since 'community' has long been a charged political trope within the political rhetoric of both the left and the right, and since the construct of India as in essence communitarian has a long history, it is just as well to emphasise the novelty of Nancy's concept of community. "Society was not built on the ruins of a community. It emerged from the disappearance or the conservation of something – tribes or empires – perhaps just as unrelated to what we call 'community' as to what we call 'society'. So that community, far from being what society has crushed or lost, is *what happens to us* – question, waiting, event, imperative – *in the wake of society*. Nothing, therefore, has been lost, and for this reason nothing is lost. We alone are lost, we upon whom the 'social bond' (relations, communication), our own invention, now descends heavily like the net of an economic, technical, political and cultural snare. Entangled in its meshes, we have wrong for ourselves the phantasms of the lost community." *The Inoperative Community*, translated by Peter Connor, Lisa Garbus, Michael Holland, and Simon Sawheny, Minneapolis, 1991, pp 11-12.

Community has, of course, figured in various languages of politics; and philosophically, the conceptualisation of politics and ethics has involved explicit or implicit use of community (Kant vs Hegel, Rawls vs Sandel). In contemporary debates liberalism and communitarianism have been regarded as embodying contrasting visions of political life. Rawlsian liberalism, for example, explicitly delimits the realm of the political; freedom is essentially freedom from politics, not merely in the sense that the Rawlsian citizen is free not to pursue politics and does not share the civic humanist aspiration to make politics the highest good, but in a more fundamental sense a well-ordered society has no need for politics or renders it superfluous. Communitarians such as Sandel, in contrast, regard politics as the highest good and argue that the liberal delimitation, if not denial, of politics would end up creating an all-encompassing bureaucratic state which in turn would disempower the community and alienate the citizen. See John Rawls, *Political Liberalism*, New York, 1993, pp 206-207; Michael Sandel, *Liberalism and the Limits of Justice*, Cambridge, 1982; and 'The Procedural Republic and the Unencumbered Self', *Political Theory* 12(1), February 1984, pp 81-96.

The question for us is: How is community conceived of here? What role is it playing? As a term in the political idiom its primary function seems to be to resist the discourse of 'right'. And the discourse of right is seen, and sees itself, as a repudiation of the claims of community, since right is always the right of an individual. In this debate the liberals tend to have the upper hand because communitarians are unable to articulate a politics without naturalising the concept of community, which makes the task of their liberal critics easy. Although communitarians, especially Sandel, have been able to articulate a powerful critique of the

'characterless' self-presupposed by liberalism, they are unable to avoid conceiving of community as subject. Community as value or a substance to be shared leads to an essentially conservative adoration of tradition and history. The discourse of right and the discourse of community confront us with an aporia: they reinvent and reinforce each other, even as they try to negate each other. If both the discourse of right and community are essentially reassuring, the attempt by Maurice Blanchot and Jean-Luc Nancy to articulate community and history as experience of finitude is profoundly disturbing. The discourse of rights culminates in the ideology of the end of history – there is nothing more to be done once the regime of right is in place. And the communitarian discourse ends up by venerating history and tradition for their own sake. History, understood as the very experience of finitude, is neither the realisation of rights nor the defence or repository of communitarian values.

32 Nancy, 'Finite History', p 144

33 Nancy, 'Finite History', p 146

34 Nancy, *The Inoperative Community*, p 35.

35 Nancy, *The Inoperative Community*, p 58.

36 Maurice Blanchot, *The Unavowable Community*, translated by Pierre Joris, New York, 1988, p 56.

37 Nancy, *The Inoperative Community*, p 31.

38 The phrase 'magical' is taken from Alasdair MacIntyre, 'The Magic in the Pronoun "My"', *Ethics* 94, pp 112-25. See also Yael Tamir, *Liberal Nationalism*, Ch 5.

39 "What is proper to a culture is not to be identical to itself. Not to not have an identity, but not to be able to say 'me' or 'we'; to be able to take the form of a subject only in the non-identity to itself or, if you prefer, only in the difference with itself (*avec soi*). There is no culture or cultural identity without this difference with itself" (emphasis in original) Jacques Derrida, *The Other Heading*, pp 9-10.

40 Balibar, *Classes, Masses and Ideas*, p 203.

41 Nancy, *The Inoperative Community*, p 69.

42 Blanchot argues that "it is not history that comes to an end with history, but certain principles, questions and formulations that will from now on be prohibited through a decision without justification, and as though with the obstinacy of a value" *The Infinite Conversation*, translated by Susan Hanson, Minneapolis, 1993, p 272.

43 Blanchot, *The Unavowable Community*, p 56

44 Bernard Williams, *Ethics and the Limits of Philosophy*, Cambridge, Massachusetts, 1985, pp 129-45. His recent work (see note 9 above) shows that a critique of the modern conception of morality, agency, responsibility, need not have recourse to this myth. The ambivalence of Chatterjee's position stems from his use of Sudipta Kaviraj's distinction, fuzzy and enumerated communities, which, while reworking the *Gemeinschaft to Gesellschaft* story, is unable to avoid the teleology and value-coding inherent in that distinction.

JUST PUBLISHED

STRUCTURE & FUNCTIONS OF THE UNITED NATIONS ORGANISATION

Sukhbir Singh

Discusses the structure, functions and achievements of the united Nations Organisation during the long Span of five decades. This book should be of immense use for teachers, scholars and students in India & abroad.

1995

ISBN 81-7391-050-2

Rs. 475

PHILOSOPHY & IDEOLOGY OF WESTERN POLITICAL THINKERS FROM ARISTOTLE TO RUSSELL

Sukhbir Singh

Deals with the political & socio-economic ideology of Several thinkers who are normally as the 'guides' of the functioning of the modern state and discusses how the state should have an administrative machinery which should be well geared and highly disciplined

1995

ISBN 81-7391-054-5

Rs. 500

(Packing and Postage Free)

Rush your orders to :

Kanishka Publishers, Distributors

9/2325, Street No. 12, Kailash Nagar,
Delhi-110031 (India) Phone : 2229769

Educated Unemployment in Kerala

Some Socio-Economic Aspects

E T Mathew

Educated unemployment in Kerala has assumed alarming proportions in recent times. Among the causes are the opening of too many arts and science colleges and private ITIs, and a preference for salaried (especially government) employment over self-employment. Results of a sample survey show variations in average waiting time till the first regular job by type and level of education, and caste/community.

BY any reckoning the incidence of educated unemployment in Kerala is very high. The rising rate of unemployment in the state has been rightly attributed by many to the near-stagnation of the Kerala economy [Kannan 1990a, 1990b; Subrahmanian 1990]. On the basis of this logic one might argue that a much faster rate of growth of the state domestic product would largely solve the unemployment problem. In fact the examples of the most highly developed economies of Asia, namely Japan (often referred to as the 'leader of the flying geese') and the newly industrialised economies of Asia (NIEs) consisting of Hong Kong, Singapore, Republic of Korea and Taiwan-China, have demonstrated that rapid growth can go a long way toward eliminating unemployment. During 1965-80 Japan's GDP grew at an average annual rate of 6.5 per cent, which was the highest among the OECD countries [World Bank 1990: 180-81]. Roughly during the same period Japan's unemployment rate was one of the lowest among the OECD countries, varying from 1.2 per cent of the labour force in 1973 to 2 per cent in 1980 [Godfrey 1986:2]. In the case of the NIEs of east Asia, between the mid-1960s and the oil shock of 1979 the average annual growth rate of these economies ranged from 8 to 10 per cent per annum [Edgren and Muqtada 1990:16]. Since then their pace of development has slowed down, but still the growth rates continue to be impressive; the average annual growth rate of their GDPs during 1980-88 ranged from 5.7 per cent for Singapore to 9.9 per cent for the Republic of Korea [World Bank 1990: 180-81]. Not surprisingly, these economies had relatively low rates of unemployment compared to less developed countries of the region, varying from 2.9 per cent of the labour force for Singapore in 1981 to 4.5 per cent for Hong Kong in 1983 [Edgren and Muqtada 1990: 22].

It needs to be emphasised, however, that while general unemployment is largely overcome through adequate growth, educated unemployment is not solved through a higher rate of growth alone, although it is a necessary condition. In addition to achieving higher

rates of growth, the solution for educated unemployment calls for implementation of appropriate educational policies as well. In other words, the remedy for educated unemployment lies in acting on two fronts inter-related though they are – economic development and educational reform. Quantitative expansion of education must give way to qualitative improvement and reorientation. It is against this background that we attempt to highlight some socio-economic aspects of educated unemployment in Kerala.

Magnitude of Problem

All available sources indicate that educated unemployment in the state has assumed alarming proportions in recent years. We present below estimates of educated unemployment in Kerala based on the results of the 38th (1983) and 43rd (July 1987-June 1988) round surveys of the National Sample Survey Organisation (NSSO). The NSS data have been recast to include in one category all persons with secondary or higher levels of education who alone, according to currently accepted norms, are considered 'educated'.

It is seen that during the five-year period between the two rounds of the NSS, the number of educated unemployed in Kerala almost doubled itself from 3.51 lakhs to 6.34 lakhs; in relative terms, whereas 15.76 per cent of the educated were unemployed in 1983, the percentage rose to 20.98 during 1987-88. In sharp contrast, however, at the all-India level the scenario was far less discouraging; while the number of educated unemployed rose from 29.92 lakhs to 39.61 lakhs, percentage-wise the increase was less than half a per cent only (from 6.96 per cent to 7.24 per cent).

Regarding rural-urban differences, we note that both at the state and national levels educated unemployment is more acute in the rural sector. This difference may be attributed to greater employment opportunities available to the educated in the urban sector in comparison with the rural sector. The magnitudes involved, however, have been

much higher at both rural and urban levels in Kerala compared to all-India.

As for the difference between secondary and graduate (and higher) unemployment, while graduate unemployment, rural as well as urban, was markedly higher at the all-India level during the NSS 38th and 43rd rounds, no such consistent pattern is presented by Kerala. During the 38th round graduate unemployment was relatively slightly less than secondary employment in the rural sector while it was slightly higher in the urban sector. In both sectors the difference was nominal. On the other hand, during the 43rd round, the differences took a more consistent turn. Graduate unemployment was lower than secondary unemployment in both rural and urban sectors, the difference between the two being much sharper in the urban sector (8.89 per cent and 17.83 per cent, respectively).

Gender differences in educated unemployment, on the basis of the results of the 38th and 43rd rounds of the National Sample Survey, are presented in Table 2. It is seen from this table that educated unemployment among both males and females in Kerala has increased substantially between the two rounds of the National Sample Survey, and that the extent of increase of unemployment among female work seekers has been relatively much higher. Compared to Kerala, the rise in educated unemployment at the national level, whether for males or females, has been quite nominal (less than 0.5 per cent); gender differences in the extent of unemployment are also negligible. Regarding the relative impact of the levels of education on educated unemployment among males and females the results of both the 38th and 43rd round of the National Sample Survey for Kerala show that for males, unemployment among graduates and above, though definitely on the increase, is of a relatively lower magnitude compared to work seekers with secondary education only. As far as females are concerned no well-defined pattern is discernible. For them, the degree of unemployment was higher among graduate (and above) compared to those with secondary education only. However, over

the years this difference has almost disappeared as seen from the table. The major gender difference in educated unemployment in Kerala lies in the fact that while unemployment is acute among males with not more than secondary education, it is almost equally grave for female matriculate and graduate work-seekers who generally have rather strong reservations regarding the place of work.

II

Causes of Educated Unemployment

OVERSUPPLY OF ARTS AND SCIENCE GRADUATES

Relative oversupply of liberal arts and science graduates is one of the major factors contributing to educated unemployment in Kerala. The following data on enrolment amply demonstrate the phenomenal growth of the educational system of the state

During the three decades from 1960-61 to 1990-91, while enrolment at the primary stage increased by 49.8 per cent only, enrolment at the secondary stage rose by 352.9 per cent; at the university stage it increased by a hefty 836.8 per cent. Thus at each successive stage of education, enrolment has been growing at a much higher rate compared to the preceding stage. It may be noted that the enrolment figures for the university stage presented above do not include private registrations, which now constitute a major share. Data on private registrations for recent years is given below.

If we add private registrations to the regular stream, the total enrolment at the university stage during 1990-91 rises to nearly five lakhs. Obviously a larger enrolment at the university stage leads to a larger flow of graduates and postgraduates in course of time. How do we explain an oversupply of liberal arts and science graduates when there is already so much educated unemployment? A partial explanation is that such education is increasingly considered as a desirable substitute for unemployment. "The more unprofitable a given level of education becomes as a terminal point, the more demand for it increases as an intermediate stage or precondition to the next level of education" [Edwards and Todaro 1974:319]. Each worsening of the employment situation leads to an increased demand for more education at all levels.

An oversupply of liberal arts and science graduates in Kerala, however, would not have materialised unless it was facilitated by the liberal policy pursued by the state government over the years in the establishment of arts and science colleges, mostly in the private sector, as seen from Table 5.

While it took 81 years from 1866, when the first college (Maharaja's College,

Trivandrum) in Kerala was established, to 1947 when the country became independent, to open in the region now forming Kerala 22 arts and science colleges, as many as 93 colleges were added during the relatively short span of 20 years between 1948 and 1968. It is highly doubtful if there has been a similar explosion of higher education in any other part of the country. Not only has there been a proliferation of arts and science colleges, their spatial distribution also has been conducive to the growth of enrolment. Even the most hilly and sparsely populated districts such as Wayanad and Idukki have four to five colleges, while the densely populated districts in the plains such as Ernakulam have up to 24 colleges. It goes without saying that such close proximity of institutions of higher education enables guardians to avoid the extra costs of education arising from having to put their wards in hostels.

HEAVY SUBSIDISATION OF EDUCATION

We have noted that the unprecedented expansion of arts and science colleges has substantially contributed to the excess supply of graduates and postgraduates, which in turn has caused educated unemployment to

rise rapidly. However, the mere availability of a college within commutable distance does not by itself create a corresponding demand for college education, unless it is also made affordable to the lower income groups. University education in Kerala is subsidised to such an extent that private rates of return far exceed the corresponding social rates. As Blaug puts it aptly, "heavy subsidies to education can lead to favourable private signals despite unfavourable social signals" [Blaug 1973a:62]. The same warning is conveyed by Edwards and Todaro in their striking statement: "Private perception of the value of education exceeds its social value which takes account of rising unemployment" [Edwards and Todaro 1974:320]. The existing annual rates of tuition fees in Kerala, which are uniform for government and private colleges - Rs 124 for predegree, Rs 144 for degree and Rs 160 for postgraduate courses - are among the lowest in the entire country, and worse still, they have remained at these levels for almost three decades now. It is interesting to note that some of the more prestigious unaided English medium schools in the state (for example, St Thomas and Loyola in Trivandrum) currently charge annual tuition fees ranging from Rs 1500 in the KG class

TABLE 1. DISTRIBUTION OF EDUCATED UNEMPLOYED (USUAL PRINCIPAL STATUS) OF AGE 15 AND ABOVE ACCORDING TO RESIDENCE, KERALA AND ALL-INDIA

(Lakh persons)

Category	NSS 38th Round		NSS 43rd Round	
	Kerala	All-India	Kerala	All-India
Educated unemployed Rural	2.74 (16.99)	14.62 (8.45)	5.00 (23.18)	22.35 (9.02)
Secondary	2.41 (17.97)	11.44 (7.80)	4.26 (23.23)	16.85 (8.10)
Graduate and above	0.33 (17.10)	3.18 (12.07)	0.74 (22.88)	5.50 (13.80)
Educated unemployed Urban	0.77 (12.38)	15.30 (5.95)	1.34 (15.48)	17.26 (5.77)
Secondary	0.59 (12.18)	10.48 (5.66)	1.14 (17.83)	11.17 (5.30)
Graduate and above	0.18 (13.05)	4.82 (6.70)	0.20 (8.89)	6.09 (6.90)
Educated unemployment All	3.51 (15.70)	29.92 (6.96)	6.34 (20.98)	39.61 (7.24)
Secondary	3.00 (15.75)	21.92 (6.61)	5.40 (21.83)	28.02 (6.69)
Graduate and above	0.51 (15.39)	8.00 (8.14)	0.94 (17.11)	11.59 (9.05)

Note: Figures within brackets refer to the unemployed as percentage of the labour force for each relevant level of education

Sources: 1 Sarvekshana, Vol.XI, April 1988.
2 Sarvekshana, Special number, September 1990.
3 Sarvekshana, Vol.XVI, October-December 1992

TABLE 2. PERCENTAGE DISTRIBUTION OF EDUCATED UNEMPLOYED (USUAL PRINCIPAL STATUS) OF AGE 15 AND ABOVE ACCORDING TO SEX, KERALA AND ALL-INDIA

Category	NSS 38th Round		NSS 43rd Round	
	Kerala	All-India	Kerala	All-India
Educated unemployed				
Male	14.38	7.30	17.88	7.52
Secondary	15.23	7.12	19.28	7.07
Graduate and above	9.72	7.89	12.23	8.94
Educated unemployed Female				
Female	17.11	6.06	24.23	6.47
Secondary	16.31	5.29	24.39	5.68
Graduate and above	21.79	8.86	23.34	9.23

Sources: 1 Sarvekshana, Vol.XI, April 1988.
2 Sarvekshana, Special number, September 1990.
3 Sarvekshana, Vol.XVI, October-December 1992

to Rs 2160 in standard XII. The unjustifiably low levels of tuition fees prevalent at the university level in Kerala have led to a steady erosion of the share contributed by tuition fees towards meeting public costs of higher education. According to one estimate, tuition fees as a percentage of state government grants (recurring) to private colleges declined from 17.84 per cent in 1976-77 to 13.21 per cent in 1985-86 [Mathew 1991:65]. The High Level Committee on Education and Employment appointed by the government of Kerala in 1982 was forthright in admitting that the "incredibly low levels of fees" was responsible for "swelling the number of admission seekers for college courses" [High Level Committee Report 1984:14]. One may have to wait for the impact of the recent decision of the state government (December 1993) to raise the annual tuition fees for degree courses to Rs 400 and those for postgraduate courses to Rs 750.

IMPACT OF OVERSUPPLY OF EDUCATED ON EARNINGS

One would naturally expect earnings to fall drastically when there is so much educated unemployment as in Kerala. Indeed there has been a steady decline in the real earnings associated with different levels of education. The decline, to be precise, has taken two distinctly different forms. According to the first version, there has been a continuous upgradation of minimum educational qualifications prescribed for various posts; jobs that used to be filled by matriculates are now occupied by graduates, and jobs for which graduates used to be recruited are now offered only to postgraduates, and so on.¹ According to the second version, even as prescribed qualifications for different jobs have remained the same over the years, "the output of the educational system being in excess of that which the economy can absorb, many emerge from it seeking jobs for which they may be educationally qualified but which have been pre-empted by others with even more education" [Edwards and Todaro 1974:321]. This phenomenon is sometimes referred to as the 'cascade model' according to which the highly trained currently unemployed replace the less qualified, and the latter in turn replace people less qualified than them, and so on [Hopkins 1985:19]. One might say without any exaggeration that the cascade model fits the Kerala situation eminently. Graduates in large numbers might apply for posts for which only matriculation is prescribed as the minimum qualification (e.g., lower division clerks in all state government departments except the government secretariat, primary school teachers, etc); similarly posts for which graduation is the minimum prescribed

qualification (e.g., clerical posts in the government secretariat and in the universities, high school teachers, etc) may attract too many postgraduates. Evidently, when people are thus forced to accept jobs for which they are over-qualified it amounts to a fall in their real earnings in relation to their educational credentials.

The simple fact, however, is that earnings have not declined fast enough to reduce the incentives to acquire still more education. In spite of widespread educated unemployment in the state, wage differentials between different jobs requiring varying levels of education are substantial, and it is this differential which serves as an inducement for people to acquire more education. Of course, the probability of succeeding in getting a job which carries a higher pay is limited; but if success is achieved, the gains are substantial. The situation is, therefore, sometimes referred to as the 'urban job lottery'. One policy prescription to avoid such earnings differentials is to increase the flexibility of pay scales [Squire 1981:13]. However, as Blaug reminds us, the public sector which is a major employer in most developing countries is in the habit of 'hoarding' educated people by paying them more than their true scarcity price [Blaug 1973a:64].

III Educated Unemployment and Educational Policy

The mood that prevails among vast sections of students in Kerala as in several developing countries is to engage in a 'self-defeating search for status' which drives them to seek education without career prospects – pursuit of traditional academic subjects such as literature, philosophy, law, etc. The search for higher social status through higher education, however, is not, as often alleged, confined to communities which were denied the facilities for higher education till recently. The tendency is more deep-rooted. In fact, as rightly pointed out by the Committee on Unemployment (under the chairmanship of B Bhagavati), there has been in India an "evergrowing rush for higher education in the fond hope of raising their social status..." [Report of the Committee on Unemployment 1973:168].

Coming to the question of traditional academic subjects, it is interesting to note that in Kerala courses of study in colleges remain unchanged in terms of structure and content for long periods. For instance, over the past half century the only change in structure that has taken place at the pre-degree level (known as 'intermediate' earlier) is the addition of a fourth group, consisting of elements of accountancy and commerce, to the existing three groups. The same is broadly true of courses at the degree and

postgraduate levels. Not only that there has been no diversification of courses worth mention, the contents of the courses also, by and large, have not undergone major revisions. The academic community, especially the teachers of the affiliated colleges, are largely to be blamed for this state of affairs. As regular upgradation of the curriculum involves much more work on their part, most teachers do not welcome the idea. Even as they continue to organise agitations to better the terms and conditions of their employment, their own contribution to the modernisation of academic programmes has been minimal if not negative. Incidentally, the frequent occurrence of strikes in schools and colleges in Kerala is partly explained by the fact that under the existing system of education it is possible to pass examinations, often creditably, without regular attendance or much intellectual effort on the part of the students.

Even those economists like Harbison who have opted for the 'human resources approach

TABLE 3. PROGRESS OF ENROLMENT AT DIFFERENT STAGES OF EDUCATION IN KERALA, SELECTED YEARS

(In lakhs)			
Year	Primary Stage	Secondary Stage	University*
1960-61	29.39	3.31	0.38
1970-71	40.75	7.25	1.53
1980-81	42.84	13.11	2.42
1990-91	44.02	14.99	3.56

* Does not include private registration

Source: Government of Kerala, *Economic Review* (various issues), Planning Board.

TABLE 4. GROWTH OF PRIVATE REGISTRATION FOR UNIVERSITY EXAMINATIONS IN KERALA (KERALA AND CALICUT UNIVERSITIES), SELECTED YEARS

Year	Pre-degree	Degree	Post-graduate	Total
1985-86	66042	21870	7876	95788
1987-88	66801	28019	9435	104255
1990-91	88753	37295	13605	139653

Source: Government of Kerala, *Economic Review*, (various issues), State Planning Board.

TABLE 5. GROWTH OF ARTS AND SCIENCE COLLEGES IN KERALA

Period	Number of Colleges Opened		All
	Private	Government*	
Prior to 1900	2	6	8
1900-1947	11	3	14
1948-1968	89	4	93
1969-1992	31	23	54

* Excluding evening colleges attached to government colleges which have very limited enrolment and are, in fact, mere extensions of existing government day colleges.

Source: 1. Mathew 1991

2. Government of Kerala, *Economic Review*, State Planning Board, 1992.

to development' in preference to the 'GNP approach', have decried the expansion of education on a 'more of the same' basis, as it is likely to result in widespread unemployment or underemployment of educated persons in most developing countries. According to him, formal education is one of the obvious ways of developing human skills, knowledge and work capacities. If formal education fails to perform this basic task, then naturally employment, and eventually development, suffers [Harbison 1973:125; Edgren 1990]. This seems to be exactly what has happened in the case of Kerala. The state has too many 'educated' people but few with the requisite skills, knowledge and work capacities. The outcome is the emergence of an unemployable 'educated class'; the wrong type of education results in refusal to work on farms, an increase in urban unemployment, subversion and collapse [Balogh 1967:92].

WHITE COLLAR HYPOTHESIS

It is commonly alleged that the job preferences of the educated in the developing countries are such that there is a premium on white collar jobs as the educated are averse to manual work and blue collar jobs. One frequently comes across this argument in the Kerala context too. The debate, however, remains inconclusive. Myrdal has referred to the negligible functional mobility of the educated as they are looking for non-manual work and are not prepared to accept work that "soils their hands" [Myrdal 1968:1124-31]. However, according to Blaug et al, this view at best is a sociological half-truth. They point out that the educated do ultimately accept lower-paid quasi-manual work; otherwise their earnings would never fall through time on they have [Blaug et al 1969:38-39, fn].

To have a meaningful discussion of the white collar hypothesis as it applies to Kerala, it is necessary to draw a distinction between job seekers whose educational qualification falls below matriculation, and those with higher qualifications. Granting that the preference for white collar jobs is rather pervasive in Kerala society, there is no evidence to suggest that the former category opts to remain unemployed for too long because of their insistence on white collar jobs. In fact there are large numbers of non-matriculates working as agricultural labourers, factory workers, head-load workers, gardeners, domestic servants, hotel and restaurant workers, vegetable and fruit vendors, etc. Further, the remuneration factor is also a key variable in this whole preference system. Wherever the remuneration is sufficiently attractive, even people somewhat educated do not hesitate to take up manual work. The classic example is that of non-matriculate literates who have migrated to

the Gulf countries, readily accepting blue collar jobs and jobs involving heavy manual work.

The situation, however, is somewhat different in the case of 'educated' job seekers. Here we confront an inter-play of economic and non-economic factors. White collar jobs in the organised sector consisting of central and state government departments and public sector undertakings, private large-scale industry, etc. are often financially more attractive than blue collar jobs. We do not, of course, rule out the possibility of a few instances where blue collar jobs account for higher emoluments, but such cases are limited and may be confined to certain pockets, both geographically and industrywise. An additional attraction of white collar jobs, especially in the public sector, are the opportunities for promotion which are almost automatic as they are in most cases seniority-based and not strictly performance-related [Blaug 1973a:64]. For instance, a matriculate police constable in Kerala, if he passes the prescribed departmental tests, can aspire to eventually rise to the position of a non-IPS superintendent of police through a process of routine promotions: a primary school teacher (SSLC+TTC) can hope to become a higher grade headmaster (Primary) in course of time. Such promotional avenues are not available to most blue collar workers in Kerala. To these advantages may be added the relative security of employment of white collar workers, especially in the public sector in which loss of job is an extremely remote possibility. Even in those cases where there is adequate ground for 'firing' of employees,

the legal loopholes involved and the lengthy processes of investigation and reporting enable such employees to continue in service. Finally there is the question of 'prestige' attached to white collar jobs. White collar jobs carry more 'respect' than blue collar or manual jobs of equal emoluments. Under such circumstances there is a marked preference for white collar jobs as evidenced by the long waiting periods job seekers are prepared to undergo. It is here that views of such writers as Myrdal, Balogh and Foster are particularly relevant. A competent self-employed plumber or electrician in Kerala may be earning on average, say Rs 3,000 to Rs 4,500 a month, but while a clerical assistant in a government office is often addressed respectfully by members of the public as 'sir', the plumber or the electrician is not. If despite mounting unemployment educated work seekers indefinitely wait for white collar jobs because of their higher pay and better career prospects, the policies of the government alone are to be blamed. If, on the other hand, in spite of the potential higher earnings work seekers avoid manual work and blue collar jobs, our tradition of paying more respect to white collar workers is to be faulted. One might say that in Kerala people are looking for jobs and not for employment!

WAGE/SALARIED EMPLOYMENT VERSUS SELF-EMPLOYMENT

What is often mistaken as a bias on the part of the educated work seekers in favour of white collar occupations is in fact a

TABLE 6: PERCENTAGE DISTRIBUTION OF POPULATION BY BROAD USUAL ACTIVITY
(Principal and Subsidiary)

	27th Round (Oct 1972-Sep 1973)				45th Round (July 1989-June 1990)			
	Self Employed	Regular Employee	Casual Labour	Total Working	Self Employed	Regular Employee	Casual Labour	Total Working
Rural Kerala	17.9	6.0	17.5	41.4	19.1	4.2	18.3	41.6
Rural All-India	33.3	4.7	12.9	50.9	26.3	3.2	14.2	43.7
Urban Kerala	13.0	13.6	9.2	35.8	17.9	10.4	8.6	36.9
Urban All-India	15.4	17.4	4.8	37.6	14.7	13.1	6.0	33.8

Sources: 1 Sarvekshana, Vol 1, No 2, October 1977, Table 1

2 Sarvekshana, Vol XVI, No 1, July-September 1992, Statement 4.8.

TABLE 7: SHARE OF DIFFERENT COMMUNITIES IN SIKKAR JOBS IN TRAVANCORE, 1875-1891

Community	Sikkar Jobs with Payscale Rs 10-50		Sikkar Jobs with Payscale above Rs 50	
	1875	1891	1875	1891
Non-Malayali brahmins	220 (25)	1035 (31)	57 (27)	101 (27)
Nairs	410 (47)	1620 (48)	35 (16)	99 (27)
Christians (Syrian and non-Syrian)	10 (1)	95 (30)	4 (2)	21 (6)
Ezhavas	0	0	0	0

Note: Figures in parentheses are percentages.

Source: Jeffery, 1976:109.

preference for wage/salaried employment over self-employment. Among all the states in India, the level of self-employment is one of the lowest in Kerala, and this provides a plausible explanation for growing educated unemployment in the state.

The National Sample Survey Organisation (NSSO) has been collecting data, earlier in its quinquennial surveys and since 1992 in its annual surveys, on the composition of the employed as self-employed, regular employees and casual labour. The relevant data for Kerala and all-India based on the 27th and 45th round surveys are presented in Table 6. It may be noted that as estimates of usual workers based on the 27th round included both main and marginal workers, they are comparable to principal and subsidiary workers of the subsequent rounds.

On the basis of the estimates presented above, we may draw the following inferences: (1) As far as the rural sector is concerned, self-employment in Kerala lags far behind the rest of the country. The marginal increase in the proportion of self-employed persons between the two round surveys is obviously due to a shift in favour of non-farm occupations within the rural sector. (2) Within the rural sector, the preference for wage/salaried employment over self-employment is reflected in the relatively high percentage of regular employees - 6.0 per cent in the 27th round as against the all-India coverage of 4.7 per cent and 4.2 per cent in the 45th round in contrast to the national average of 3.2 per cent. (3) The limited opportunities for regular wage/salaried employment in the rural sector have, however, invariably led to increasing casualisation of labour - 17.5 per cent during 1972-73 (against the all-India average of 12.0 per cent) and 18.3 per cent during 1989-90 (against the national level of 14.2 per cent). (4) As regards developments within the urban sector of the state, it is heartening to note that the proportion of self-employed increased from 13 per cent in 1972-73 (all-India average 15.4 per cent) to 17.9 per cent in 1989-90, the highest in the country, the national average being only 14.7 per cent. The impressive growth of self-employment in the urban sector may be attributed to the expansion of the tertiary sector of the state economy in the wake of the large-scale migration of Keralites to Gulf countries [Kannan 1990]. However, we have no means of finding out what proportion of these self-employed persons were drawn from the 'educated' category. Without such information we are unable to infer that more of educated persons are opting for self-employment. In any case, from the fact that educated unemployment in Kerala has been rapidly growing, we are led to the conclusion that whatever improvement there has been in self-employment has been too inadequate

to overcome the mounting unemployment of the educated. Quite expectedly the outcome has been increasing casualisation of urban labour. The proportion of urban casual labour in Kerala in 1989-90, was one of the highest in the country; only Tamil Nadu had a higher proportion of 10.9 per cent.

The preference for government jobs, which still remain the most important form of salaried employment, is rooted in the tradition of Kerala. Each major community of Kerala has been vying with one another for its 'due share' of sarkar jobs. At one stage non-Malayali Brahmins had a virtual monopoly of government jobs in the princely Travancore state, especially the better-paid jobs. This was deeply resented by the nairs who formed the Malayali Sabha in 1880 and launched a powerful agitation which led to the Malayali Memorial of 1891.¹ The 'memorial' did not produce any immediate results, but eventually the non-Malayali Brahmins lost their commanding position in public service as they were compelled to give way to the nairs. However, once the non-Malayali Brahmins were dislodged, the nairs were determined to maintain their newly-won status. As rightly pointed out by Jeffrey, it was their exclusion from much of the government service that forced Syrian Christians to be "independent and to reinforce their traditional interests in commerce" [Jeffrey 1976:123]. Though they increasingly took to self-employment out of sheer necessity, they persisted along with the ezhavas and the Muslims in demanding, among other things, due representation in public service. It was this alliance which led to the formation of a joint (samyuktha) political congress in 1934, which finally blossomed into the Travancore State Congress in February 1938. We thus observe that apart from the built-in attractions of government service such as job security, seniority-based promotion, etc., referred to earlier, the keen competition for employment in the public sector has had also a communal dimension to it. It is this obsession with 'sarkar' jobs that has often stood in the way of people venturing into self-employment. Not surprisingly, therefore, even those who initially opt for self-employment are on the lookout for salaried employment. In a sample survey of about 4,000 registrants of employment exchanges in Kerala, Mukherjee and Isaac found that about one-fifth of them were self-employed either on a full-time or on a part-time basis [Mukherjee and Isaac 1991:44], further, only 17.4 per cent of the registrants had any knowledge of special programmes for the self-employment of the educated unemployed. This is ample proof of the fact that self-employment is still a relatively uncharted territory for the vast majority of the educated unemployed in Kerala.

IV

Waiting Period as Measure of Educated Unemployment

The interval between a person's entry into the labour market on completion of education and/or training and the first regular employment is referred to as the waiting period. The duration of this period is often viewed as an index of the gravity of the prevailing educated unemployment. The following observations regarding the concept as it applies to educated unemployment seem to be in order.

(1) Having to wait for regular employment is an unwelcome experience as it involves loss of potential income. However, if at the end of the waiting the job seeker finds that he has obtained a secure job of roughly his choice, he might consider the waiting worthwhile. More often than not, this is the type of waiting that job seekers in Kerala have to put up with. Unlike in the developed economies where intermittent employment and unemployment are a common feature, we have a situation where an initial waiting of, say, three to five years is followed by a reasonably long period of uninterrupted stable employment. It is this aspect which prompted Blaug to say that "educated unemployment in India constitutes, as it were, a revolving queue: it is not that some are permanently employed and others are permanently unemployed, but rather that large numbers are made to wait years before finding a first job" [Blaug 1973b:207].

(2) It is also important to keep in mind that waiting is not a repetitive process. Once regular salaried employment of roughly one's choice is obtained, it is most unlikely under Kerala conditions that the incumbents would

TABLE 8 STOCK OF EDUCATED WORK SEEKERS AS PERCENTAGE OF ANNUAL FLOW OF EDUCATED FOR SELECTED YEARS

Category of educated (general education only)	1966	1972	1989
Matriculates	88	250	554
Pre-degree holders	170	55	182
Graduates	30	90	291
Postgraduates	33	120	427

Note The stock of educated work seekers is estimated on the basis of the number of work seekers on the live-register of employment exchanges as published by the Department of Employment and Training (as on December 31). The annual flow of educated is based on the number of students who pass the relevant examinations each year.

Sources 1 United Nations, Department of Economics and Social Affairs, 'Poverty, Unemployment and Development Policy - A Case Study of Selected Issues with Reference to Kerala', New York, 1975.

2 Government of Kerala, *Economic Review*, 1990 and 1992.

be interested in searching for other jobs and thus involve themselves in further rounds of waiting. This attitude is not necessarily due to strong taboos about changing jobs to enhance one's prospects, as suggested by Blaug [Blaug 1973a:62]. If as a general rule people in Kerala do not prefer to change their jobs, the reasons are to be sought elsewhere - loss of, or reduction in, retirement benefits which vary with length of service, and difficulties faced in moving to distant places within and outside the state such as problems relating to education of children, housing, cultural and linguistic barriers, etc.

(3) Waiting should not necessarily be viewed as infliction of too much hardship on the educated job seekers, as is often made out. (The situation, of course, is different for wage labour.) Scholars are unanimous that the educated unemployed are able to wait for varying periods for the realisation of their job aspirations because they generally have other means of support and few responsibilities [Ridker 1971:13, Blaug 1973a:62; Jolly 1973:11, Lal 1984:92]. An important source of 'other means of support' in the Kerala context is one's own family. It is pointed out that in the absence of such means of support, the educated unemployed will be willing to lower their 'reservation price', or to take a job at any price.

(4) Wherever there is already a large stock of educated work seekers, any addition to it (annual flow), other things remaining the same, is likely to aggravate the problem of educated unemployment and thereby to lengthen the waiting period. Over the years such a process has been taking place in Kerala as seen from Table 8.

It is seen from this that there has been a steady worsening of educated unemployment in Kerala since 1966 as measured by the size of the stock of educated work seekers in each category for every 100 new entrants. In 1989, the latest year for which data are available, for every 100 new matriculates there were already 554 persons of identical qualification waiting for jobs. Similarly, for every 100 new entrants with higher educational qualifications, there were already 182 pre-degrees, 291 graduates and 427 postgraduates waiting. It appears that in the case of matriculates, however, the number of work seekers on the live register is highly exaggerated, as there is a delay or lapse in upgrading the educational qualifications of the registrants, most of whom register at the exchanges immediately after passing the SSLC examination [Mukherjee and Isaac 1991:4-6].⁴

AVERAGE WAITING PERIOD

There are two different senses in which the concept of waiting period can be used, namely (1) average waiting period till the first job, and (2) average waiting period till

the first regular job. Since some jobs are offered on a purely temporary or part-time basis, the waiting period till the first job need not necessarily indicate the true magnitude of the waiting. In such cases we may have to identify the first regular jobs.⁵ For our purpose we shall use the latter interpretation.

Estimates of waiting time

There have been several attempts to measure the average waiting time in respect of educated unemployed; the UN study on poverty, unemployment and development with reference to Kerala (1975), and the one by Mukherjee and Isaac already referred to, deserve special mention.

The UN study (1975) came up with the following findings on average waiting period for the first job on the basis of a sample survey of employment exchange registrants in Trivandrum and Calicut districts in 1973:

The average waiting period for work seekers of all levels of education was 36.6 months in Trivandrum district and 33.4 months in Calicut district. Matriculates had to wait longer (45.4 months in Trivandrum and 43.5 months in Calicut) than persons with higher levels of education such as pre-degree and degree. Waiting period was found to fall sharply as one moved from matriculation to pre-degree level. From then on, the decline in waiting time was at a much lower rate. On the basis of these results, the UN study concluded that waiting periods tend to be inversely related to levels of education - the higher the education, the lower the waiting period [United Nations

1975:129]. If one were concerned with only the educated unemployed, who by definition consist of matriculates and above, this statement is valid. However, couched in such general terms the statement is too sweeping. In general, unemployment rates are low for the illiterate for the obvious reason that they cannot afford to remain unemployed because of their poverty condition. They have, therefore, no choice in the selection of jobs. The rate of unemployment for matriculates exceeds that of primary school leavers and it declines again for those with university education. In many countries unemployment is the highest and the waiting period the longest among matriculates. According to data provided by the Department of Employment and Training, Kerala, the percentage of SSLCs among work seekers increased from 41.7 at the end of 1980 to 51.8 at the end of 1991 [Government of Kerala 1992:143]. This relationship between education and unemployment has prompted some economists to allude to an inverted U-shape [Blaug 1973a:9; Squire 1981:69]. The UN study on Kerala has,⁶ however, focused attention only on the second half (downward sloping portion) of the inverted U-curve and inferred an inverse relationship between education and waiting period. The UN study also found that (1) average monthly pay rose with the level of education, (2) waiting period for Muslims and scheduled castes was somewhat lower than for others, (3) waiting period was inversely related to family income, (4) chances of securing salaried employment rose with family income and

TABLE 9 AVERAGE WAITING PERIOD TO THE FIRST JOB AND INCOME SECURED ON PLACEMENT, BY LEVEL OF EDUCATION, KERALA, APRIL 1973

Level of Education	Trivandrum District		Calicut District	
	Waiting Period (Months)	Monthly Pay (Rs)	Waiting Period (Months)	Monthly Pay (Rs)
Matriculation	45.4	132	43.5	118
Pre-degree	17.4	160	21.4	161
Degree and above (graduate and postgraduates)	15.0	190	14.4	227
All levels	36.6	146	33.4	149

Source: United Nations 1975:129

TABLE 10 AVERAGE WAITING TIME (MONTHS) TO THE FIRST JOB AND AVERAGE MONTHLY SALARY, BY QUALIFICATION AND SEX

Qualification	Average Waiting Period		Average Monthly Salary (Rs)	
	Male	Female	Male	Female
SSLC equiv	36.4	38.9	485.3	374.4
SSLC + typing equiv	28.3	36.2	444.0	383.3
SSLC + ITI equiv	22.4	24.5	575.0	452.5
SSLC + others	23.6	27.1	547.6	389.3
PDC equiv	39.1	40.3	670.5	415.0
PDC + voc	23.4	21.1	718.0	446.5
Graduate	21.2	20.7	828.8	935.4
Postgraduate	18.3	17.8	1319.2	877.5
Engineering	12.8	15.5	1457.9	960.0
All	27.9	25.0	693.0	689.5

Source: Mukherjee and Isaac 1991: 138, Table 5.4 A and 5.4 B

correspondingly among the jobless average waiting periods were longer for the relatively poorer; and (5) waiting periods were significantly lower for registrants belonging to households of salaried white collar earners, and by the same logic chances of finding employment were lowest for registrants from wage-labour households.

Another attempt to estimate the waiting period to the first job was made by Mukherjee and Isaac on the basis of a sample survey of registrants of employment exchanges conducted during August-October 1989. The sample used for waiting period analysis consisted of 1,086 persons on the live register and 416 on the dead register. The findings of the survey regarding waiting period to the first job are summarised in Table 10.

We note that average waiting period varies considerably across levels of qualifications. While at one end of the spectrum those with only SSLC have an average waiting period of over three years, postgraduates and engineers have to wait for only one to one-and-a-half years. Significantly, waiting period falls by about a year if one has vocational training. Another interesting finding of the sample survey is that if the registrant has a vocational qualification, it does not make any difference whether the general education consists of SSLC or PDC.

A comparison of the results of the two sample surveys (the UN study and Mukherjee and Isaac) leads to certain interesting findings. The analysis undertaken by the UN study was too general as all the registrants were grouped into just three broad groups, namely matriculates, PDC's and degree holders, whereas the study by Mukherjee and Isaac had nine categories of registrants in all. The complete omission of the role of vocational qualifications in influencing the waiting period was a serious flaw of the UN study. This defect was taken care of in the other study. Further, while according to the UN study the average waiting period to the first job beginning with matriculates fell (thus conforming to the second half of the inverted U-shaped curve referred to earlier), as one moved to higher levels of education, the pattern of waiting brought out in the study of Mukherjee and Isaac shows that the waiting period of registrants with pre-degree or its equivalent is higher than those with SSLC. The inverse relationship between waiting period and level of education highlighted in the UN study is thus seriously challenged by the results of the study by Mukherjee and Isaac. Yet another difference consists in the relative change in duration of the waiting period for similar categories over time. A comparison of the results of the two surveys, one conducted in 1973 and the other in 1989, shows that the waiting period for matriculates has significantly fallen and that for PDC's, graduates and post-graduates has increased considerably.

This is contrary to what one would logically expect in an economy in which unemployment has been mounting. Part of the explanation may lie in the fact that whereas the sample used for the UN study was confined to Trivandrum and Calicut districts, Mukherjee and Isaac drew the sample from as many as eight districts.

We may also briefly refer to the other results of the 1989 survey and compare them with those of the 1973 study. (1) Both surveys have shown that average monthly salary generally goes on increasing with higher educational and vocational qualifications. (2) Whereas the 1973 survey showed that the waiting period for Muslims and scheduled castes was lower than for others, according to the 1989 survey the average waiting time for registrants from scheduled caste/tribe and backward caste households was marginally higher for jobs with higher monthly salary than for those from forward communities. (3) The finding of the 1973 survey that waiting periods are inversely related to family income has been corroborated by the 1989 survey, according to which registrants from higher income households in general got their jobs faster and at higher salaries irrespective of the level of education. (4) Unlike in the case of the 1973 survey, the 1989 survey did not indicate any discernible pattern in the average waiting period across the categories of

occupations of the main earner of the household. However, average monthly salary was lowest for registrants from wage-employed or blue collar households at almost all levels of qualifications.

V Sample Survey Results

We shall now present the findings of a limited sample survey of salaried employees numbering 853 conducted by this author in Thiruvananthapuram during March-September 1992. In interpreting the data collected from this survey, the following limitations, or grounds on which the data could be criticised, may be borne in mind. (1) Thiruvananthapuram, being the capital of the state, most of the salaried employees covered by the sample work either for the government or for public sector undertakings. A similar survey conducted elsewhere in Kerala might give somewhat different results. (2) Though much care was taken to make the sample as representative as possible in terms of the type of employment, type of employer, caste, gender and educational level of the employees, etc., it was not strictly based on a well-defined statistical design. (3) Since we are interested in waiting period completed and not waiting period continuing, we are justified in choosing a sample from persons already in regular employment.

TABLE 11 AVERAGE WAITING TIME TO FIRST REGULAR JOB AND AVERAGE STARTING PAY BY QUALIFICATION AND SEX

Qualification	Average Waiting Period (Months)			Average Starting Basic/ Consolidated Pay (Rs Monthly)		
	Male	Female	All	Male	Female	All
SSLC	80.97	82.57	81.3	879	645	836
SSLC+Voc/Prof	44.04	48.07	45.6	979	757	887
Pre-degree	44.00	57.50	48.4	817	728	787
Pre-degree+Voc/Prof	47.07	35.32	36.0	1103	937	1005
Graduate	48.64	52.55	50.3	1150	1015	1090
Graduate+Voc/Prof	28.90	27.09	28.1	1218	1097	1161
Postgraduate	43.60	48.57	41.1	1236	1220	1228
Postgraduate+Voc/Prof	25.30	26.94	26.0	1305	1055	1195
Postgraduate+research degrees	15.78	19.00	17.4	2533	1838	2186
Professional degrees	20.44	17.18	18.3	2143	1630	1808
All	49.66	34.22	37.0	1242	1131	1188

TABLE 12 AVERAGE WAITING PERIOD AND STARTING PAY BY COMMUNITY AND QUALIFICATION

Qualification	Average Waiting Period (Months)			Average Starting Basic/ Consolidated Pay (Rs Monthly)		
	Forward	Backward	SC/ST	Forward	Backward	SC/ST
SSLC	86.2	71.1	98.3	926	769	839
SSLC+Voc/Prof	44.1	53.9	19.1	821	948	882
Pre-degree	60.2	40.4	44.4	749	743	945
Pre-degree+Voc/Prof	30.4	42.4	40.8	1026	995	871
Graduate	48.7	54.5	38.0	1214	968	1003
Graduate+Voc/Prof	27.1	29.6	22.0	1217	1093	1060
Postgraduate	39.1	47.3	28.2	1273	1153	1174
Postgraduate+Voc/Prof	23.9	29.0	19.0	1261	1089	1550
Postgraduate+research degrees	25.0	9.0	16.0	2091	2256	2450
Professional degrees	15.7	21.9	18.3	1789	1885	1083
All	34.0	40.4	39.2	1241	1150	1006

However, one might argue that these persons are the 'fortunate' few who have succeeded in securing jobs while there may be many others whose waiting periods are not yet over.

WAITING PERIOD AND STARTING PAY

Coming to the results of the survey, two clarifications regarding waiting period seem to be necessary. (1) In the case of employees who are matriculates, it is highly probable that they passed their SSLC before attaining the age of 18, but became eligible for employment only on completion of 18 years as most regular salaried jobs stipulate a minimum age of 18 years. We have taken care of this problem by treating 18 as the minimum age at which work seekers enter the labour market and have estimated the waiting period accordingly in all relevant cases. (2) The waiting period naturally includes also the time spent by the prospective employer or the recruiting agency (like the Public Service Commission) to process the applications received and to schedule the interviews. Often these procedures may take up to two years or more. However, since such procedures are a common feature of almost all appointments, the delay may not account for any serious distortions in the relative waiting periods different categories of work seekers have to undergo.

Two distinct trends regarding waiting period may be noted from the data presented in Table 11—one representing the relationship between general education and waiting period and the other representing the effect of vocational/professional qualifications on waiting period. (1) For employees with general educational qualifications only, the absolute waiting time is quite high irrespective of the level of general education; however, the waiting time generally declines as one moves from SSLC to postgraduate levels. The fact that the waiting period is about the same for pre-degrees and graduates indicates that employers make little difference between the two. (2) For persons with vocational or professional training, the absolute waiting time is distinctly low. Here too, there is a declining trend as one moves from lower to higher levels, i.e., from SSLC+vocational/professional training to postgraduate+vocational/professional training, and from lower to higher types and levels of vocational and professional training, as for example, when one moves up the educational ladder from certificate to diploma courses and from diploma to degree levels. The vocational and professional qualifications represented by the sample include engineering, nursing and midwifery, stenography, physiotherapy, teachers' training, travel and tourism, pharmacy, library science, computer programming, etc. It may be noted that among

matriculates with vocational/ professional qualifications, teachers' training certificate (TTC) holders had the shortest waiting period (33.1 months) and also the highest starting pay of Rs 1,002. In the case of pre-degrees with additional qualifications, diploma holders in general nursing and midwifery had the unique distinction of having to wait for only 9.2 months for their first regular job but salary-wise they were far behind compared to others. Diploma holders in pharmacy and diploma/certificate holders in travel and tourism and hotel management also had relatively short waiting periods (27.8 months and 30.9 months respectively). The latter category also enjoyed the highest starting pay of Rs 1,282. With regard to graduates with vocational/professional qualifications, graduates in library science had a relatively short waiting period of 20.7 months followed by BEd degree holders (30.7 months). However, the starting pay enjoyed by the library science graduates (Rs 1,225) was lower than the highest pay in the category received by graduates with diploma in engineering (Rs.1282). For postgraduates with vocational/professional qualifications, library science graduates again had the shortest (18.5 months) waiting period, followed by BEd degree holders (25 months). Their starting pay was, however, slightly lower. This discussion shows that though educated unemployment prevalent in Kerala presents a scenario of long waiting periods, there are still certain vocational/professional programmes which, if judiciously combined with general education, can prove to be of much promise (e.g., nursing and midwifery, teachers' training, travel and tourism, hotel management, library science, pharmacy, engineering, etc.). A major finding of the survey, therefore, is that although there is much educated unemployment in the state involving long waiting periods, the plight of those with certain vocational/professional training is not generally so desperate. It is the ordinary run of matriculates, graduates and postgraduates who bear the brunt of educated unemployment.

Regarding the relationship between educational level and salary, we may, as a matter of abundant caution, not accept at their face value the starting basic/ consolidated pay reported, as there could be memory lapses on the part of the respondents, particularly as a result of pay revisions subsequent to their entry into regular employment. At least in some cases what the respondents have reported as basic pay might be inclusive of allowances.⁷ We may, therefore, pay more attention to the relative rather than the absolute magnitudes. The relative magnitudes, however, do fall into a fairly consistent pattern; in general, higher qualifications account for higher pay. Professional degrees, which do not strictly

form a homogeneous group, stand on a somewhat different footing.

As for gender differences in waiting time, the data do not indicate any consistent pattern. For the entire sample, the waiting period for females (34.22 months) is less than that of males (39.66 months) by 13.7 per cent. On the other hand, generally females have a slightly lower starting pay of Rs 1,131 compared to Rs 1,242 received by males. We also observe that for each qualification level female salaries are a bit lower than male salaries.

We may also briefly refer to differences among members of forward, backward and scheduled caste/scheduled tribe communities in respect of waiting period and starting pay (Table 12). It is seen that, in general, average waiting period for members of the forward communities is much lower and starting basic pay higher than those belonging to scheduled castes and scheduled tribes and other backward communities (OBCs). However, there is no regular or logically consistent pattern of waiting period or starting pay associated with different qualification levels of these communities. One fact, nevertheless, stands out prominently—but for the distinctly long waiting period of the salaried employed with only SSLC level general education and no vocational or professional training, the average waiting period of the SC/ST members would be 30.6 months which is much less than that of the salaried employed from the forward communities.

Finally, it is important to note that although in terms of employment prospects the plight of graduates in general is very bleak, there are significant differences among arts, science and commerce graduates as shown by our survey data (Table 13).

TABLE 13: AVERAGE WAITING PERIOD AND STARTING PAY (BASIC/CONSOLIDATED PER MENSEM) OF ARTS, SCIENCE AND COMMERCE GRADUATES

Category of Graduates	Average Waiting Period (Months)	Average Starting Pay (Rs)
BA	57.51	1019
B Sc	50.56	1022
B Com	41.73	1185

TABLE 14: AVERAGE WAITING PERIOD AND STARTING PAY FOR PROFESSIONAL GRADUATES

Category	Average Waiting Period (Months)	Average Starting Basic/ Consolidated Pay (Rs)
Engineers	27.34	1687
Doctors (medical and dental)	18.36	3084
Nurses (graduate)	7.93	1234
Agricultural graduates	36.77	1378

It is found that while the average waiting period of science graduates is much less than that of arts graduates, there is practically no difference in their starting salaries. The average waiting period for science graduates is shorter because relatively speaking there is greater demand for them; there is no salary difference because for several posts like clerks, supervisors, salesmen, etc. the scale of pay is the same for the two types of graduates. However, in banks and other commercial establishments where accountants are required, commerce graduates have an edge over arts and science graduates. Science graduates employed in institutions of scientific research and in industry start on a higher pay, but our sample does not include many such cases.

PROFESSIONAL GRADUATES

So far our discussion has centred around educated salaried-employed consisting of undergraduates, and arts, science and commerce graduates and postgraduates with or without qualifications in vocational or professional fields. During the course of our discussion we have already covered a number of instances in which the employed persons concerned had passed certificate or diploma courses in technical and professional subjects but did not have a degree. It is well known that professional degree holders such as medical and dental doctors, engineers, agricultural scientists, veterinary doctors and graduate nurses have an advantage over certificate and diploma holders in these fields, as normally degree holders are preferred to certificate or diploma holders in appointments and promotions (note that there are at present no certificate or diploma courses in medicine and dentistry). Naturally, given the choice, students opt for degree courses in preference to certificate or diploma courses. In the study conducted by Mukherjee and Isaac referred to earlier, only engineering was included in the professional category. It is not clear whether this category consisted of only graduates or it included also certificate and diploma holders. However, according to their findings, this category had the lowest average waiting period of 12.8 months for males and 15.5 months for females and also the highest average monthly salaries.

Our own sample survey of educated employed has provided a better coverage of professional degree holders consisting mainly of medical and dental doctors, engineers and nurses. For the entire group of these professional degree holders numbering 118, it was found that the average waiting period to the first regular job was 18.3 months-20.4 months for males and 17.2 months for females. The lower

waiting period for females is explained by the fact that the group of professional graduates consisted of a disproportionately large number of graduate nurses for whom there is no dearth of employment opportunities, and hence their waiting period is much lower than that of others. The average starting basic/consolidated pay for the group as a whole was Rs 1,808 per month - Rs 2,141 for males and Rs 1,630 for females (note that the markedly lower salary of females is again explained by the large number of nurses in the sample). It may further be noted that professional degree holders as a group have slightly longer waiting periods and lower starting pay than the category of postgraduates with research degrees such as MPhil and PhD. This is largely explained by the fact that among professional graduates we have not made any distinction between professionals with only bachelor's degrees and specialists with masters' and higher degrees. It is well known that medical and dental doctors with postgraduate and higher degrees do not have to wait long for appointment and that they generally start at a much higher salary. The same may be true of engineers, nurses and agricultural graduates to a lesser extent. Since our sample has very few professionals with postgraduate qualifications, we have clubbed the graduates and postgraduates together under 'professional graduates'. Their waiting period to the first regular job and starting basic pay are given in Table 14.

As between engineers and doctors, the former have to wait much longer than the latter for their first regular job and have to be content with a much lower starting pay. A major explanation for this difference may be sought in the fact that the supply of engineering graduates relative to demand

is much higher compared to medical and dental doctors*. The waiting period for graduate nurses is one of the lowest among job seekers. This is explained by the relatively inelastic supply of degree holders in nursing; a total of only 75 students are yearly admitted to the B.Sc (Nursing) course in the entire state. This is grossly inadequate considering the growing demand for well-qualified nursing staff in both public and private sectors.

VI Unemployment among Professionally and Technically Educated Workforce

We may conclude this paper with a brief discussion of the nature and extent of unemployment prevailing among professional and technical work seekers in Kerala. Though the National Sample Survey is a much better source of data on unemployment than the information gathered from employment exchanges [Visaria and Minhas 1991:969], since the NSS data do not provide statewide or categorywise break-up of professionally and technically educated unemployed, we are constrained to rely on employment exchange data. As a precaution, however, we may point out that we are using the employment exchange data to highlight the relative magnitudes involved and not the absolute number of unemployed in each category. According to Visaria and Minhas, an important factor contributing to the sharp rise in the number of higher educated persons on the live register of employment exchanges has been their greater tendency to register over the years (1991:976). This observation for the country as a whole must be truer of Kerala than for other states for obvious reasons.

TABLE 15 DISTRIBUTION OF PROFESSIONAL AND TECHNICAL WORK SEEKERS IN KERALA
BY EDUCATIONAL LEVEL, SELECTED YEARS

Year (as on December 31)	Medical Graduates	Engineering Graduates	Diploma Holders in Engineering and Technology	ITI Certificate Holders	Agricultural Graduates	Veterinary Graduates
1966	19	417	na	na	na	na
1968	48	368	na	na	82	na
1970	281	1852	3547	8380	133	70
1975	809	1850	3990	20113	32	117
1980	871	1505	6833	28873	106	17
1985	1143	2917	11257	53237	149	25
1990	1559	6093	19068	78212	318	10
1991	1959	6933	19902	71651	331	85
Percentage increase between 1970 and 1991	597.2	274.4	460.1	755.0	148.9	21.4

na Not Available

Source: Government of Kerala, *Economic Review* (various issues), State Planning Board.

It is seen in Table 15 that the highest increase in the number of work seekers on the live register of the employment exchanges in Kerala is accounted for by ITI certificate holders. Surprisingly the second rank goes to medical graduates (veterinary and agricultural graduates appear to be the least vulnerable). In terms of number of job seekers, however, there is no comparison between the two categories. The phenomenal increase in the number of ITI certificate holders on the live register is primarily accounted for by the unprecedented expansion in the number of both ITIs opened and the number of trainees enrolled. The number of ITIs increased from 38 to 343 and the number of trainees enrolled from 8,776 to 42,996 during the period 1971-72 to 1992-93. The extremely liberal policy followed in the sanctioning of ITIs in the private sector, which increased from 28 in 1971-72 to 315 in 1992-93, was responsible for the rapid increase in the number of ITI certificate holders on the live register of employment exchanges. Obviously, there has been no matching increase in the demand for the products of the ITIs from industry. The situation is not far different in the case of diploma holders in engineering and technology, and engineering graduates. The general disinclination towards self-employment on the part of skilled manpower, apart from the various obstacles one has to encounter in taking it up, is one of the reasons for seeking salaried/wage employment. Among the reasons for the poor performance of the various self-employment schemes in Kerala, Mukherjee and Isaac have mentioned delays in the processing of the loan applications, inadequacy of capital, inadequate training, insufficient institutional support and unsatisfactory repayment performance (1994: 11-14).

The case of medical graduates is altogether different. The fact that there were 1,959 medical graduates on the live register of employment exchanges in 1991 is no proof that there is acute unemployment among doctors in Kerala. It is very doubtful if there are genuinely unemployed medical doctors at all in the state. Because of the rapid growth of well-equipped modern hospitals in the private sector in Kerala, it is normally not difficult for a medical graduate to find employment as a junior doctor on a consolidated pay of around Rs 2,000 per mensem. Most of the doctors, however, prefer government jobs, because while doctors employed in private hospitals are not permitted private practice, it is possible to combine both in government service including government medical colleges. In fact, it is the virtually unlimited scope for private practice that encourages doctors to opt for government service although salaries in government are not as attractive as in the private sector. To some extent this is true

also of engineers, especially architects and civil engineers.

VII Conclusion

Educated unemployment in Kerala has assumed alarming proportions in recent times. According to NSS data, the number of educated unemployed in the state rose from 3.51 lakh in 1983 to 6.34 lakh in 1987-88. Among the causes of educated unemployment, the foremost contributory factor has been the opening of too many arts and science colleges since the 1960s coupled with ridiculously low level of college fees. To make matters worse, there has been a distinct preference on the part of work seekers for salaried employment, especially in the public sector in view of its built-in attractions such as security of tenure, seniority-based promotions, etc. The growing unemployment among the educated has led to a steady decline in the real earnings associated with different levels of education. However, earnings have not declined fast enough to reduce the incentives to acquire still more education. Pursuit of traditional academic subjects is another factor contributing to educated unemployment.

Some development economists have attempted to explain educated unemployment in developing countries in terms of the work seekers' preference for white collar jobs and their aversion to manual labour.

However, as far as Kerala is concerned, what is often mistaken for a bias in favour of white collar occupations is in fact a preference for salaried employment over self-employment.

A limited sample survey conducted by the author shows that: (1) In the case of job seekers with only general education, the waiting period till the first regular employment is in absolute terms quite high irrespective of the level of general education; however, the relative waiting period generally declines as one moves from SSLC to postgraduate levels. (2) For work seekers with vocational or professional qualifications the waiting period is distinctly lower. Here too there is a declining trend as one moves from lower to higher levels of vocational or professional education. (3) As for gender differences in waiting period, the data do not indicate any consistent pattern. (4) It was found that average waiting period for members of the forward communities was much lower and starting basic pay higher than for those belonging to scheduled castes and scheduled tribes and other backward communities, qualificationwise, however, no consistent pattern was observed. The sample survey treated professional graduates as a separate category. Of the four categories of professional graduates represented, namely, engineers, doctors (medical and dental), nurses and agricultural graduates, it was found that nurses (with a BSc degree in nursing) had the lowest average waiting

New From **ashish**

PUBLISHERS OF THE
PROFESSIONAL
SOCIAL SCIENCES

Ayodhya Imbroglio: T.P. Jindal	Rs. 250/-
Human Behaviour and Law Enforcement:	
James Vadackumchery & J. Kattakayam	Rs. 300/-
Terrorism: World Under Siege: S.K. Ghosh	Rs. 700/-
Kashmir: Need for Sub-Continental Political Initiative: Gull Mohd. Wani	Rs. 200/-
Kashmir Politics: Problems and Prospects:	
Gull Mohd. Wani	Rs. 250/-
Indo-Pak Amity: A New Concept: M.G. Chitkara	Rs. 300/-
SAARC: Challenges and Opportunities:	
Nasir A. Naqash	Rs. 250/-
Tibet: A Reality: M.G. Chitkara	Rs. 250/-



ashish publishing house

8/81, PUNJABI BAGH NEW DELHI-110026
PHONES : 500581, 5410024

period while agricultural graduate had the highest. Doctors had the second lowest waiting period. As for starting basic pay, doctors obviously had the highest pay while nurses stood at the lowest rung of the ladder. Finally, reference was made to the growing number of job seekers with medical and engineering degrees on the live register of employment exchanges in the state. This trend has been attributed to the desire of professional graduates to take up government jobs which enable them also to carry on private practice which private sector employers seldom permit.

Notes

[This paper forms part of a larger study on unemployment in Kerala I have undertaken under a Senior Fellowship of the ICSSR. I am thankful to K P Kannan for his detailed comments on an earlier draft of this paper. A part of this paper was presented at a workshop on 'Employment and Unemployment Trends in Kerala' held at the Centre for Development Studies in January 1994. I am grateful to the participants of the workshop for their valuable suggestions. I also thank P Sankara Sharma and Sabu Philip who have been of much assistance at different stages in the preparation of this paper.]

- 1 To give just two examples, clerical posts in the Kerala government secretariat and in the office of Kerala University which once used to be filled by matriculates are now available only to graduates, earlier the minimum qualification prescribed for recruitment of police constables in the state was schooling up to eighth standard, whereas it is now 10th standard.
- 2 If a person instead of accepting the post of primary teacher starting on a basic pay of Rs 1,125 opts to put in five years of additional education, he/she can aspire to get appointed as a high school teacher on a starting basic pay of Rs 1,350. It can be shown that the additional annual income thus earned, namely Rs 2,700, is much higher than the annualised expenditure (including income foregone) on additional education. The difference in earnings would, of course, widen over the years.
- 3 The Malayali Memorial submitted to the Dewan of Travancore on July 2, 1881 and to the Maharaja on the next day was signed by 10,028 citizens belonging to all castes and creeds.
- 4 Reworking the employment exchange statistics as on December 31, 1989, they found that as against the official figure of 15,51,843 matriculates forming 83.37 per cent, the revised estimate was only 10,48,454 (56.32 per cent). This finding was reinforced by cross-tabulations of the sample registrants and the NCO codes allotted to the registrants by the employment exchange authorities. 40 per cent of the pre-degree and 18.96 per cent of the degrees, 12.84 per cent of the postgraduates and 8.10 per cent of the engineering degree holders had only SSLC by the NCO classification.
- 5 A worker, instead of sticking to the first regular job, may decide to quit the job in order to take up a more remunerative or challenging job. Such change of jobs is purely voluntary and hence does not constitute further waiting.

- 6 The sample size selected for the survey consisted of 309 registrants in Calicut and 503 registrants in Trivandrum. The former was made up of 190 persons from the live register and 119 from the dead register, the latter consisted of 413 persons from the live register and 90 from the dead register. It may be noted that employment exchanges maintain in addition to the live register also a so-called dead register of persons who fail to renew their registration from time to time. The survey conducted for the UN study included also a sample from the dead register since, among other reasons, it was expected that persons with completed waiting periods could be found in a greater proportion on the dead register than on the live register.
- 7 Further, the fact that employees in each category (based on qualification) obtained their jobs at different points of time introduces a certain bias. We know that over the years pay scales have been rising; therefore if more people belonging to one category secured their jobs at a later point of time than employees of another category, the average salary of the former would be higher.
- 8 At present there are 11 engineering colleges in Kerala, nine colleges under the Directorate of Technical Education of the state government, one regional engineering college and one model engineering college under the Institute of Human Resources Development for Electronics (another college has just started functioning). These colleges admitted a total of 2,901 students to the various courses during the academic year 1992-93. In sharp contrast, the five medical colleges in the state admit only a total of 700 students to the MBBS course and 70 students to the BDS course. To these streams may be added those Keralites who join engineering and medical colleges outside the state. It is very likely that their numbers also are weighted in favour of engineering students.

References

- Balogh, T (1967) 'The Economics of Educational Planning: Sense and Nonsense' in K Martin and J Knapp (eds), *The Teaching of Development Economics*, Frank Cass and Company, London.
- Blaug, M (1973a) *Education and the Employment Problem in Developing Countries*, International Labour Organisation.
- (1973b) 'The Unemployment of the Educated in India' in R Jolly et al (eds), *Third World Employment, Problems and Strategy*, Penguin.
- Blaug, M et al (1969) *The Causes of Graduate Unemployment in India*, The Penguin Press, London.
- Edgren, G (1990) 'The Challenge of Human Resources Utilisation' in International Labour Organisation (Asian Regional Team for Employment Promotion), *Employment Challenges for the 90s*, Geneva.
- Edgren, G and M Muqtada (1990) 'Strategies for Growth and Employment in Asia: Learning from Within' in *Employment Challenges for the 90s*, ILO-ARTEP, Geneva.
- Edwards, E O and M P Todaro (1974) 'Education and Employment' in E O Edwards (ed), *Employment in Developing Nations. Report on Ford Foundation Study*, Columbia University Press, New York.

- Foster, P J (1968) 'The Vocational School Fallacy in Development Planning' in M Blaug (ed), *Economics of Education*, Penguin, Harmondsworth.
- Godfrey, M (1986) *Global Unemployment: The New Challenge to Economic Theory*, Harvester Press, Sussex.
- Government of India (1973) *The Report of the Committee on Unemployment*, New Delhi.
- Government of Kerala (1984) *High Level Committee on Education and Employment, Vol II, Report on Higher Education*, State Planning Board, Trivandrum.
- (1990, 1992) *Economic Review*, Planning Board.
- Harbison, F H (1973), *Human Resources as the Wealth of Nations*, Oxford University Press, New York.
- Hopkins, M (1985), *Alternatives to Unemployment and Underemployment, The Case of Colombia*, Westview Press, Boulder.
- Jeffrey R (1976) *The Decline of Nayar Dominance: Society and Politics in Travancore, 1887-1908*, Vikas Publishing House, New Delhi.
- Jolly, R et al (1973) 'Introduction' in R Jolly et al (eds), *Third World Employment Problems and Strategy*, Penguin.
- Kannan, K P (1990a), 'Kerala Economy at the Crossroads', *Economic and Political Weekly*, Vol XXV, September 1-8.
- (1990b) 'Dissecting Agricultural Stagnation in Kerala: An Analysis across Crops', *Economic and Political Weekly*, Vol XXV, September 1-8.
- Lal, D (1984) *The Poverty of Development Economics*, Hobart Paperback.
- Mathew, E T (1991) *Financing Higher Education: Sources and Uses of Funds of Private Colleges in Kerala: Concept*, New Delhi.
- Mukherjee, C and TMT Isaac (1991) 'Study of Educated Unemployment in Kerala: Report of the Sample Survey of Registrants of Employment Exchange', Centre for Development Studies, Trivandrum, mimeo.
- (1994) 'A Review of the Self-Employment Programmes for Educated Unemployed', State Planning Board and Centre for Development Studies, Trivandrum, mimeo.
- Myrdal, G (1968) *Asian Drama*, Vol II, Penguin, Harmondsworth.
- Ridker, R G (1971), 'Employment and Underemployment in Near East and South Asian Countries: A Review of Evidence and Issues' in Ridker, R G and H Lubell (eds), *Employment and Unemployment Problems of the Near East and South Asia*, Vol I, Vikas Publications, Delhi.
- Squire, L (1981) *Employment Policy in Developing Countries*, A World Bank Research Publication, Oxford University Press.
- Subrahmanian, K K (1990) 'Development Paradox in Kerala, Analysis of Industrial Stagnation', *Economic and Political Weekly*, Vol XXV, September 15.
- United Nations, Department of Economic and Social Affairs, (1975) *Poverty, Unemployment and Development Policy - A Case Study of Selected Issues with Reference to Kerala*, New York.
- Visaria, P and B S Minhas (1991), 'Evolving an Employment Policy for the 1990s, What Do the Data Tell Us?', *Economic and Political Weekly*, Vol XXVI, April 13.
- World Bank (1990) *World Development Report*, Oxford University Press.

Consolidation of Maratha Dominance in Maharashtra

S M Dahiwale

Besides their numerical strength, the legacy of the non-brahmin movement of the pre-independence period and the continued control over land, co-operatives and other institutional resources have enabled the vatandar marathas of south-western Maharashtra to maintain their hegemony in state politics.

A DOMINANT caste is determined by its numerical strength, its extent of economic and political control, and its superior status in the caste hierarchy.¹ For a caste to be dominant, David Mandelbaum adds one more attribute of a 'self-image as rulers' (1972:359). In Indian villages, land is the principal source of economic control. Those who possess substantial land can exercise control over the landless and the marginal landholding families since the latter are dependent upon big landholders for their livelihood. During post-independence period, traditional agronomy has changed and a process of agro-based industrialisation has taken place in certain parts. Big landholders have cornered a sizeable chunk of the agro-based industrial economy and have become all the more powerful. Thus, land is not only a source of economic control but also of political power. Walter Neale states that, "the Indian view of land was also political" (1969:7) and, "the Indian who acquired political power almost inevitably acquired control of land, which was the main source of wealth or income" (1969:9). In democracy, numerical strength undoubtedly has a political significance. The contestants for power seek followers and allies from kins, relatives, caste and village so as to increase their tally [Neale 1969:9-10]. These units of 'social organisation' are one of the sources of power. Thus, the scholars consider land, number, social organisation, ritual status and self-image as rulers, as the requisites for caste dominance. In the light of this conceptual formulation, the article examines the domination of the marathas in Maharashtra. The article addresses following questions regarding the maratha domination: how far is the numerical preponderance of the marathas decisive in their dominance? Why do the marathas of the Deccan mostly occupy positions in the higher echelons? Why do the kunbis of Vidarbha have little say in the state politics? And finally, what is the class status of those in influential positions within their caste-group?

I Numerical Preponderance of Marathas

The domination of the marathas in the power structure is generally ascribed to the

large number. Since enumeration by caste criterion was not continued by the census after 1931, we do not have currently a reliable figure of the maratha population. Irawati Karve estimated the population of the maratha-kunbi cluster to be about 50 per cent (1975:29). Anthony Carter estimated it to be 55 per cent in rural Maharashtra (1975:5), whereas Shashikant Pawar, the president of Maratha Mahasangha, has put the figure around 35 per cent [Nagarsekar 1986]. Recently, Jayant Lele derived the present-day population of the maratha-kunbis² from the 1931 Census reports of the Bombay presidency, the Hyderabad state and the central provinces and Berar,³ to be 31.19 per cent [Lele 1990:116]. The kunbis are mostly concentrated in the nine districts of Vidarbha. If their population is estimated to be 10 per cent, then the population of the marathas comes to 21.19 per cent (see the table).

II Socio-Political Background

The ancient brahmanical⁴ traditions were revived in Maharashtra under the Peshwa rule (1713-1818). Especially under the later peshwas, from late 18th century onwards, the brahmins enjoyed special privileges, and the shudras and the ati-shudras suffered disabilities:

Performing the religious ceremonies with the Vedic mantras was the privilege of the Brahmins, while the shudras had to be content with the Puranic mantras. The brahmins had the monopoly of religious priesthood. They were given 'Dakshana' (gift) to encourage learning. The lands of the brahmins was assessed at half or lower rates than those of other classes. The land revenue in cash from the brahmins and in kind from others were accepted. Discrimination was observed in punishing the culprits. For example, on a charge of murder an accused brahmin was asked to visit a holy place, while a shudra or an ati-shudra accused of theft was given punishment of amputation of one or more limbs. In 1785, in a case, 20 persons from ati-shudras were beheaded for committing theft. Prisoners from the lower castes were asked to do hard labour of building fortresses. The shudras had no right to inter-dine with the brahmins. The untouchable mahar had to carry an earthen pot hung from the neck

for spitting and also had to drag a thorny branch to wipe out his footprints. The ati-shudras were forced to live on the outskirts of the village. After 1785, officiating marriages of the untouchable mahars by the brahmin priests were discontinued [Kadam 1972-73:236-42].

In 1818, the peshwa rule ended and the British came to power. In the Bombay presidency, the British initially decided to adopt the policy of non-interference in caste matters. But, in certain cases caste authority was not recognised. For instance, the Bombay High Court permitted people to engage a non-brahmin priest. The decree threatened the monopoly of the brahmin priesthood. In 1856, when a mahar boy was refused admission to the government school at Dharwar, the Bombay government resolved that "all schools maintained at the sole cost of government shall be open to all classes of its subjects without distinction" [Ghurye 1969:275]. Such instances indicate that the privileges of the brahmins and the disabilities of the lower castes were gradually desisted under the British rule. However, in practical life, the brahmanic order based on purity-pollution principle, was functional.

HEREDITARY LANDHOLDING PATTERN

In Maharashtra, many maratha and kunbi families have been landholders since pre-Shivaji times. Under the Muslim regime the village revenue was in the hands of patils, kulkarnis, deshmukhs, deshpandes, sardeshmukhs and sardeshpandes. Patils and deshmukhs were generally from the maratha-kunbi caste. Shivaji belonged to the ruling class of jagirdars. But, in Shivaji's time,

CASTE AND RELIGIONWISE DISTRIBUTION OF MAHARASHTRA POPULATION

Group	Percentage	Source
Scheduled tribes	09.19	1981 Census
Scheduled castes	07.14	"
Neo-Buddhist	06.28	"
Christian	01.26	"
Jain	01.49	"
Muslim	09.24	"
Sikh	00.17	"
Maratha-kunbi	31.19	1931 Census
Brahmin	03.90	"
Others	30.14	Estimated
Total	100.00	

there was no policy of making offices hereditary, nor was there a system of assignment of revenues or land for military services. After Shivaji's death his successors departed from the policy of fixed pay and continued the old Muslim system of hereditary revenue authorities.

In the kingship system the village land was allotted to assignees. The assignees, the holders of village land, occupied hereditary offices such as mirasdars, mokadam, kulkarni, padewar, deshmukh and desh kulkarni. The officials performed services to the king in lieu of granted lands. But the actual cultivators of lands were tenants and peasants. The cultivators paid the land revenue to the inamdars and jagirdars who were the appropriators of the whole or part of the land revenue. A piece of land was granted to a priest of the village, usually a brahman, for the performance of a religious service. Such land was referred to as Devasthan land, which was not transferable [Kulkarni 1961].

Apart from this account of land allotment, land was offered as gifts to the maratha gentry in return for supply of armies. During the peshwas, the lands were granted to brahmins as a religious privilege [Wink 1986]. Thus, the marathas as warriors and officials, and the brahmins in the capacity of ministers and priests received land grants from the royal princes.

Three different views have been held regarding land ownership in western India. According to Baden-Powell, the landholder had no ownership rights in the medieval Deccan but the land was held in virtue of an office [Baden-Powell 1972: 423-24]. A S Altekar states that the ownership of lands was vested in the peasant proprietors [Altekar 1927:86]. S N Sen has given a detailed account of village land ownership in the 18th century Deccan, mentioning that the village land was divided among the hereditary officers, village servants, the mirasdars and the 'upris' (outsiders). In lieu of services land was granted to the hereditary officers and village servants, while the mirasdars had proprietary right in their lands. The upris were the tenant-at-will on government lands under the management of mamlatdars [Sen 1923]. Hiroshi Fukazawa, an eminent Japanese scholar of south Asian history, has endorsed S N Sen's presentation as being closer to the ground reality [Fukazawa 1991: 149-50]. Fukazawa also states that high offices, for example, headmanship of villages, were held by the brahmins and sizes of the inam lands granted to them were comparatively larger. The brahmins being absentee landlords, their lands were cultivated by sharecropping peasants [Fukazawa 1991: 178-80].

In the early 19th century, the miras lands were generally cultivated by mirasdars themselves, who belonged to the merchant

and intermediate castes. But many mirasdars leased out their lands to peasants on sharecropping basis. The state lands and wastelands were cultivated by tenant-peasants [Fukazawa 1991: 183-84].

In Konkan, a part of the Bombay division, the khoti system of revenue farming was introduced in 1504. In the khoti system, the government collects revenue from the khots. This system was prevalent in Ratnagiri district and in some parts of Kolaba (Raigad) and Thane districts. The khots were hereditary landholders who had received lands from former territorial chief or local land officer. However, Andre Wink informs that the khots were hereditary in the southern Konkan while in the northern part they were non-hereditary (1986:362). Baden-Powell mentions that the khots belonged to all castes. Under the Muslim rule they were constituted by the marathas or the mussalmans (1974: 294). In the peshwa period, many brahmin families were made khots, reducing the older khot families of the marathas and the Muslims. During the later period, under the British rule, many khots were brahmins and marathas. Before 1949, there were 952 khoti villages in Ratnagiri. After independence, the khoti tenure system has been abolished by the Bombay khoti abolition act of 1949. In Vidarbha, most of the malgujars were brahmins. In Marathwada, under the Nizam's rule, maratha deshmukhs were the tax collectors. Keeping in mind the hegemony of the high castes, Bhaskarrao Jadhav, the then legislator, had proposed in 1927 for a ceiling on landholding in the Bombay legislative council.

Thus, the above account of land allotment and grants shows that under the peshwa and the British rule, brahmins were predominantly controlling lands and a large number of maratha and other intermediate castes were tenants.

PHULE'S REVOLT

In 19th century, Mahatma Phule (1827-1890), a non-brahman of mali caste (gardener), emerged with his radical critique of brahmanism and economic exploitation by Gujars and Marwaris. He was the first Indian to start schools for girls in 1848, 1851 and 1852. He founded the Satyashodhak Samaj (the organisation of truth-seekers) in 1873 to educate and enlighten the illiterate and ignorant masses, and to liberate them from religious persecution. He rejected brahminism based on the shastras and the puranas and propagated a Sarvajanic Satyadharma (universal religion of truth) based on rationality and equality. He performed marriages without the help of a brahmin priest. Regarding Phule's view on the village system, Gail Omvedt mentions:

Phule wanted sweeping changes within village society itself. His primary goal was not simply to replace a brahmin-dominated bureaucracy with a non-brahman bureaucracy and it was not simple to transfer power to the villages. Rather he wanted to revolutionise village system. Not only should the position of kulkarni be abolished; also the patil's and other watan posts should be opened up to all on the basis of merit through special training schools. Thus the entire balutedar system with its relation to traditional caste privileges and functions was to be destroyed along with the hereditary linking of caste and occupation [Omvedt 1976:120].

Thus, Phule was a social revolutionary who organised shudras and ati-shudras against the brahmin tyranny. It is noteworthy that aristocratic marathas, lingayats, jains and kayasthas did not participate in Phule's satyashodhak movement [Phadke 1989:254]. However, Bhaskarrao Jadhav, an aristocratic maratha, established a branch of satyashodhak samaj in 1911 to revive the movement. Like Phule, he was critical of brahmanic literature and wrote scathing articles on *Ramayan* in Marathi periodicals between 1935 and 1938.

MARATHAS IN NON-BRAHMIN MOVEMENT

In the beginning of the 20th century non-brahmin leaders who identified themselves as satyashodhaks no more followed the revolutionary ideology of Phule. The principal reason was the overall domination of the brahmins in the national Congress, Bombay legislative council (BLC) and the British administration. In November 1899, an incident occurred wherein Narayanbhatta, an officiating priest, did not utter the vedic mantras while performing bathing ceremony of Chatrapati Shahu of Kolhapur, since the latter did not belong to kshatriya caste. This created a fury amongst the non-brahmins. Shahu (1874-1922) started a movement against brahmin bureaucracy of Kolhapur and a movement for the upliftment of the untouchables as well. Two maratha princes, Shahu of Kolhapur and Sayajirao Gaikwad of Baroda, took significant steps to better the lot of the untouchables. In 1913, Sayajirao Gaikwad sent Bhimrao Ambedkar to America for higher studies. Shahu, too, is well known for his reformist activities in his Karveer state. He abolished untouchability. He felicitated Ambedkar for his academic achievement abroad. In 1920, he helped him publish *Mukanayak*, a Marathi periodical from Bombay. He organised a conference of untouchables under the chairmanship of Ambedkar in 1920. In 1902 he issued a notification reserving 50 per cent of state jobs for the non-brahmins.

Maharshi Vitthal Ramji Shinde (1873-1944) also contributed to the removal of

untouchability. From 1903-1906, he toured throughout India to study the socio-economic conditions of the untouchables. In 1906, he founded the Depressed Class Mission to provide education and employment to the untouchables. Thousands of untouchables took education in the mission's schools. He was active member of the Congress and tried to change the attitude of the caste Hindus towards the untouchables from the Congress platform. It was because of his initiative that the resolution of the removal of untouchability was passed in Calcutta Congress session of 1917. He wrote scholarly essays and books on the problem of untouchability [Shinde 1976]. Thus the early maratha leaders regarded the untouchables as a subsection of non-brahmins and were sincerely concerned with their upliftment.

It is interesting to understand why Shahu opted for policies favouring the non-brahmins. It is obvious that he was hurt by the vedokta incident of 1899 which did not recognise him as a kshatriya. Moreover, the intervention of Bal Gangadhar Tilak in both the vedokta and the abolition of the kulkarni and joshi watans (hereditary offices) on the side of the brahmins kept the issue burning. Tilak was against non-brahmin representation and criticised the non-brahmin leaders for supporting communal representation in 1917. In 1917 Montagu-Chemsford declared to grant a caste-based representation which encouraged the marathas to establish the Maratha League on December 16, 1917. Shahu lauded the provision of caste-based representation at Khamgaon. In a letter written in September 1918 to Lord Sydenham, the governor of the Bombay presidency, Shahu justified the communal electorates for the marathas because the brahmins had monopolised services in the British administration and hence, the grievances of non-brahmins did not reach the British officers [Kavalekar 1979:227]. On January 31, 1919, when the Southborough Committee on franchise decided to give representation to non-brahmins, Bhaskarrao Jadhav and the Maratha League demanded separate representation for the marathas.

Further, the Montagu-Chemsford declaration encouraged the non-brahmin leaders to publish periodicals, such as *Rushtraveer*, *Shivachhatrapati*, *Chhatrapati*, *Tarun Maratha*, *Garibancha Kaivari*, *Bhagva Zenda*, *Shrishivasmarak*, *Vijayi Maratha*, *Deen Mitra*, *Jagruti*, *Hunter*, *Kaivari*, *Pragati*, *Jinvijaya* and *Navyug*. The very titles of these periodicals suggest the spirit of non-brahminism. The publication of non-brahmin periodicals was so essential that Shahu extended monetary support to Mukundrao Patil to continue the publication of his periodical *Deen Mitra* when it was on the verge of extinction [Phadke 1989:263].

Shahu apprehended that if power again went to the brahmins, attempts would be made to resurrect the age-old brahmanical regime [Lathe 1924:566]. As a result, many non-brahmin leaders got elected to the BLC in November 1920. To capitalise upon this success the Deccan Non-Brahmin League was formed on December 12, 1920 [Omvedt 1976:190].

After the death of Shahu in 1922, the non-brahmin movement was led by Keshavrao Jedhe and Dinkarrao Jawalkar. The historical incidents of refusing kshatriya status to Shivaji and Shahu by the brahmin priests agitated the minds of the marathas. In 1921-23 the non-brahmin activists of Satara and Solapur targeted the brahmins. They abused and mocked brahmins and abstained from inviting them to perform the household rituals. They taunted brahmin women and burned their houses and looted their crops. The non-brahmin tenants refused to till the lands of brahmins [Phadke 1991:217-19].

In 1923, 13 non-brahmin leaders got elected to the BLC. Bhaskarrao Jadhav was already a nominated member of the BLC in 1922. In the BLC election campaign of 1923, Bhaskarrao Jadhav exhorted the marathas to give votes to their fellow representatives and got elected from Satara [Phadke 1991:227]. He formed the non-brahmin party with the help of 13 non-brahmin legislators in 1923. In the 1920s, the non-brahmins gained control of the local boards in Satara, Solapur, Nasik and Buldhana districts, while in other districts they were not equally successful [Omvedt 1976:199]. It is evident that wherever the non-brahmin movement was strong, the non-brahmins could wrestle power from the brahmins. After gaining control over the local boards the non-brahmins started education institutions and student hostels. Phule and Shahu had already set the tempo.

In 1924 Karmaveer Bhaurao Patil established Rayat Shikshan Sanstha in Satara which later spread all over western Maharashtra.

Dinkarrao Jawalkar's *Deshache Dushman* came out in 1925. He branded Tilak and Chiplunkar as traitors and criticised Tilak's aversion to non-brahmin representation in the state legislative council and his discouraging attitude towards compulsory education. He alleged that the brahmins drowned Tukaram (1598-1649), a kunbi saint, along with his book of couplets in a river. He called brahmins beasts, who threw the stones at Savitribai, wife of Phule and the first woman teacher of the first girls' school in Pune. He demanded that all brahmins should be expelled from legislative councils, local bodies and services. Jedhe and Jawalkar were persecuted and convicted by the lower court for casting aspersions on Tilak. Ambedkar fought their case in the upper court and got them acquitted. But, when Ambedkar led a satyagraha at Mahad in 1927, Jedhe and Jawalkar demanded that no brahmin be allowed to participate in the satyagraha. Ambedkar declined their condition, explaining that he was against brahmanism but not against the brahmins. In 1926 the non-brahmin leaders closed the doors of their party to the brahmins. Although the membership was open to all non-brahmins, deshmukhs and patils were predominant in the party.

SOCIO-POLITICAL SCENE OF VIDARBHA

Vidarbha region was incorporated in Maharashtra in 1956. Compared to the intemperate experiences of brahmanism in the Deccan, brahminism in Vidarbha was moderate, the reason being neither the prince nor the prime minister of this region was a brahmin. Nagpur was the capital of the

New Book from	MD	Publishers of the Humanities, Natural & Social Sciences
SOCIOLOGY IN LATIN AMERICA		
Editor Man Singh Das		
The purpose of this book is to introduce the reader to the study of population, rural and urban societies and gerontology in various less developed and developing countries of Latin America. The book analyses the different stages of development and social changes occurring in these countries. This book is a valuable source for the social scientists, interested in the field, particularly of Latin America.		
1994, viii, 434p, maps, references; 25x19 cm ISBN 81-85880-36-2		Rs 800.00
Send your orders and write for complete catalogue to :		
M D PUBLICATIONS PVT LTD 11 Darya Ganj, New Delhi-110 002 Tel.: 3273347, 3271378, 3285830, 3288845 Fax: 91-11-3275542 Cable: INDOLOGY		PUBLISHERS DISTRIBUTORS EXPORTERS

Bhoslas, the maratha kingdom of Berar and Vidarbha. It was established in 1743 usurping the throne of the Gond Raja of Deogarh. But the brahmins were in the administrative services of the Gonds and the Bhoslas. David Baker states:

The Bhoslas laid the foundations of brahmin dominance by establishing them on land and appointing them in their administrative services. British rule enhanced their position further by creating new economic opportunities, besides opening schools and colleges through which they could enter the professions and government service. Utilisation of these opportunities, combined with the brahmins' social prestige, placed them in a commanding position amongst the urban middle classes by 1918 [Baker 1979:15].

Nonetheless, the brahmins do not outnumber the maratha-kunbis as vatandars. In Yavatmal district, for instance, of the 1,397 vatandars, there were 301 brahmin vatandars and 830 maratha-kunbi vatandars. Moreover, commerce and financing were under the control of the immigrant marwari-gujars of the north [Diwan 1980:235-36]. Even after independence the Akola district Congress committee was under the control of marwaris suggesting that the marwari group was the leading political force in the Vidarbha Congress organisation [Carras 1972:133].

During the Tilak-Gandhi era (1900-1937), Dadasaheb Khaparde, M S Aney, N B Khare, B S Moonje, M V Abhyankar, Moropant Joshi, Tapaswi Paranjape, K V Brahma, Vamanrao Joshi and Acharya Dada Dharmadhikari, were prominent amongst the brahmin nationalists of Vidarbha. Jamnalal Bajaj and Brijlal Biyani, both marwaris, joined the Congress around 1920.

The satyashodhak movement was active in western Maharashtra. The non-brahmin leaders of Vidarbha were attracted towards it. They, too, protested against the brahmin supremacy, especially their priestly status. All India Maratha Education Conferences were held at Amraoti and Khamgaon in 1909 and 1920 respectively. Both were presided by Shahu of Kolhapur. In the 1920s, G A Gawai, a leading mahar from Amravati, was awakening the untouchables regarding their deprived status. He was nominated to the legislature in 1920. Raosaheb Bajirao Nimbalkar, a landed maratha and the tahsildar of Katol, sponsored an anti-brahmin periodical *Bhawani Talwar*, published from Narkhed in Katol taluka. The elections to the local bodies and the legislature in 1924-1926 strengthened the non-brahmin activities. Raibahadur K S Naidu, a non-brahmin leader, started *Brahmanetar*, a periodical urging non-brahmin communities to capture all local and self-government institutions, government services and honorary posts in proportion to their numerical strength. In 1925, marathas of

Amraoti started a periodical named *Maratha Samachar*. All these developments helped the non-brahmin leaders to win more seats in the legislative council and in the local bodies throughout the Berar. The 1931 Census noted that the strength of brahmin legislators declined from 29 to 17 in the third council and that of the marathas rose from six to nine. Panjabrao Deshmukh, a wealthy maratha with a doctorate from Oxford University, joined the non-brahmin politics and became president of the Amravati Municipal Committee in 1928. In 1930, he got elected to the legislative council from Amravati. Uttamrao Itikar, Shyamrao Gund, Anandrao Meghe and Nanasaheb Amrutkar of Amravati district, Sampatrao Deshmukh and Pandharinath Patil of Buldhana district were other militant non-brahmin activists [Diwan 1980:237]. The Hindi politicians exercised an hegemony over Marathi politicians in the central provinces and Berar Congress. After 1934, the non-brahmin leaders, Panjabrao Deshmukh, N R Deshmukh, N Y Deotale, G R Pradhan and T J Kedar joined the Congress *en masse*. In wake of Gandhi's assassination, the non-brahmins attacked brahmins leading to the migration of the latter to towns and cities. Nevertheless, the politics of Vidarbha was dominated by the brahmin Shukla-Mishra-Khedkar clique, till the formation of Maharashtra in 1956. Yet, as compared to the Deccan, antagonism between non-brahmins and brahmins was not sharp. The scheduled castes of Vidarbha were advanced in school and college education [Chitnis 1974:91].

Thus the non-brahmins launched a movement against brahmin dominance and were successful to lower the strength of brahmins in the legislative body and local boards. During the Gandhi era, non-brahmin leaders joined the Congress and gradually captured the positions of power. The earlier truth-seekers became power-seekers. Commenting on the downfall of non-brahmin movement, Ambedkar said:

Firstly, they had not been able to realise exactly what their differences were with Brahmanical Sections. Though they indulged in virulent criticism of "Brahmins", could any one of them say that those differences had been doctrinal? How much brahmanism had they in them? They were "Namams" and regarded themselves as second class brahmins. Instead of abandoning brahmanism they had been holding on to the spirit of it as being the ideal they ought to reach. And their anger against brahmins was that they (the brahmins) gave them only a "second class degree" [Das 1963:88-89].

The increasing atrocities and discriminations against the dalits in the post-independence period indicates that brahminism still has its hold amongst the non-brahmins.

III Brahminism in Marathas

The non-brahmins are known for their attacks on minority communities. They attacked the brahmins when Mahatma Gandhi was assassinated. In 1974 and in February 1986, the marathas attacked the neo-buddhist locality and destroyed their belongings in Phaltan. In 1978, on the issue of the renaming of Marathawada University the dominant castes brutally attacked dalits in all the seven districts of Marathawada. Despite the large-scale violence, the then chief minister, Sharad Pawar did not issue the order to shoot at the individuals stoking the Marathawada violence while the order to shoot-at-sight was issued on the dalits in Nagpur [Gavan 1978]. Even the prominent and acknowledged leader of the marathas, Yashwantrao Chavan, did not come forward to condemn the violence and terminate it. On August 11, 1991, a carnage took place in Gothala village in Ahmadpur taluka of Latur district in which two mahar brothers were beaten to death in a mob attack. On August 16, 1991, Ambadas Savane, a mahar, was stoned to death by devotees belonging to the intermediate castes.

Moreover, anti-dalit attitudes are evident at institutional levels. According to the Zilla Parishad and Panchayat Samiti Act of 1961, zilla parishads and panchayat samitis should spend 15 per cent of their income on the welfare schemes for the backward castes. But the fact-finding committee appointed by the state government in 1976 pointed out that 36 panchayat samitis had spent nothing and other samitis had spent a partial amount on it.

Co-operative institutions are a major avenue of employment in rural Maharashtra. The Maharashtra government issued orders in 1977 and 1981 promulgating 34 per cent job reservation in co-operative institutions. But some District Central Co-operative Banks challenged the order in the Bombay High Court. The court upheld the order; yet, the backlog remains unfulfilled in many co-operative institutions. As regards the 24 per cent reserved posts for scheduled castes, scheduled tribes, denotified tribes and nomadic tribes, 43,294 posts of Class I to IV, services in various state government departments were not filled as on February 2, 1990. Further, since the general administration department of the state government did not collect information on 10 per cent reserved posts for the other backward classes, those figures are not known. The reasons as to why such a huge backlog of reserved posts remains was not mentioned.

Recently, the intermediate castes are getting attracted towards conservative political parties such as Shiv Sena and the Bharatiya Janta Party. As a result, 52 Shiv Sena candidates and 42 BJP candidates got

elected in the 1990 assembly elections. Many marathas and the ORCs contested elections on the tickets of these conservative parties and got elected in 1990 assembly and 1991 Lok Sabha elections. The Maratha Mahasangha founded in 1980 by Annasaheb Patil, a maratha union leader of porters in Bombay and a close associate of Y B Chavan and Sharad Pawar, objected the government's policy of protective discrimination based on caste criterion. Regular meetings and conferences of the maratha mahasangha help to strengthen the caste feeling and serve the economic and political interests of the community. When the former chief minister, Sudhakar Naik, a banjara, accepted resignations of 11 ministers belonging to Sharad Pawar's group and dropped some of them from his new ministry, Annasaheb Patil remarked in a public meeting held at Nanded that the banjara chief minister had dropped some maratha ministers in the state of marathas. The Mahasangha congratulated Vasantdada Patil, the former chief minister, for granting permission to medical and engineering colleges on non-grant basis. These colleges accept huge amount of capitation fees during admissions. Shashikant Pawar, the president of the Mahasangha, condemned the government publication of Ambedkar's 'Riddles in Hinduism'. All these facts indicate the brahminical dominance over the marathas.

The politics of the maratha elite in joining the Congress during the Gandhi era and recently, the conservative parties, is aimed solely at maintaining power. They are pragmatic, rather than ideological in their approaches to secular matters, and by hook or crook acquire power to multiply economic and educational advantages and thereby various positions in the power structure. Jedhe and Jawalkar, leaders of the non-brahmin movement, joined the Congress in the 1930s. Jedhe was elected to the central legislative assembly in 1935 and became president of the Maharashtra provincial Congress committee in 1938. Y B Chavan joined the Congress in the 30s and became minister in 1952. In October 1956, he became the chief minister of the bilingual Bombay state. After his induction to the union cabinet as defence minister in 1962, Vasant Naik became the chief minister of the state. Although Vasant Naik, a rich banjara farmer, remained chief minister for a long period, he frequently consulted Y B Chavan. Further, under the dominant leadership of Vasantdada Patil and Sharad Pawar the hegemony of the marathas has strengthened. Kochanek has pointed out the role of caste in Maharashtra Congress:

In Maharashtra, including Bombay, 16 per cent of the Congressmen were brahmins and 66 per cent were non-brahmin marathas. This accounts for the charge made in 1962 that all the District Congress Committee

Presidents and Secretaries in Maharashtra were marathas and that 75 per cent of all Congress candidates in the 1962 general elections were also of this group [Kochanek 1968:355-56].

A study on the Satara zilla parishad elections held in May 1962 revealed that the maratha caste was in firm control of the district through the interrelationship of co-operatives and land ownership [Shrader and Joshi 1963:146-51]. A study undertaken in 1963-64 observed a maratha bias in Poona municipal elections of 1962. Only two of the 10 brahmins were elected as against 11 of the 25 marathas [Rosenthal 1970:360-61]. A study of the panchayat raj leaders of Satara, Aurangabad and Akola districts carried out in 1967-68 revealed that the marathas constituted 77.30 per cent of the total sample of leaders [Sirsikar 1970:40]. Anthony Carter mentions that 22 of the 30 offices in Girvi, a large village in Phaltan taluka and 85 of the 144 offices

in the Phaltan taluka of Satara district, were held by the marathas. A survey of 730 villages from five districts of Maharashtra revealed that the marathas control key positions in the panchayat samiti and zilla parishads [Lele 1992:125]. Thus the maratha dominance at grass roots level is instrumental in securing support of the local elites to win state assembly as well as Lok Sabha elections.

Besides the dominance of the marathas, Y B Chavan and Sharad Pawar adopted the strategy of alliance with other parties. The alliance with the Republican Party of India (Gaikwad and Gawai groups) and Bharatiya Republican Party (Athawale group) has proved useful to the Congress. In 1990, Sharad Pawar co-opted a militant dalit, Ramdas Athawale, in his ministry. In December 1991, the then chief minister, Sudhakar Naik split the Shiv Sena by incorporating Chhagan Bhujbal in his cabinet. The move not only helped to

CALL FOR PAPERS

INTERNATIONAL ECONOMIC ASSOCIATION

Session on Gender and Development [full day]

Organizers: Bina Agarwal and Nancy Folbre

The XI World Congress of the International Economic Association will be held in Tunis, Tunisia, from 18-22 December, 1995. We invite papers on all aspects of gender and development, whether institutional or macro-economic in orientation. The following topics are of special interest: feminist theoretical perspectives on development and social policy; analysis of property rights; globalization, women's work, family structures and poverty; environment and sustainable development; conceptual issues relating to gender-based collective action; economic reforms. Cross-country, including North-South, comparative analyses are encouraged, and interdisciplinary approaches are welcome.

LAST DATE FOR RECEIPT OF PAPERS: May 15, 1995. Please try and submit well before the deadline. Selection of 8-10 papers will be made by June 30, 1995, and decisions conveyed shortly thereafter.

Please send one copy each to the first three addresses below, and if possible a fourth to the IEA Paris office. (Alternately, you may send one copy to Nancy Folbre by May 1, with a request for forwarding to the other three). Please provide fax, telephone and e-mail information, where possible.

1. Bina Agarwal
Prof. of Economics
Institute of Economic Growth
University of Delhi,
Delhi-110 007, INDIA
Fax: +91-11-4632727
e-mail: bina@indielig.ernet.in
2. Nancy Folbre
Prof. of Economics,
Dept. of Economics
Thompson Hall,
University of Massachusetts
Amherst MA 01003, USA
Fax: +1-413-5452821
e-mail: Folbre@econs.umass.edu
3. Prof. Michael Bruno
IEA President
Attention: Shahid Yusuf
Room No. N-1104, The World Bank
1818 H Street, N.W.,
Washington D.C. 20433, USA
Fax: + 1-202-522-1150
4. Programme Committee
International Economic Association
23, rue Campagne Premiere
75014 Paris,
FRANCE

increase the strength of the Congress legislators but also weakened the support base of Shiv Sena. Moreover, the strategy of showing favours to the weaker sections by providing jobs, rendering monetary help or using state or any other local office to sanction a loan, is used for vote-gathering. Thus, the Congress has adopted strategies of alliance, co-optation, splitting the opposition and bestowing favours on the depressed, to strengthen its support base.

IV

Accretion of Resources

In 1948, after the passing of the Bombay Tenancy and Agricultural Lands Act and the assassination of Mahatma Gandhi, many brahmins left villages and their lands were transferred to the maratha and other intermediate caste tenants. Although caste wise data on landholding is not available, Carras reports in her study of 160 district councillors that a respondent owned 84.5 acres of land on an average (1972:42). In Girvi of Phaltan taluka, 74.5 per cent of the wet land and 72.4 per cent of the dry land was owned by the marathas who comprised 56.9 per cent of the total village population in 1966-67 [Carter 1975:70]. In the Kisan Co-operative Sugar Factory of Kopergaon in Ahmadnagar district, 60 per cent of the shareholders were marathas [Baviskar 1980:52]. As a result, during 1961-63, 10 of the 15 directors of the Kisan Factory were marathas. Besides, in a sample of 50 villages from Marathwada, 51.48 per cent landholders were from maratha caste, holding 50.22 per cent of land [Mandavdhare 1989: 110]. These figures indicate that in the post-independence period a large number of maratha-kunbis became landowners.

In the post-independence period, the marathas have dominated the co-operative, education and panchayat institutions. The dominant rich marathas who have political and administrative contacts act as patrons extending help in matters of employment, finance, benefits of government programmes and providing a few positions in the local bodies. The dependents who receive help from the dominant leaders obviously feel obliged and become subservient to them.

The most important arm of the state political power are the co-operative institutions. Baviskar notes, "The resources of co-operatives are used to win elections to zilla parishad, assembly, and parliament, and also to create educational institutions and strengthen the Congress Party organisation" (1980: 181). The state co-operative bodies such as the Maharashtra State Co-operative Bank, the Maharashtra Rajya Sahakari Karkhana Sangha and the State Co-operative Marketing Federation

were under the command of Vasantdada Patil, and after his death, are under the control of Sharad Pawar.

After occupying key positions in the state power, marathas use it to generate additional economic base by setting up a number of co-operative units of sugar, dairy, bank, credit society, cotton and oil mills. In Maharashtra state, 25,000 co-operative institutions have been established. One of the reasons for the development of co-operatives in Maharashtra is the financial support of the state government. Another major credit disbursing institution is the Maharashtra State Co-operative Bank.¹ Over the years the state government has contributed a total of Rs 419.46 crore as share-capital and loans to the sugar co-operatives, but the total repayments by the factories have been barely Rs 69.63 crore. In spite of such a huge backlog, Sharad Pawar mentioned at a recent statewide meet of sugar co-operatives that the state government would offer Rs 150 crore towards the takeover of the Rashtriya Chemicals and Fertilisers by the co-operative sector.²

The growth of co-operative institutions in Maharashtra is phenomenal. In 1992-93, 99 sugar factories were operating in the state, of which 70 factories were operating in western Maharashtra alone. During the same year, there were 26,880 co-operative societies in the state. In 1991, there were 43 branches of Maharashtra state co-operative bank. It is the biggest co-operative bank in Asia, having deposits worth Rs 2,094 crore as on June 30, 1991 and working capital of Rs 3,101 crore in 1990-91. In 1991, the total branches (including head office) of the district central co-operative banks were 3,147. The district central co-operative banks had working capital Rs 4,764 crore as on June 30, 1991 and advanced loans worth Rs 4,690 crore in 1991. In 1991, 125 co-operative spinning mills were in operation and 44 out of the 212 distillery plants in India have been set up in Maharashtra. At the end of June 1981, 4.10 lakh employees were working in the co-operative sector, amounting to 12.50 per cent of the total employment in the state.

The apex co-operative bodies and most of the co-operative units in the state are under the command of the marathas. Shivajirao Giridhar Patil, a close supporter of Sharad Pawar, is the chairman of the national confederation of co-operative sugar factories and was elected president of the organisation of world sugar producers as well. Prakash Patil, the son of Vasantdada Patil, is the chairman of the state co-operative sugar factories' federation. Having huge sums at disposal, Prakash Patil recently decided to launch two private sector projects, namely, Rs 240 crore alcohol-based plastic material

plant and a Rs 20 crore fertiliser plant near Sangli.

It is usually reported that the chairman of sugar co-operatives have remained in their positions for more than two decades. For instance, in six of the nine co-operative sugar factories in Kolhapur district, men who had taken initiative in setting up co-operative sugar factories have been the chairman right from their establishment. Of course, all these chairmen did not belong to the marathacaste. The chairmen of Warana and Panchaganga factories belonged to the lingayat community. The sugar barons have set up private trusts for various welfare and developmental activities. The donations are collected from the shareholders of the co-operative sugar factories and this practice is not objected by the state government. In this way, the sugar barons have generated multiple sources of raising millions of rupees for their political gains.

The marathas are generally known as cultivators and the jains and lingayats as traders. But in post-independent India, many jains and brahmins have become entrepreneurs and since last two decades marathas have also started to enter into the entrepreneurial and trading activities, using their political and administrative linkages. In 1981, 613 of the total 993 entrepreneurs in engineering units of Kolhapur belonged to maratha caste [Bhanushali 1987: 43].

In pre-independence period, non-brahmin leaders realised the importance of education. Shahu took lead in this direction. Karmaveer Bhaurao Patil, a jain, followed him and established the Rayat Shikshan Sanstha at Kale in 1919. According to the sanstha's annual report of 1989-90, the sanstha has 520 educational institutions from pre-primary to degree college level, and 6,628 of its 13,734 employees were from maratha caste. N D Patil, a maratha, is the chairman of the sanstha. In 1954, Bapuji Salunkhe founded Shri Swami Vivekanand Sanstha. There are 4,301 employees of the sanstha. Branches of Rayat and Vivekanand sansthas are spread throughout western Maharashtra. The Marathawada Shikshan Prasarak Mandal and the Shivaji Shikshan Sanstha have started many educational institutions in Marathwada and Vidarbha respectively. The castewise figures of the employees in these institutions are not available, but the percentage of maratha employees is said to be more than that of the Rayat Shikshan Sanstha.

Since 1983 the state government has adopted a policy of permitting non-grant colleges for medical, engineering and education courses. Interestingly, in 1984 by making an amendment to the university act, the university right to grant permission to start a private college has been transferred to the state government. D Y Patil, Patangrao Kadam and Kamal Kishor Kadam

could become education entrepreneurs because the state power backs them. D Y Patil who was a member of the Maharashtra state legislative assembly from 1967 to 1978, got advantage of his close relationship with Vasantdada Patil. Kamal Kishor Kadam and Patangrao Kadam are ministers in the present state cabinet. In Maharashtra public service commission, three of the six members of the commission belong to maratha caste, and one of them is the chairman.

Thus, in pre-independence period, the non-brahmin movement, and in post-independence period, the politics of co-operatives, have contributed to the dominance of vatandar marathas in the power structure of Maharashtra.

Notes

[The author is grateful to V S Kadam, professor of maratha history of the Shivaji University, Kolhapur, for suggesting readings and useful comments on the earlier draft of the article. The author also extends his thanks to M N Panini for his comments and suggestions which helped in revising the earlier draft.]

- 1 M N Srinivas defines the dominant caste as the one which "... preponderates numerically over the other castes, and wields preponderant economic and political power. A large and powerful caste group can more easily be dominant if its position in the local caste hierarchy is not too low" [Srinivas 1955:18].
- 2 The marathas are largely concentrated in western Maharashtra and Marathawada while the kunbis are predominant in Vidarbha region of Maharashtra
- 3 The present Maharashtra state comprises Bombay, Pune, Marathawada and Vidarbha as its divisions. In 1960, Gujarat was separated from the Bombay state and Marathawada and Vidarbha which were parts of the Hyderabad state and the central provinces respectively joined to form today's Maharashtra.
- 4 According to B R Ambedkar, brahmanism means 'the negation of the spirit of liberty, equality and fraternity.' Further, he elaborates: 'The effects of brahmanism were not confined only to social rights such as interdining and intermarrying. It denied them also the civic rights. So omniscient is brahmanism that it even affects the field of economic opportunities' [Keer 1971:303-04]
- 5 An experience of Tatyasaheb Kore, lingayat, is that, in 1952, he had collected a share-capital from the farmers for setting up a co-operative sugar factory but since the co-operative bank of Bombay declined to extend its support for investment he had to give up his plan and had to refund the collected money to the farmers, who had contributed to set up the factory.
- 6 Since the union government had no plan to dilute the holdings, Sharad Pawar's suggestion of acquiring the shares worth Rs 500 crore of the Rashtriya Chemicals and Fertilisers did not materialise (*The Times of India*, July 6, 1993).

References

- Altekar, A S (1927): *A History of Village Communities in Western India* Oxford University Press, Bombay.
- Attwood, Donald W (1988): 'Social and Political Pre-conditions for Successful Co-operatives: The Co-operative Sugar Factories of Western India' in Attwood, Donald and B S Baviskar (eds), *Who Shares? Co-operatives and Rural Development*, Oxford University Press, Delhi.
- (1992): 'State vs Local Control in Common Resource Management: A Comparative Analysis' in *Sociological Bulletin*, 41 (1 and 2).
- Baden-Powell (1972): *The Indian Village Community*, Cosmos Publications, Delhi.
- (1974): *The Land-Systems of British India*, Vol III, Orient Longman, Delhi
- Baker, David (1979): *Changing Political Leadership in C P and Berar, 1919-1939*, Oxford University Press, Delhi.
- Baviskar, B S (1980): *The Politics of Development*, Oxford University Press, Delhi.
- Bhanushali, S G (1987): *Entrepreneurship Development*, Himalaya Publishing House, Bombay.
- Bierstedt, Robert (1966): 'An Analysis of Social Power', *The American Sociological Review*, XV, 6, adapted from Coser Lewis and Rosenberg (eds), *Sociological Theory*, The MacMillan Company, New York.
- Carras, Mary C (1972): *The Dynamics of Indian Political Factors: A Study of District Councils in the State of Maharashtra*, Cambridge University Press, Bombay
- Carter, Anthony (1975): *Elite Politics Alliances in Western Maharashtra*, Vikas Publishing House, Delhi.
- Chinnis, Suma (1974): *Literacy and Educational Enrolment Among the Scheduled Castes of Maharashtra*, Tata Institute of Social Sciences, Bombay.
- Dahiwal, S M (1993): 'The Role of Personality Factor in Rural Development. A Case Study of Tatyasaheb Kore with Special Reference to Warana Co-operative Complex' in *Journal of Rural Development*, Vol 12, No 2
- Das, Bhagwan (ed) (1963): *Thus Spake Ambedkar*, Vol I, Buddhist Publishing House, Jalandhar.
- Directorate of Economics and Statistics (1989): *Economic Survey of Maharashtra*, Government of Maharashtra, Bombay.
- Divan, C V (1980): 'Bahujan Samaj Movement in Vidarbha' in Joshi P L (ed), *Political Ideas and Leadership in Vidarbha*, Silver Jubilee Committee of the Department of Political Science and Public Administration, Nagpur University, Nagpur.
- Fukazawa, Hiroshi (1991): *The Medieval Decan*, Oxford University Press, Delhi.
- Gavai, R S (1978): Nine-page statement circulated on September 20 (cyclostyled)
- Jadhav, B V (1951): *Ramayanavar Nava Prakash*.
- Johari, J C (1973): 'Caste Politicisation in India' in *The Indian Political Science Review*, Vol VII, No 2.
- Kadam, V S (1972-73): 'The Privileges Enjoyed by the Brahmins under the Peshvas' in *The Quarterly Review of Historical Studies*, Vol XII, No 4.
- Karve, Irawati (1975): *Maharashtra - Land and its People*, Maharashtra State, Bombay.
- Kavlekar, K K (1979): *Non-Brahmin Movement in Southern India, (1873-1949)*, Shivaji University Publication, Kolhapur.
- Keer, Dhananjay (1971): *Dr Ambedkar Life and Mission*, Popular Prakashan, Bombay.
- Kochanek, Stanley A (1968): *The Congress Party of India*, Princeton University Press, Princeton.
- Kothari, Rajni (ed) (1970): *Caste in Indian Politics*, Orient Longman, New Delhi.
- Kulkarni, A R (1969): *Maharashtra in the Age of Shivaji*, Deshmukh and Company, Pune.
- Latthe, A B (1924): *Memoirs of His Highness Shri Shahu Chhatrapati Maharaja of Kolhapur*, Vol II.
- Lele, Jayant (1982): *Elite Pluralism and Class Rule*, Popular Prakashan, Bombay.
- (1990): 'Caste, Class and Dominance: Political Mobilisation in Maharashtra' in Frankel Francine and M S A Rao (eds), *Dominance and State Power in Modern India*, Vol II, Oxford University Press, Delhi.
- Mandavdhare, S M (1989): *Caste and Land Relations in India*, Uppal Publishing House, New Delhi.
- Mandelbaum, David (1972): *Society in India*, Popular Prakashan, Bombay
- Nagarsekar, Suresh (1986): *Disha: An Interview with Advocate Sashikant Pawar*, (Marathi)
- Neale, Walter C (1969): 'Land is to Rule' in Frykenberg, Robert Eric (ed), *Land Control and Social Structure in Indian History*, The University of Wisconsin Press, London
- Omvedt, Gail (1976): *Cultural Revolt in a Colonial Society: The Non-Brahmin Movement in Western India*, Scientific Socialist Education Trust, Bombay.
- Phadke, Y D (1984): *Dinkarrao Javalkar Samagra Vangamaya*, Shri Vidhya Prakashan, Pune
- (1989): *Visavya Shatakati Maharashtra*, Vol II, Shri Vidhya Prakashan, Pune
- (1991): *Visavya Shatakati Maharashtra*, Vol III, Shri Vidhya Prakashan, Pune
- Rosenthal, Donald (1970): 'Caste and Political Participation in Two Cities' in Kothari, Rajni (ed), *Caste in Indian Politics*, Orient Longman, New Delhi
- (1972): 'Sources of District Congress Factionalism in Maharashtra' in *Economic and Political Weekly*, August 19
- Roy, Ramashray (1966-67): 'Selection of Congress Candidates' in *Economic and Political Weekly*, December 31, 1966, January 7-14 and February 11-18, 1967.
- Sen, S N (1923): *Administrative System of the Marathas*, University of Calcutta, Calcutta.
- Shinde, Maharshi Vitthal Ramji (1976): *Bharatiya Aspruskyatecha Prashna*, Government of Maharashtra, Bombay.
- Shrader, Lawrence and Ram Joshi (1963): 'Zilla Parishad Elections in Maharashtra and the District Political Elite' in *Asian Survey*, March.
- Sirsikar, V M (1970): *The Rural Elite in a Developing Society*, Orient Longmans, New Delhi.
- Suryawanshi, K G (1984): *Rajarshi Shahu: Raja Va Manus*, Thokal Prakashan, Pune.
- Srinivas, M N (1955): 'The Social System of a Mysore Village' in Marriott, McKim (ed), *Village India*, University of Chicago Press, Chicago.
- Wink, Andre (1986): *Land and Sovereignty in India: Agrarian Society and Politics under the 18th Century Maratha Svarajya*, Orient Longman, Hyderabad.

Jawahar Rozgar Yojana: An Assessment?

Jos Chathukulam
V K Kurien

M NEELAKANDAN's article 'Jawahar Rozgar Yojana: An Assessment Through Concurrent Evaluation' (*EPW*, December 3, 1994) is a commendable attempt to examine to what extent the programme objectives have been achieved, the deviations, if any from the guidelines; with an overall assessment of the workers by making use of the data of the concurrent evaluation conducted in 1992. Here we are attempting (1) to review Neelakandan's findings; and (2) to assess qualitative aspects of the findings and the acceptability of the concurrent evaluation data based on our empirical evidence and in depth field experience. (See Jos Chathukulam and V K Kurien, 'Participation of Rural Development and Delivery System: A Case Study of Jawahar Rozgar Yojana in Kerala', Centre for Rural Management, Kottayam (mimeo)).

Based on the objective of poverty alleviation, the government of India launched the biggest wage employment programme the 'Jawahar Rozgar Yojana' (JRY) in April 1989 merging the two ongoing programme of NREP/RLEGP. The main objectives of the programme are generation of employment for the unemployed and underemployed men and women in rural areas living below poverty line, creation of community assets and the over all improvement in quality of life under the programme. All rural works which resulted in the creation of durable and productive community assets can be taken up under JRY. The expenditure for the programme is shared between the centre and the state in the ratio of 80:20. The funds are made available by the DRDA of each district from the centre and distributed to the village panchayats on the basis of the SC/ST population. The village panchayats have the power to plan and execute the works as per the guidelines of JRY.

Since JRY is an employment-oriented programme, 60 per cent of the total expenditure of the works to be spend on wages and the rest can be utilised on non-wage component. Contractors are prohibited in the execution of work and preference should be provided to SC/ST and bonded labour and women. The notified minimum wages are ensured and there should not be any gender discrimination in the wages.

Though different types of community assets are created, the construction of rural link roads attained more attention. About 45 per cent of the expenditure was incurred for this purpose at the national level. In some states the percentage is higher. For example,

in UP it is 71.66 per cent. Neelakandan has pointed out that the main reason for this high percentage is the keen interest of the panchayat members in improving transport and infrastructural facilities. However, he has not probed why the panchayat members are so keen on the creation of rural link roads? We have observed that there are a number of reasons: firstly, the response of the rural poor to a road work is relatively more and it evokes more people's support and attention. This is largely exploited by the panchayat members. Secondly, there is greater opportunity for corruption and malpractices in road works. Thirdly, the contractor, or nominees are still operating as 'parasites' in the programme and their influence and support among the panchayat members is another reason for the high percentage of road works. And fourthly, the rural poor has only very little knowledge about the technicalities of a road work and their interference in the work is also negligible. This aspect is largely exploited by the panchayat/contractor. Last but not least, by keeping an eye on the coming election, the panchayat members in order to get popular support prefers road works irrespective of its quality and utility.

At the national level the wage had a share of 53.46 per cent as against 60 per cent. The ratio was satisfied only in Assam (83.09 per cent) and it is very low in Punjab (20.25). The main factor behind this may be because of the low minimum wage rate in some states but in other states this comparison could not be reliable and more empirical evidence is required to substantiate this factor.

The JRY does not allow contractors to execute the works. The study shows that at the national level the involvement of contractors is very low at 4.25 per cent. This figure is definitely an underestimation and contradictory to the field situation. However, the study reveals that in Karnataka the involvement of contractors is around 20 per cent. The author has nothing to say about how the contractors emerged on the JRY scenario in Karnataka where the panchayat structure was very strong during the survey period. The logic behind this is that the contractors alone have the tools, implements and technically skilled persons and the expertise for various works. The concurrent evaluation data shows that the involvement of contractors was found to be less than national average in Kerala. Contrary to this, our study in Kerala shows that where there is a high percentage of road construction

work, there the involvement of contractors will also be high.

Neelakandan further points out that the sarpanch, village level committee and panchayat secretary execute the work. However, our inquiry finds that even though in some cases village-level beneficiary committees have been constituted, the involvement of the sarpanch/president and panchayat secretary is considerably low. In the initial stages of the programme some of the presidents venture to execute the work sincerely but most have faced severe loss and humiliation due to the undermeasurement of work by the technical personnel from block/DRDA and finally they are totally kept away from the execution of the JRY work. Further, since panchayats are not equipped technically and the entire technical control still rests with the block/DRDA, the panchayat president/secretary do not dare to venture to take on JRY works. Also by the techniques of undermeasurement of work and other administrative harassment the engineering personnel of the block/DRDA proved that JRY work can be executed only by contractors and not by beneficiary committee, president, members and secretary of the panchayat. Further, even if the beneficiary committee convenor had been taken for any works, the ultimate execution was done by local contractors. Thus a powerful lobby is acting in the system. This aspect could be found only with the help of case studies and case histories of JRY administration in the panchayats, since there are lot of limitations in the JRY schedule itself.

Awareness-building among the rural people and participation of local people, non-governmental organisations and proper propaganda about the work by controlling the involvement of technical staff of block and a strict following of the manual, etc, bring good results in keeping the contractors in check. The involvement of the voluntary technical force as in the case of land army experience in Karnataka may be the right solution.

The employment generated for SC/ST and other weaker sections have largely been met. At the national level SC/ST comes 53.66 per cent and landless only 38.28 per cent. The study shows that the participation of SC/ST or landless labourers' performance is not discouraging. But the participation of women is only 20.02 per cent which is less than the stipulated minimum. This figure is very low in less developed states like UP and Bihar and there is no valid reason for this low percentage of female participation in these states where incidence of poverty is high. The author does not address the question, why poor participation of women in JRY? This very low profile of the women beneficiary can be rationally correlated with

the high percentage of road works. We have examined this aspect in detail. Participation of women is very low because (a) as mentioned, a road work requires large numbers of semi-skilled person, and (b) the road work is definitely harder when compared to other works. This prevents women from engaging in road works.

Another aspect which has partially prevented the entry of women workers is the high involvement of the contractors in the work. In order to get more profit and speedy advancement of work, these contractors deliberately avoid women workers. Also, since only few days of employment are available under JRY annually, it is very difficult for women to contest with the men. The lower social mobility of women when compared to men is another aspect which brings down the percentage of women workers. Moreover, male-dominated structures in village panchayats, blocks and DRDA fail to empower women and have neglected this aspect. Further the awareness of the programme is definitely low. A study in Kerala shows that the majority of the JRY workers are not aware of the programme, and its details. The net result of these factors work against women in getting employment under JRY.

Payment of wages and maintenance of muster rolls are other important issues which need critical examination. The JRY stipulates notified minimum wages in each state and equality in wages for men and women. The evaluation study shows the wages paid are more than or equal to the minimum wages in most states. The wages for women is much less and not even equal to the minimum wage rate in some states like Karnataka. Even in a socially developed state like Kerala this discrimination is apparent. In Kerala Rs 27.34 for women as against Rs 34.78 for men, and the minimum wage rate is only Rs 27. A similar situation was found in some other states also. At the national level 62.71 per cent workers opined that the JRY wage rate is not acceptable to them. Also, the payment of the wages are irregular in most states.

Neelakandan does not find out why there is a marked difference in the notified minimum wage rate and the actual wage rate. It is obvious that the notified minimum wage rate and the prevailing wage rates are not identical in most of the states. The latter is higher, but the JRY manual restricts the workers with the notified minimum wage rate. But the real situation in the rural scenario is that the workers are not aware of the notified minimum wage rate. The wage differentiation between male and female may be explained in terms of the difference in the nature of the work and the division between skilled and unskilled. The general psychology of the contractors are also not in favour of providing equal wages. Further, the male dominance and the unorganised

labour situations among women also act against them.

The difference between the notified minimum wage rate and the local prevailing wage rate and the strict instructions in the guidelines leads to malpractices in the programme. Evidently, the muster rolls become fabricated and the wage:material ratio of the works also become unreliable.

Another important finding is that more than 50 per cent of the workers at the national level express their unwillingness to accept foodgrains as a part of wages. However, the survey did not seek the reason for their unwillingness to have foodgrains as part of wage. The probable reason as pointed out by the author is the non-availability of foodgrains at work site and the distribution of low quality foodgrains.

The muster roll is an important document for assessing the progress of the employment generation and payment of wages, etc. At the national level 84.15 per cent muster rolls were found to have been maintained. Statewise analysis shows that muster rolls were not maintained in Tamil Nadu. In other states like Kerala and some other north-eastern states the position was not good.

The figures which related to the preparation of muster rolls and the data given for the wage:material component in Neelakandan's article are not at all reliable. Because since there is the strict instruction for the provision of notified minimum wage rate, the contractor/nominee who is in real charge of the execution of the work and the custodian of the muster rolls inflates the number of workers to make parity with the prescribed wage rate. Thus the wage:material ratio also may be adjusted accordingly.

The survey revealed that on an average a JRY worker could get 3.81 mandays of employment during the last 30 days preceding the date of survey. Other members of the family get another 1.34 days of employment. Therefore, in all, the JRY provided an average of 5.15 days of employment during the reference period at national level.

This does not mean a family will get at least this many days of employment every month or throughout the year. A general feature we have seen is that when one major work (that may be road or any other work) ends in one area, there may not be any more work for some years. This wide gap in the employment has not been taken into consideration although the author hopes that more employment can be generated in the coming years through a hike in the allocation of funds to panchayats and through the introduction of the employment assurance scheme (EAS).

The study revealed that after completion of the work the line department has not taken up works for maintenance. It pointed out that 17.5 per cent of the assets are not maintained by any agency. Even though 10 per cent of the funds are set apart in the guidelines for

maintenance, this aspect is deliberately ignored by the panchayats.

The above percentage is not a reliable figure because the panchayat authorities will not disclose the real situation of the maintenance, and before an enquiry, they will always provide a positive answer. The fact is that in Kerala there is no maintenance of assets because panchayat members are only interested in creating new assets. They will get more people's support through the construction of a new work rather than the maintenance of an old work. The workers are generally satisfied with the programme. 97.12 per cent of the workers opined that the assets created was useful to the poor people. However, only 81.32 per cent opined that the assets meet the felt needs of the community.

The survey shows that only 39 per cent of the panchayat heads are trained. Even this figure may be over-estimated, since there is no proper institutional support to train the panchayat presidents regarding this programme and even the JRY manual is not found available in one-third of the panchayats. Also the author did not try to find out why majority of the panchayat presidents are not trained properly. One of the main reasons for this is that the programme is still under the control of the bureaucrats and not with the elected representatives of the panchayats. Another reason is that bureaucratic attitude towards the programme is not conducive to providing or disclosing all the details in the programme.

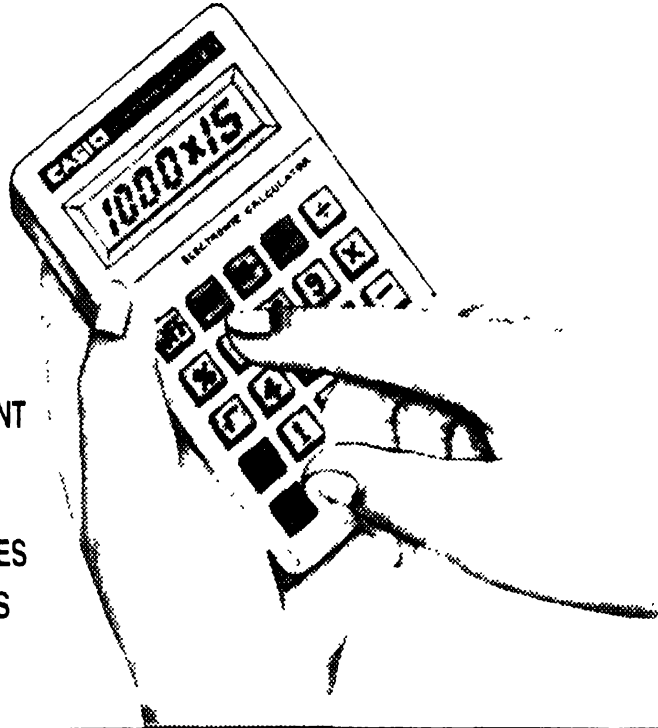
The JRY programme envisages the provision of employment to families living below poverty line. But 56.96 per cent of workers belonged to non-poor family. The author suggests that since the panchayats do not possess records with regard to families below poverty line, the below poverty line (BPL) survey list must be made available to the panchayat and clear-cut guidelines should be provided to the panchayats to avoid these types of situations.

One of the major limitations of the article is that it is based on data which is collected through a centrally-structured schedule and a quantitative assessment of the programme. There is little scope to incorporate local variations and issues in the JRY administration. The schedule does not provide enough scope for case studies or case histories about panchayats by using a socio-anthropological parameters. Since the article is based on the data collected from the panchayat records and muster rolls which are manipulated in several respects the conclusion made in the article itself is questionable. Further, it must be supported or rejected with other empirical and qualitative data based works. For that one may need a serious reference and bibliographical support which is completely absent in this paper. This may be due to the lack of such empirical works.

COUNT TODAY!

GET COUNTLESS TOMORROW!!

- 12 % TAX FREE INTEREST
- TAX DEDUCTION ON INVESTMENT
UPTO Rs. 60,000 U/S. 88
- Rs. 1,000 EVERY YEAR BECOMES
Rs. 41,753.20 AFTEFR 15 YEARS



A BOON TO
TAX PAYERS



15 Year Public Provident Fund

DIRECTORATE OF SMALL SAVINGS, GOVT. OF MAHARASHTRA

New Admn Bldg 8th Floor, Opp Mantralaya - Bombay - 400 032

CONTACT Nearest Post Office or Small Savings Agents

DGIPR

Give her security... Wrapped in your love



Now from UTI



Grihalakshmi

UNIT PLAN

*For that special woman, 18 years age onwards:
your daughter, sister, niece, grand-daughter or anyone you love. Even yourself.
An ideal wedding gift with special gift tax exemption of Rs 1 lakh.*

HIGHLIGHTS

- 30 year plan-sale open at par
- Minimum investment of Rs 5000 and in multiples of Rs 1000 thereafter. No upper limit
- Any individual or HUF can invest in favour of a female, 18 years and above. Also any Indian female individual who has completed 18 years of age can invest for herself
- No dividend for the 1st year. Annual dividend from 2nd year onwards, eg., if application is accepted in August '94, then dividend will be paid from July '96 onwards
- Also, facility for reinvestment of dividend
- Withdrawal allowed anytime after three years at NAV-based repurchase price
- Scope for capital appreciation
- Income from this plan enjoys tax benefit up to Rs 10000 under overall limit of section 80 L
- Normal gift tax exemption up to Rs 30000 and up to Rs 1 lakh if gifted to a dependent female at the time of her marriage



UNIT TRUST OF INDIA

For your better tomorrow

All investments in mutual funds and securities are subject to market risks and the NAV of schemes may go up or down depending upon the factors and forces affecting securities market. Past performance is not necessarily indicative of future results. Grihalakshmi is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or returns. There can be no assurance that the Plan's objectives will be achieved. Please read the offer document before investing.

ECONOMIC AND POLITICAL

WEEKLY

Sameeksha Trust Publication

Rs 20.00

Vol XXX Nos 7 and 8

February 18-25, 1994

REVIEW OF INDUSTRY AND MANAGEMENT

- **TECHNOLOGICAL IMPLICATIONS
OF STRUCTURAL ADJUSTMENT**
- **PUBLIC, JOINT AND PRIVATE
SECTORS: RELATIVE
PERFORMANCE**
- **ELECTION AND BIHAR'S
FRACTURED POLITY**
- **HAND-KNOTTED CARPET
INDUSTRY: MYTH OF
'EXPORT DRIVE'**
- **STRENGTHENING DIRECT TAXES**
- **LOCATING THE FOOD AND
NUTRITION INSECURE**
- **ASSESSING INDIA'S SOFTWARE
EXPORTS**
- **GLOBALISATION AND CULTURE**
- **DEVELOPMENT PARADIGMS:
CHINA AND INDIA**

CAMBRIDGE SCHOOL, IDENTITY POLITICS AND DRAVIDIAN MOVEMENT

**We are changing the look
of Indian exports.**

No wonder the world's re-looking at us



Adapting and developing products to meet specific foreign needs. Studying buying behaviour. Opening up non-traditional markets. In fact creating a dynamic environment for Indian exporters to grow and pursue new opportunities. EXIM is playing a pivotal role in all this and more, with export contracts financed exceeding Rs. 60 billion. Helping our exporters meet standards of excellence the world demands. In the face of international competition.



EXPORT-IMPORT BANK OF INDIA
Solutions beyond banking

HEAD OFFICE ■ CENTRE ONE, FLOOR 21, WORLD TRADE CENTRE, CUFFEL PARADE, BOMBAY 400 005 ■ OFFICES ■ 8TH FLOOR, MAKER CHAMBERS IV, NARIMAN POINT, BOMBAY 400 021
■ TOWER 1, 8TH FLOOR, JEEVAN BHARATI BUILDING, CONNAUGHT CIRCUS, NEW DELHI 110 001 ■ 5A, 5B PARK PLAZA, 71 PARK STREET, CALCUTTA 700 016 ■ UTI HOUSE, 1ST FLOOR,
29 RAJAJI SALAI, MADRAS 600 001 ■ RAMANASHREE ARCADE, 4TH FLOOR, 18 M.G. ROAD, BANGALORE 560 001 ■ OFFICES ALSO AT ABIDJAN, WASHINGTON D.C. & SINGAPORE

EXIM/1/2720

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Dwindling Saving and Investment	347
Congress: Servile Culture - Mexican Aid Package	
Protection for Creditors - Politics: Protecting the Rulers - Chechnya: Long Struggle	348
Current Statistics	350
Companies	352
Random Reflections	
Development Paradigms: China and India since 1949	
—Arun Ghosh	355
Commentary	
Election and Bihar's Fractured Polity	
—A K Roy	359
Hand-Knotted Carpet Industry: Myths of 'Export Drive'	
—Sunil Ray	360
Subaltern Identities and Struggles: Agenda for Transformation	
—Mahesh Gavaskar	363
Politics of Silhouetted Anger	
—Gautam Navlekha	366
Russia's War of Attrition in Chechnya	
—P L Dash	369
Perspectives	
Culture and Globalisation: A Non-Issue at World Summit on Social Development	
—K N Panikkar	374

REVIEW OF INDUSTRY AND MANAGEMENT	
Technological Implications of Structural Adjustment: Case of India	
—M R Bhagavan	M-2
Technological Capability in Indian Electronics Industry under Economic Liberalisation	
—Dipayan Datta Chaudhuri	M-13
Indian Software Exports: An Assessment	
—Pronab Sen	M-19
Public, Joint and Private Sectors in Indian Industry: Evaluating Relative Performance Differences	
—Sumit K Majumdar	M-25
Refocusing India's Competitive Advantage in a Borderless World: Challenges to Corporate Sector	
—S L Rao	M-33

Review Article	
Unveiling Shutto	
—S Zulfikar Gilani	376
Special Articles	
Strengthening Direct Taxes: Some Suggestions	
—Amaresh Bagchi	380
Beyond Colonial Crumbs: Cambridge School, Identity Politics and Dravidian Movement(s)	
—M S S Pandian	385
Alternative Approaches to Locating the Food and Nutrition Insecure: Work in Progress in South India	
—Lawrence Haddad, Kimberly Chung, P Yasoda Devi	392
Discussion	
Poverty and Inequality: Case of Assam	
—Chandan Kumar Sharma	403
Letters to Editor	346

ECONOMIC AND POLITICAL WEEKLY

Hikari House
284 Shahid Bhagatsingh Road, Bombay 400 001
Phones 261607/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlekha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager M K Ansari
Manager K Vijayakumar

EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101. Phones 667 3038/3041

Vol XXX Nos 7 and 8

February 18-25, 1995

Electronics under Liberalisation

With economic liberalisation there has been a remarkable increase in the total number of foreign collaborations in the electronics industry. Public sector units have been actively seeking collaborations. A study, based on enterprise-level data, of the direction of change in the technological capabilities of public sector units which have imported technology. **M-13**

Until 1991-92 there had been virtually no policy support for the software sector. Though the government has taken some positive steps since then, the general perception of the software industry continues to be that it will rapidly attain international stature without any policy support. An examination of the behaviour of software exports and some policy suggestions. **M-19**

Beyond Colonial Crumbs

The flawed representation of the Dravidian movement in the influential works of faction theorists of the Cambridge school is exposed by the fissures and slippages of their own texts. An alternative way, substantially based on the debates around Habermas's concept of 'public sphere', facilitates the writing of the Dravidian movement's history from the vantage point of those who are disempowered through inferiorised identities. **385**

Unfinished Task

The Tax Reforms Committee had laid out a two-pronged strategy to improve the yield of income tax: widening the tax base combined with moderation of rates on the one hand and strengthening tax administration on the other. Several measures have been taken to implement these recommendations, but much still remains to be done. **380**

Monitoring Food Security

A global inventory of food security and nutrition monitoring systems indicates that policy-makers in developing countries have found many of the traditional indicators laborious and expensive to collect, difficult to analyse and interpret and of limited value for early warning and targeting. An attempt to develop and test alternative indicators with reference to the Indian semi-arid tropics. **392**

Export Myth

The myth of the international competitiveness of the Indian hand-knotted carpet industry rests on, apart from the well documented abuse of child labour, an arrangement where raw material cost is depressed by preventing the raw wool producer from recovering his labour cost and where the social cost of depreciating grazing lands is not reflected in the cost structure. **360**

Technology Policy

The new policy regime in regard to foreign investment and technology import is likely to intensify the technological polarisation between the large and small sectors and impede the design and innovation capabilities of in-house R and D. **M-2**

Culture and Globalisation

In the absence of an adequate recognition of the cultural dimension, the agenda of the World Summit for Social Development in Copenhagen next month is incomplete and ineffective as far as the developing countries are concerned. The National Report of India is no better. **374**

Measuring Efficiency

Extant comparative evidence points to no significant difference in the performance of private sector and state-owned firms. What is the true picture? **M-25**

Fractured Polity

The assembly election in Bihar has laid bare the state's fractured polity. Every party is torn, every organisation is fragmented, every leader is suspect. **359**

Focus on Manufacturing

To strengthen competitive advantage in the new borderless world we are moving towards requires, besides alterations in government policies, changes in the attitude of company managements to the centrality of manufacturing as a discipline. **M-33**

LETTERS TO EDITOR

Nripen Chakravorty

THE piece of 'CPI(M): Note of Dissent' in your columns (January 21) was singularly deceitful about the CPI(M) and its senior leader Nripen Chakravorty. It contains a string of falsehoods to convey the impression that the party is out to persecute its own politburo member. Your correspondent falsely alleges that Jyoti Basu had "publicly declared that Chakravorty had been retired because of his old age from the politburo of the party". Actually Jyoti Basu had told the press on December 26, 1994 that Nripen Chakravorty was resting because of his ill health. This is presented by your correspondent, echoing the congenitally anti-communist press of West Bengal, to mean 'ouster' from the politburo and the central committee.

It is well known that Nripen Chakravorty is not attending politburo and central committee meetings since mid-1993 because of his poor health. This is a matter of public record noted in the party's press briefings. Even in Tripura, he has been staying in his room in Agartala and has not been participating in the day-to-day activities of the party state committee for the past year and a half. Despite this well known state of affairs, your correspondent makes a series of insinuations which are frankly scurrilous. Your correspondent manufactures a fallacious story in which Nripen Chakravorty was shifted unnecessarily to an "inaccessible cardiac ward" in the hospital. After his discharge he is supposed to have deliberately not attended the meeting of the PB and CC held in Calcutta. Chakravorty is 91 years old and has neurological and cardiac problems. He requires periodical medical check-ups. He was in Calcutta for this and not to attend the party meetings. He was discharged from the hospital on December 28, 1994. On the same day he fell in the bathroom of the Tripura Bhavan and suffered a bump on his head and had to be put on medication. Some of us went to see him immediately after this accident. To attribute his physical inability to attend meetings as due to some political reason is both perverse and displays lack of sensitivity about a leader who is respected in all circles.

But your correspondent is not satisfied with this concoction about his Calcutta stay. He goes further to allege that back in Agartala, Nripen Chakravorty is "well enough to resume his normal life". Everyone in Tripura is aware of his confined life due to ill health. Being an old revolutionary, despite his frail health, Nripen Chakravorty writes regularly for the party's daily paper and sends his written suggestions and contributions to the party's leading bodies. But to distort this to show that he is 'normal'

in Agartala and 'ill' in Calcutta is to be downright dishonest.

Your correspondent seems to have taken to the practice of the hardened anti-communist columnists in the Bengali press who were earlier vilifying Nripen Chakravorty for his 'stalinist' and 'authoritarian' ways in leading the Tripura party and who are now all praise for his alleged defiance and attack on the party leadership and policies. Neither of these slants will obscure the truth of the matter. The CPI(M) has the capacity to discuss and debate differing views on every aspect of party policies and activities without having to resort to undemocratic practices within the party.

Prakash Karat

Member, Politburo, CPI(M),
New Delhi.

Not Karunanidhi

MY article 'Seduction, Speeches and Lullaby: Gender and Cultural Identity in a Tamil Film' (February 11) has a factual mistake. The film has two lullabies. One of them is written by Karunanidhi. The one I have quoted is not written by Karunanidhi as I have mentioned, but by K P Kamakshi Sundaran, who was a self-educated poet and a theatre-actor. He wrote songs for Tamil films from 1949 onwards and has been associated as a poet and as an actor in films like *Nalla Thambi*, *Parasakthi*, *Or Iravu*, etc. His songs are simple and direct and often have references to Tamil language, social injustice, chaste women, poverty, etc. Like many film lyricists during this period, including Karunanidhi, who used the lullaby form to depict a certain set of values, K P Kamakshi also wrote in the lullaby form. A later lyricist has in fact said

that K P Kamakshi inspired him as much as Bharati or Bharati Dasan.

Lakshmi C S

Madras

Malcolm Adiseshiah

I am shocked to learn of the sad demise of Malcolm S Adiseshiah (Nirmal Sengupta, 'A Modest Giant', January 21). I was about to write a letter to him with regard to my research work on human resource development in south Asia which is currently in progress, but fate willed otherwise. I did not know that I would never be able to do so. I have read Malcolm Adiseshiah since my student days, but I could correspond with him only in 1989 when we wrote a long review of my book which was a great encouragement for a new author and later I came closer to him. I often received invaluable comments and suggestions from him on my research studies on economics of education.

Many others with me here in Oxford who knew him very closely are gloomy and depressed to learn of his passing away and share the grief with his family and admirers. We pay our heartfelt homage to the great scholar — a true giant and a big institution in himself. His gentleness, openness and downright good heartedness need not be spelled out. Generations of students, teachers and educational administrators will learn from him. To those who had only encountered Malcolm Adiseshiah in print, the image of penetrating analytical mind coupled with an amazing fund of wide-ranging knowledge needs to be supplemented by the humanity and discipline of the man he was.

Mohammed Muzammil

Queen Elizabeth House,
Oxford, England.

Revised Subscription Rates

Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	—	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	—	325	—	900
Students	—	225	—	—

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

	Foreign		(in US \$)	
	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe, Japan, New Zealand, Australia & Russia	150	100	90	65
All other countries	100	70	70	50
All remittances to Economic and Political Weekly				

Dwindling Saving and Investment

WHATEVER be one's ideological persuasion, there can be no gainsaying the importance of rising domestic saving and investment for a developing country with massive unemployment and underemployment, such as India. The industrialised countries which have attained the mass consumption stage can make do with stagnant domestic saving ratios and niggardly rise in domestic investment rates for long periods (with cyclical upswings and downswings). Continuing increases in consumption augment the size of their domestic markets, while continuous improvement in technology improves capital efficiency and helps to make do with relatively less investment. They can also withstand the ebb and flow of foreign capital. As the experience of east and south-east Asian countries has shown, the developing countries, particularly when they embark on rapid industrialisation and accelerating economic growth, require rapidly growing rates of domestic saving and capital formation, apart from qualitative improvement in investment accompanied by technological upgradation. Almost all the newly-industrialising countries attained incremental saving to GDP ratios of more than one-third in their early phases of development. This reflected two key characteristics: first, dependence on foreign capital was to that extent minimised; and second, the process of industrialisation was not based on consumerism. For capital-scarce societies, these are almost as the *sine qua non* of development.

Against this background, the performance of domestic saving and capital formation in India in recent years should be considered as disappointing, if not alarming. The Central Statistical Organisation (CSO) has just released its quick estimates of national accounts for 1993-94 and advance estimates of real income growth in 1994-95, which suggest that even as the overall growth rate has picked up domestic saving and investment rates have shown a declining trend. Before we take a closer look at these trends, it is necessary to note certain serious data problems. Last year when the CSO similarly released the quick estimates for 1992-93, the size of gross domestic saving was placed at Rs 1,57,186 crore, equivalent to 22.3 per cent of gross domestic product (GDP). This figure has now been revised downwards rather drastically to Rs 1,40,635 crore – a reduction of over Rs 16,500 crore – with the saving-GDP ratio getting reduced to 20 per cent. As a result, given the capital inflow from abroad of 2 percentage points in that year, the rate of gross domestic capital formation has also got revised from 24.5 per cent to 22 per cent. There is an equally serious data problem in the quick estimates for 1993-94. Earlier the Reserve Bank had published, in its Annual Report for 1993-94, tentative estimates which had

indicated striking improvements in domestic saving and investment. The ratio of gross domestic saving to GDP had moved up, according to the RBI's estimates, from 22.1 per cent in 1992-93 to 24.2 per cent in 1993-94 and the level of gross domestic investment was as high as 24.4 per cent in 1993-94 against 24.3 per cent in 1992-93. The latest data from the CSO have now reduced this buoyant scenario to a shambles. According to the CSO, the domestic saving ratio in 1993-94 remained stagnant at 20 per cent and the investment ratio fell from 22 per cent in 1992-93 to 20.4 per cent in 1993-94.

The CSO's estimates of saving and investment are obviously more plausible. When the RBI published its Annual Report about six months ago, it could not have got all the data required for making estimates for 1993-94. A comparison of the two sets of data reveals interesting differences. The RBI had placed the gross saving of the private corporate sector at 3.3 per cent of GDP in each of the years 1992-93 and 1993-94, whereas the CSO suggests that these would jump from 3 per cent in 1992-93 to 4 per cent in 1993-94, which is corroborated by the improved corporate performance indicated by the RBI's own data. Even so, the CSO's estimates show reduced overall gross saving rates because its estimates of both the household sector and public sector saving are lower than those of the RBI. For the household sector, the RBI had estimated a dramatic rise from 16.7 per cent of GDP in 1992-93 to 19.6 per cent in 1993-94, whereas the CSO data not only place the corresponding figures at the more moderate levels of 15.5 per cent and 15.9 per cent, respectively, but also show that they were almost stagnant as between the two years. Amongst the components of household sector saving, that in the form of financial assets (for which the RBI is the primary source and which has shown a remarkable rise from 7.8 per cent to 10.3 per cent as per the CSO and 7.4 per cent to 10.1 per cent as per the RBI) exhibits hardly any discrepancy. It is in household saving in physical assets, for which the CSO is the main source and which is estimated as a residual, that there is a large difference between the RBI and the CSO. The CSO has indicated a slump in household investment from 7.7 per cent of GDP in 1992-93 to 5.6 per cent in 1993-94, probably the cumulative effect of the structural adjustment and stabilisation programmes, including banks' reluctance to finance investment projects in agriculture and in small-scale industry. While household investment in construction remained at Rs 8,982 crore in 1992-93 and Rs 8,321 crore in 1993-94, it is household investment in machinery and equipment that showed a significant decline from Rs 5,264 crore to Rs 1,879 crore. The

difference between the RBI and the CSO has been the widest in the estimate of public sector saving. The RBI had placed the gross saving ratio of the public sector at 2.1 per cent in 1992-93 and 1.3 per cent in 1993-94. Now the details provided by the CSO, based on more recent data, plausibly suggest much lower saving rates of 1.5 per cent in 1992-93 and just 0.2 per cent in 1993-94. This was essentially because dissaving by the government administration had galloped from Rs 13,608 crore in 1992-93 to Rs 29,631 crore in 1993-94, a year in which the central government's revenue deficit had soared from Rs 18,574 crore to Rs 34,058 crore.

Overall, if the CSO is to be believed, the period since the inception of the economic reforms has seen a steady and persistent fall in domestic saving and investment. The rate of domestic saving fell from 23.9 per cent in 1990-91 to 23.1 per cent in 1991-92, 20 per cent in 1992-93 and 20.2 per cent in 1993-94. The investment ratio fell much more sharply, from 27.4 per cent to 24.2 per cent, 22 per cent and then to 20.4 per cent. Indications are that there may be only a marginal improvement in domestic saving in 1994-95. To an extent household financial saving appears to have been eroded by higher commodity prices, particularly those of basic consumption goods. If the rate of investment has to be raised to about 27 to 28 per cent, as it was in 1990-91, the implication of a moderate rise in the saving rate to 22 to 23 per cent is that the current account deficit would have to be of the order of 5 per cent of GDP, which would be clearly unsustainable. The relatively low domestic saving rate is already a serious constraint on stepping up investment. Government policies which have tended to stimulate conspicuous consumption among the rich and middle classes, including by permitting import of gold and silver, have made it certain that domestic saving will remain moderate and that the attempt to push up domestic investment will imply a larger current account deficit and a possible repetition of the structural crisis faced by the economy at the turn of the decade.

CONGRESS

Servile Culture

THAT Sonia Gandhi will eventually restore the balance between the two warring Congress(I) camps by gracing the prime minister's iftar party with her august presence after her attendance at Arjun Singh's earlier was a foregone conclusion. It is also hardly surprising in view of the servile culture of this party that all the bigwigs, otherwise accustomed to throwing their ('heavy') weight about, will display utter humility in kowtowing before the lady. What, however, is nevertheless revolting is the grotesque exhibition of the semi-feudal mores of the band by the provision of the two huge throne-like seats set apart for her and, even more strikingly, for the host, while all the others were assigned to ordinary chairs. Among them was included vice-

president S Narayanan, the second highest dignitary of the state.

This slighting of the vice-president may be an outcome of a mindless conformity with the present-day New Delhi culture or it may as well be a deliberate rebuff to him for his standing apart from this culture in a particularly demonstrative manner. During the felicitation of Nelson Mandela in the central hall of parliament when he came to New Delhi as the chief guest at the Republic Day parade, the highest dignitaries of the state, the president Shankar Dayal Sharma and prime minister P V Narasimha Rao began their formal speeches by addressing among others, Madam Sonia Gandhi by name. Even Nelson Mandela whether on his own or on the hints from the protocol, did follow suit. It was only the vice-president who addressed only the state dignitaries and the honoured guest by name.

By standing apart from the servile crowd Narayanan in the event had underlined the abject self-debasement of our top men before a lady undistinguished in every manner except for the accident of her marriage. As this ceremony was telecast live to the country (and beyond), it was in effect a public humiliation for the distinguished personages. The slighting of the vice-president at the prime minister's party may, therefore, very well be a deliberate enactment. If so, the actors have only further demeaned themselves.

MEXICAN AID PACKAGE

Protection for Creditors

WHETHER or not other developing countries including India, where the authorities are at pains to emphasise how differently they are placed, have any lesson to draw from Mexico's financial crisis, we cannot but take note of the magnitude, manner and speed which characterise the rescue package that has been put together by the US government, the IMF, the Bank of International Settlements (BIS) and perhaps a few central banks. Originally, US president Bill Clinton undertook to provide Mexico loan guarantees to the tune of \$ 40 billion and IMF was to extend assistance of \$ 7.8 billion. Subsequently, taking note of the opposition within the US Congress and also in the public opinion polls, Bill Clinton decided to slash the US loan guarantee commitment to \$ 20 billion and pressurised the IMF to raise its commitment to \$ 17.8 billion and the BIS to fork out \$ 10 billion. And this rearrangement of the sources of financial help to Mexico, without reneging on the extent of the total amount originally promised, was possible to cobble together within days, if not hours. It is interesting to note also in this context that in the G-7 meeting held at Toronto immediately after the announcement of the rearrangement, not only were the initial differences which surfaced at the IMF's board meeting papered over but also the IMF was urged to intensify its surveillance of the economies of the developing countries and monitor them regularly "to avoid a repeat of the Mexico-type financial crisis". The US

treasury secretary, Robert Rubin, is reported to have reaffirmed in this very context that "G-7 is determined to reform the IMF and other international financial institutions" and went on to observe that "our collective priority over the next few months is to ensure that the missions and capabilities of these institutions are as modern as the markets and the world we live in".

While one cannot, and should not, grudge Mexico the external financial assistance it can garner for itself, particularly what it secures through bilateral channels, it does matter to the other countries how multilateral institutions like the IMF and BIS meet requests from different quarters. It cannot go unnoticed that the IMF credit of \$ 17.8 billion to Mexico will be the highest ever extended to a member country in absolute terms; as a multiple of Mexico's quota with the institution, it is without precedent. Furthermore, the IMF's commitment to do away with its usual procedure of making quarterly releases as the agreed stabilisation programme is implemented and release \$ 7.8 billion immediately is without parallel. The commitment of BIS, a club of the central banks of the developed countries, to fork out \$ 10 billion and that too to assist a virtual non-member country - all developing country central banks share this position with Mexico - is in itself an interesting development which lends some credence to the suspicion that the whole Mexican aid package has been put together more to bail out the creditors of Mexico rather than Mexico itself. Indeed, that sort of perception was the principal factor underlying opposition in the US Congress and among the US public to the aid package for Mexico originally laid out by Bill Clinton.

Be that as it may, it is extremely important for the developing member countries of the IMF to be watchful about the sort of so-called improvements that may come to be proposed in the working and operations of the institution and in its capabilities to cope with situations like the one faced by Mexico. It is pertinent to recall in this context that several past attempts at improving the capabilities of the IMF have foundered on the rock of opposition from the developing member countries. Take the question of issue of SDRs. In spite of the fact that international liquidity at the multilateral level has virtually stagnated over the past 20 years or so, all attempts at its augmentations have come to nought because of the stiff opposition of the G-7 countries. These countries preferred international liquidity to be sourced from private, virtually unregulated sources.

Not that the SDR scheme is particularly effective in terms of addition to international liquidity in view of the fact that almost 80 per cent of any SDR allocation gets virtually sterilised into the ledger folios of the IMF in

Because of acute shortage of newsprint, the issues of February 18 and 25 have had to be combined.

—Ed.

favour of the developed member countries. But even a scheme like this had become unacceptable to the developed countries once they realised that their own requirements of balance of payments support were reasonably certain to be met from outside the IMF framework.

When G-7 countries now speak collectively of improving the capabilities of the IMF and other international financial institutions, one has to ask (a) what sort of improvements in capabilities do they have in mind? (b) how would these improved capabilities be operationalised? and (c) can the member countries in need of payments support hope to secure reasonable commitments in line with their objective financial position without necessarily having to canvass political support?

True, developing member countries of the IMF do not anyway carry much weight in the institution's decision-making, given the excessive weightage enjoyed by the developed member countries on the strength of their affluence. But if the developing member countries are not sufficiently watchful and, at the same time, fully united in articulating the sort of multilateral financial support they would like to be assured of, the chances are that the changes which may be effected in the operations of the IMF may be such as may not be truly in their interest. After all, the principal objective of the developed member countries would be to protect their own interests. To a large extent, this is precisely what the Mexican aid package seeks to do.

POLITICS

Protecting the Rulers

A correspondent writes:

THE extension of the Special Protection Group (SPG) Act by an amendment bill passed by the Rajya Sabha recently has serious socio-political and financial implications which the elders in the upper house seem to have ignored by approving of it by voice vote without a discussion.

First, by allowing the continuation of a special paramilitary force for the protection of prime ministers and their families (as provided for by the amended bill) the government is actually re-legitimising through a legal measure an old practice of doling out privileges for certain VIPs and their families. It harks back to the system of privy purses for the former rulers of the princely states which were abolished only in 1970. But, the present set of privileges for the modern rulers of India, as provided for in the SPG (Amendment) Bill, is more burdensome for the Indian tax-payer than the earlier privy purses. The 560-odd princes who were nominal rulers under British tutelage received privy purses totalling Rs 58 million as a quid *pro quo* for integration of their states with the rest of India. This amount gradually came down to Rs 48 million by 1970 because the purses were reduced with each succession.

The SPG Act provides for the supply of specially trained armed bodyguards, not only for anyone who had ever occupied the 'kursi' of the prime minister of India, but also for his or her existing and future progeny – for the next five years at least. This will cost the exchequer Rs 340 million every year, according to union home minister S B Chavan, who introduced the amendment bill in the Rajya Sabha. The new bill was brought in because the five-year period provided for in the earlier SPG Act had ended last year, as a result of which ex-prime ministers and their families would not have been eligible for special protection any longer. But the real reason for this extension of the period is something else. Chavan let the cat out of the bag – unwittingly perhaps, as is his wont – when he told the Rajya Sabha that Sonia Gandhi and her children were still vulnerable to terrorist attacks, and hence the need for the SPG (Amendment) Bill.

Thus, it is once again that old Congress habit of cringing before the Nehru-Indira Gandhi dynasty that dictates the centre's legislative measures. In fact, the entire history of the SPG stinks of sheer selfish motives of the dynasty and its sycophants. When it was enacted during the Rajiv Gandhi regime, its provisions were confined only to the security needs of the prime minister – the fear being that he, like his mother, could be assassinated while holding office. Opposition demands at that time that it should apply also to ex-prime ministers who were still alive and their families were brushed aside by an arrogant ruling Congress dominated by those who are today known as the Rajiv-loyalists in the party.

But, ironically, Rajiv Gandhi was hoisted by his own petard. Once ousted from the office of prime minister, the SPG was withdrawn in accordance with the provisions of the act which he himself had helped to draft. The Rajiv-loyalists in the Congress today are kicking up a shindy complaining about lack of SPG protection for their leader when he was assassinated, completely oblivious of the fact that they themselves had earlier rejected the opposition suggestion for such protection for ex-prime ministers.

A year after the lapse of the provision of five years of the SPG Act, now suddenly a desperate Narasimha Rao has thought it wise to introduce an amendment and pass the bill, presumably to assure Rajiv Gandhi's widow that he is no less concerned about the safety of her and her children than his arch rival Arjun Singh.

But in all this sordid game of the Congress politicians, it is the common people who have to bear the cost. Indira Gandhi created a mess in Punjab and paid for it with her life, leading to a proliferation of security arrangements and paramilitary forces to prevent such killings in the future. Her son made a mess of the Sri Lankan problem, and fell victim to the Tamil militants, as a result of which there was a further escalation in security measures. How long must our people bear the innumerable hazards posed by the security arrangements for these VIPs – ranging from killing of innocent pedestrians by their trigger-happy bodyguards to daily

obstruction of public roads by their security-flanked vehicles?

CHECHNYA

Long Struggle

WITH the talks on ending the conflict between Russia and Chechnya now on, the war has moved into its second, quieter phase. The first phase, marked by intense fighting, has not led to a clear outcome: the Russian forces have captured Grozny, the Chechen capital, but are far from establishing an unassailable ascendancy over the rebels; the rebel militia, on the other hand, has taken a beating in these initial months of the war but has revealed a capacity for struggle, both spiritual and military, which can sustain it for many more months, and may be years, to come.

It is idle to speculate at this stage whether the talks would lead to a just peace in the embattled province and, if so, for how long. There are indications, nevertheless, that they may just be a ruse on the part of the Russian government to gain time not only to redeploy its forces in order to be able to meet the new situation on the ground but also to reassess this situation for political purposes. This in any case is what the reports about the preparations for the installation of an alternative government in Grozny suggest. This government, plans for which have been worked out jointly by the Russian officials and the Chechen opponents of Dzhokhar Dudayev, the president of Chechnya, proposes to rebuild the devastated region and hold elections by the end of the year, as Ruslan Madiyev, the 'foreign minister' in the new government said.

What is not clear is the status of this new – yet to be installed – government, and the status of the republic of Chechnya under this government. Will it continue to regard itself as an independent state as it has so far done after Dudayev had declared it to be so? Or will it just be an autonomous region under the suzerainty of Russia? Statements of the proposed government's leaders only confuse these matters. For instance, Madiyev, the foreign minister, also said that he will seek aid from western and Islamic nations as Russia alone may not be able to bear the cost of rebuilding Chechnya. In what capacity will Russia bear this cost, if at all? The new 'government' has also attempted to play down its connection with Moscow and has condemned in strong terms the Russian air attacks on civilians. On the other hand, as per Zaidi Chaltayov, the new government's 'administration chief', "Chechens are perhaps too proud and independence-minded for their own good". In other words, this government, if it comes to be, will like to tone down this spirit of independence.

It is likely that with this attitude the new government will not accomplish a great deal, if it manages to stay in place. The staying in place would be a real problem, with Dudayev still around and with the majority of the Chechens behind him. No wonder the military advisers of Boris Yeltsin want to see Dudayev dead. Talks or no talks, the Chechen struggle, it seems, will continue for some time.

CURRENT STATISTICS

EPW Research Foundation

Three elements which stand out in the current economic scenario are persistent acceleration of inflation rate, massive expansion of non-food advances of scheduled commercial banks and a sharp fall in equity prices. Equity prices have already lost about one-fourth of their peak attained in September 1994 and the price-earning ratio for the Sensex has fallen from a multiple of about 46 to near 30. The expansion of Rs 29,675 crore (19.4 per cent) in non-food advances so far in this financial year is the highest ever in 15 years. Reserve money has expanded sizeably in the past month as a result of a sudden spurt in RBI credit to the centre. The current fiscal year now appears to be heading for an inflation rate of not less than 12 per cent.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Feb 4, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	283.1	1.4	11.4	9.5	9.6	9.1	10.8	7.0	13.6	12.1
Primary Articles	32.3	294.3	1.2	15.4	8.7	13.7	9.9	11.5	3.0	15.3	17.1
Food Articles	17.4	321.6	0.7	13.7	3.7	14.7	5.4	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	318.9	2.2	21.2	16.5	13.8	17.3	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	281.4	0.0	1.6	15.2	1.2	12.6	13.1	15.2	13.2	14.4
Manufactured Products	57.0	277.0	1.9	11.1	8.9	9.0	7.8	9.9	7.9	12.6	8.9
Food Products	10.1	275.6	2.4	11.3	12.2	9.3	10.3	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	304.7	1.3	12.9	6.4	12.9	7.0	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-February 4, 1995)	100.0	272.4	-	10.6	7.9	10.6	8.0	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	291 ¹¹	0.3	9.8	8.6	9.0	9.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	240 ¹⁰	0.8	10.1	6.3	8.1	6.3	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1297 ¹²	0.9	11.2	9.3	10.4	10.7	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Jan 20, 1995	Variation					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M ₃)	498382	3587 (0.7)	64816 (14.9)	53565 (14.6)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	97599	2774 (2.8)	15401 (18.7)	11215 (16.4)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	397597	1211 (0.3)	48757 (14.0)	41987 (14.1)	51601 (17.4)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt Sector	215489	-305 (-0.1)	11703 (5.7)	28311 (16.1)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comm'l Sector	269420	7328 (2.7)	32212 (13.6)	13805 (6.3)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	70653	550 (0.8)	16926 (31.5)	12490 (50.1)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money (Jan 27, 1995)	166141	5297 (3.2)	27519 (19.9)	19692 (17.8)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	95213	4986 (5.2)	-1570 (-1.6)	8434 (8.7)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks (Feb 3, 1995)							
Deposits	362392	3778 (1.0)	48577 (15.5)	40382 (15.0)	46560 (17.3)	37814 (16.4)	38216 (19.8)
Advances	195908	5832 (3.0)	32286 (19.7)	10016 (6.6)	12436 (8.2)	26390 (21.0)	9291 (8.0)
Non-Food Advances	182390	5996 (3.3)	29675 (19.4)	5864 (4.0)	8272 (5.7)	24317 (20.1)	9127 (8.2)
Investments	149534	1066 (0.7)	17141 (12.9)	24199 (22.9)	26867 (25.4)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Oct 1994	Average for Fiscal Year So Far			Variation (Per Cent): Fiscal Year Averages					
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	238.1	232.8 (8.0)	215.6 (3.8)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	245.8	219.4 (6.2)	206.5 (3.0)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	225.0	224.4 (8.3)	207.2 (3.1)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	318.3	303.2 (7.7)	281.5 (7.6)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Feb 17, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3384	3636	3867	3384	4604	2037	4286	3779	2281	4285
	(-12.5)		(46.5)					(65.7)	(-46.8)	(266.9)
National Index (1983-84=100)	1641	1752	1882	1641	2176	934	2050	1830	1021	1968
	(-12.8)		(57.9)					(79.2)	(-48.1)	(234.1)

Foreign Trade	Dec	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
	1994	1994-95	1993-94				
Exports: Rs crore	7490	57503 (16.9)	49182 (31.8)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2387	18328 (16.9)	15681 (20.0)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	8587	63814 (23.9)	51477 (8.4)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2736	20339 (23.9)	16413 (-1.3)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	2230	16138 (33.1)	12121 (-1.4)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-1095	-6308	-2295	-3259	-9687	-3809	-10640
US \$ mn	-349	-2011	-732	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Feb 10,	Feb 11,	Mar 31,	Variation Over							
	1995	1994	1994	Month	Year	Fiscal Year So Far		1992-93	1991-92	1990-91	
				Ago	Ago	1994-95	1993-94				
Rs crore	61855.0	36092.6	47626.0	965.0	25762.4	14229.0	15897.0	27430	5385	10223	-1383
US \$ mn	19711.0	11459.0	15176.0	223.0	8252.0	4535.0	5007.0	8724	731	3383	-1137

Money and Banking

Monetary Variables	Outstanding	Variation	Quarterly Variations							Full Financial Year Variations		
	as on Jan 20, 1995	Dec 23, 94- Jan 20, 95	Oct 94- Dec 94	July 94- Sep 94	Apr 94- Jun 94	Jan 94- Mar 94	Oct 93- Dec 93	Jul 93- Sep 93	Apr 93- Jun 93	1993-94	1992-93	1991-92
Rupees Crore												
Money Supply (M ₃)	498382	3587	19232	19378	22619	21307	16735	10794	17905	66741	49344	51653
		(0.7)	(4.0)	(4.2)	(5.2)	(5.2)	(4.2)	(2.8)	(4.9)	(18.2)	(15.5)	(19.4)
Currency with the public	97591	2746	9198	-5062	8491	3939	6693	-2831	6124	13925	7175	8050
		(2.9)	(10.7)	(-5.6)	(10.3)	(5.0)	(9.4)	(-3.8)	(9.0)	(20.4)	(11.7)	(15.2)
Deposit with banks	397597	1211	9913	25129	12504	16466	10221	14970	9944	51601	41741	43392
		(0.3)	(2.6)	(7.0)	(3.6)	(5.0)	(3.2)	(4.9)	(3.3)	(17.4)	(16.3)	(20.5)
Net bank credit to government	215489	-305	6540	-7802	13270	6293	4859	2302	14094	27548	17975	18070
		(-0.1)	(3.1)	(-3.6)	(6.5)	(3.2)	(2.5)	(1.2)	(8.0)	(15.6)	(11.4)	(12.9)
Bank credit to commercial sector	269420	7328	15604	9733	-448	7920	4738	2741	1669	17068	32141	16225
		(2.8)	(6.3)	(4.1)	(-0.2)	(3.5)	(2.1)	(1.2)	(0.8)	(7.8)	(17.1)	(9.4)
Net foreign exchange assets of the banking sector	7653	550	780	8739	6857	19002	5840	3281	652	28775	3747	10624
		(0.8)	(1.1)	(14.4)	(12.8)	(54.7)	(20.2)	(12.8)	(2.6)	(115.3)	(17.7)	(100.4)
Reserve Money (RM)	158349	5297	9862	-3124	8966	11825	7532	5924	2562	27843	11274	11726
		(3.4)	(6.8)	(-2.1)	(6.5)	(9.3)	(6.3)	(5.2)	(2.3)	(25.1)	(11.3)	(13.4)
Bankers deposit with RBI	54322	3040	-1558	4764	-1330	6701	910	10494	-5494	12611	3258	3059
		(5.8)	(-2.9)	(9.6)	(-2.6)	(15.2)	(2.1)	(32.1)	(-14.4)	(33.1)	(9.3)	(9.6)
Net RBI credit to government	95317	4842	2854	-9902	-669	-5866	776	-1362	7303	851	4433	5168
		(5.3)	(3.2)	(-10.0)	(-0.7)	(-5.6)	(0.7)	(-1.3)	(7.4)	(0.9)	(4.7)	(5.8)
Net RBI credit to centre	94897	4987	2808	-9049	1707	-7977	354	-1317	9200	260	4257	5508
		(5.5)	(3.2)	(-9.2)	(1.8)	(-7.6)	(0.3)	(-1.2)	(9.5)	(0.3)	(4.6)	(6.3)
RBI credit to commercial sector	15229	806	-182	16	38	131	28	-113	179	225	-1040	918
		(12.8)	(-2.8)	(0.2)	(0.6)	(2.1)	(0.4)	(-1.8)	(2.9)	(3.6)	(-14.3)	(14.5)
RBI credit to banks incl NABARD	8657	1152	2179	-255	640	209	-597	1668	-5614	-4334	4783	-4905
		(9.9)	(36.7)	(-4.1)	(11.5)	(3.9)	(-10.1)	(39.1)	(-56.8)	(-43.8)	(93.7)	(-49.0)
Net forex assets of RBI	68918	695	1350	8739	6857	18432	6410	3281	652	28775	3809	10855
		(1.0)	(2.0)	(15.0)	(13.3)	(55.9)	(24.1)	(14.1)	(2.9)	(127.1)	(20.2)	(130.0)
Net non-monetary liabilities of RBI	23204	1046	-1624	-216	-2048	1077	-867	-2419	-3	-2212	831	393
		(1.0)	(-6.8)	(-0.9)	(-7.9)	(4.3)	(-3.4)	(-8.6)	(neg)	(-7.8)	(3.0)	(1.5)
In Percentages												
Monetary Ratios												
End-Period												
Currency/deposits		24.5	23.9	22.2	25.1	23.6	23.5	22.2	24.2	23.6	23.0	23.9
Currency/M ₃		19.6	19.2	18.0	19.9	19.0	19.0	18.1	19.3	19.0	18.6	19.2
Deposits/M ₃		79.8	80.1	81.3	79.2	80.5	80.6	81.4	79.8	80.5	81.0	80.5
Money multiplier: RM/M ₃		31.8	31.2	30.4	32.4	32.0	30.8	30.2	29.5	32.0	30.2	31.3
As proportion to domestic credit*												
a. Net bank credit to government		44.4	45.2	45.9	47.8	46.2	46.3	46.2	46.2	46.2	44.5	45.7
b. Bank credit to commercial sector		55.6	54.8	54.1	52.2	53.8	53.7	53.8	53.8	53.8	55.5	54.3
Incremental												
Currency/deposits		226.8	92.8	-20.1	67.9	23.9	65.5	-18.9	61.6	27.0	17.2	18.6
Currency/M ₃		76.6	47.8	-26.1	37.5	18.5	40.0	-26.2	34.2	20.9	14.5	15.6
Deposits/M ₃		33.8	51.5	129.7	55.2	77.3	61.1	138.7	55.5	77.3	84.6	84.0
Money multiplier: ΔRM/ΔM ₃		147.7	51.3	-16.1	39.6	55.5	45.0	54.9	14.3	41.7	22.8	22.7
As proportion to domestic credit*												
a. Net bank credit to government		-4.3	29.5	-404.0	103.5	44.3	50.6	45.6	89.4	61.7	35.9	53.7
b. Bank credit to commercial sector		104.3	70.5	504.0	-3.5	55.7	49.4	54.4	10.6	38.3	64.1	47.3
* Domestic credit is the total of net bank credit to government and bank credit to commercial sector.												
Scheduled Commercial Banks												
Rupees crore												
Aggregate deposits	360008	1533	8098	23198	12047	14513	8862	13368	9817	46560	37814	38216
		(0.4)	(2.3)	(7.1)	(3.8)	(4.8)	(3.0)	(4.8)	(3.7)	(17.3)	(16.4)	(19.8)
Demand deposits	65051	-812	2325	4816	2150	6742	2697	251	421	10111	1373	11896
		(-1.2)	(3.7)	(8.2)	(3.8)	(13.5)	(5.7)	(0.5)	(0.9)	(21.8)	(3.0)	(35.8)
Time deposits	294957	2344	5774	18382	9897	7771	6165	13117	9396	36449	36441	26321
		(0.8)	(2.0)	(6.8)	(3.8)	(3.1)	(2.5)	(5.7)	(4.2)	(16.4)	(19.6)	(16.5)
Total advances	193386	6220	12811	9771	-166	5911	2293	1529	2703	12436	26390	9291
		(3.3)	(7.3)	(5.9)	(-0.1)	(3.7)	(1.5)	(1.0)	(1.8)	(8.2)	(21.0)	(8.0)
Food credit	13767	335	2438	-1152	1239	399	1659	-727	2833	4164	2073	164
		(2.5)	(22.2)	(-9.5)	(11.4)	(3.8)	(18.7)	(-7.6)	(42.0)	(61.8)	(44.4)	(3.6)
Non-food credit	179619	5885	10373	10923	-1074	5513	634	2256	-130	8273	24317	9127
		(3.4)	(6.3)	(7.2)	(-0.7)	(3.7)	(0.4)	(1.6)	(-0.1)	(5.7)	(20.1)	(8.2)
Investments	148057	-4186	4478	2415	12828	11964	4244	4114	6544	26866	15460	15131
		(-2.7)	(3.0)	(1.7)	(9.7)	(9.0)	(3.6)	(3.7)	(6.2)	(25.4)	(17.1)	(20.2)
In Percentages												
Credit/deposit ratio:												
End-Period		53.7	52.2	49.8	50.3	52.2	52.7	53.5	55.6	52.2	56.6	54.4
Incremental		405.7	158.2	42.1		40.7	25.9	11.4	27.5	26.7	69.8	24.3
Investment/deposit ratio:												
End-Period		41.1	42.5	42.2	44.4	42.1	40.1	39.9	40.3	42.1	39.3	39.1
Incremental		-273.1	55.3	10.4	106.5	82.4	47.9	30.8	66.7	57.7	40.9	39.6

Superscript numeral denotes month to which figure relates, e.g., 1993-94 is for the period specified or over the comparable period of the previous year.

BAYER (INDIA)

New Products

BAYER (INDIA) has done satisfactorily in 1993-94. Net sales were up by 5 per cent (Rs 6.66 crore), operating profit by 15 per cent (Rs 5.96 crore) and net profit by 5 per cent (Rs 59 lakh). Profit before tax fell marginally by 1 per cent. Gross profit was up by 3 per cent. Other income was up by 94 per cent (Rs 3.68 crore), while non-operating profit fell by Rs 4.36 crore. Taxation fell by 9 per cent, while depreciation and interest charges were up by 26 per cent and 4 per cent, respectively. A dividend of 27 per cent was announced for the year as against 25 per cent for the previous year. Exports and imports rose by 63 per cent and 6 per cent, respectively.

Debt-equity ratio of the company has increased steadily from 74 per cent in 1991-92 to 75 per cent in 1992-93 and 87 per cent in 1993-94. Short-term bank borrowings to inventories increased from 34 per cent in 1991-92 to 61 per cent in 1993-94. Sundry creditors to current assets fluctuated at 13 per cent in 1991-92, 19 per cent in 1992-93 and 10 per cent in 1993-94. Raw materials consumed to the value of production declined from 51 per cent in 1991-92 to 45 per cent in 1992-93 and 40 per cent in 1993-94. Return on investment after being steady at 15 per cent during 1991-93 declined to 13 per cent in 1993-94. Earning per share increased from Rs 54 in 1991-92 to Rs 68 in 1992-93 to Rs 71 in 1993-94. Net value added to value of production fluctuated at 22 per cent in 1991-92, 25 per cent in 1992-93 and 23 per cent in 1993-94. Remuneration to employees increased from 37 per cent in 1991-92 to 38 per cent in 1992-93 and 42 per cent in 1993-94.

The major contributors to the growth in sales were agrochemicals, rubber, consumer products and animal health-hygiene and health care products. Herbicide for rice, sugarcane, potato, tomato and soyabean and fungicides for tea and apples were introduced during the year which the company claims to have been accepted by Indian farmers. The recession in the rubber industry continued. Increased exports brought in higher imports of duty free raw materials thus resulting in depressed local demand. The transport strike in September 1993 and the new excise policy proved detrimental to sales of rubber chemicals. The diagnostic division completed its first year of operation and sales of analysers and reagents helped the division in posting profits. The chemicals division, now an amalgam of chemicals, dyes and fibre activities, has done well. The company plans to start its own testing laboratories for dyes and intermediaries.

The company incurred an expenditure of Rs 73 lakh for its R and D activities in the year. The company has successfully developed lacquered aluminium bottles and packaging material. Emulsifiable concentrate formulations were also developed and new

formulations are under test. The company also plans to manufacture products in the categories of insecticides, weedicides and fungicides.

CIPLA

Growth in Sales

Cipla, the third largest pharmaceutical manufacturer in the country after Glaxo and Ranbaxy, commanding a market share of 3.2 per cent, has declared an enhanced dividend of 32 per cent for the year. Net sales improved for 1993-94 by 25 per cent (Rs 46.60 crore), operating profit by 18 per cent (Rs 5.22 crore) and net profit by 41 per cent (Rs 4.26 crore). There has been a marginal rise in taxation, while interest charges rose by 18 per cent and depreciation fell by 7 per cent. Non-operating profit rose by Rs 22 lakh (129 per cent), other income was also up by 3 per cent. Exports were up by 20 per cent while imports rose by 4 per cent.

Debt-equity ratio increased 20 percentage points. Short-term bank borrowings to inventories declined from 47 per cent in 1992-93 to 44 per cent in 1993-94. Sundry creditors to current assets increased from 12 per cent in 1992-93 to 14 per cent in 1993-94. Sales to total assets declined marginally by 3 percentage points. Sales to gross fixed assets declined from 233 per cent in 1992-93 to 218 per cent in 1993-94. Gross saving to gross capital formation rose by 22 percentage points. Return on investment declined marginally. Remuneration to employees declined from 33 per cent in 1992-93 to 30 per cent in 1993-94. Earning per share increased from Rs 333 in 1992-93 to Rs 470 in 1993-94. Net profit to sales increased from 5 per cent in 1992-93 to 6 per cent in 1993-94. Net value added to value of production fell from 17 per cent in 1992-93 to 16 per cent in 1993-94.

Efficient utilisation of resources and improvement in technology helped the company to reduce the prices of some key products. Several new medicines were launched and the company claims them to have been well received. Exports fared well. The company has begun the indigenous manufacture of ondansetron used in treatment of side effects of cancer patients. The

company signed an MOU with Aotoukang Pharmaceuticals of China for a joint venture in China. The 50:50 venture is to be christened Aotoukang Cipla. The company has also set up a plant in Kurkumbh in Maharashtra for the manufacture of bulk drugs, intermediates and formulations of which phase I has been completed. Cipla incurred a capital expenditure of Rs 33.3 crore for its expansion and modernisation programme.

The company incurred an expenditure of Rs 8 crore for its R and D activities. The company developed several new bulk drugs. It has developed a drug for thalassaemic patients, the world's first oral drug for management of the disease. Several drug formulations were added to the company's range of products, particularly in inhalation therapy. The company has the distinction of marketing the widest range of formulations used in asthma treatment which includes metered-dose inhalers, rotahalers, respirator solutions and oral dosage forms.

PREMIER AUTO ELECTRIC

Rise in Profit

Premier Auto Electric, despite an increase in taxation and depreciation by 76 per cent (Rs 55 lakh) and 98 per cent (Rs 66 lakh), has done well with net profit rising by 77 per cent (Rs 1.94 crore), operating profit by 56 per cent (Rs 3.10 crore) and net sales by 23 per cent (Rs 14.02 crore). Other income was up by 154 per cent, while interest payments were down by 8 per cent. A dividend of 30 per cent was declared. Exports were down by 37 per cent.

Sales to total assets declined from 200 per cent in 1991-92 to 195 per cent in 1992-93 and 164 per cent in 1993-94. Sales to gross fixed assets fell in 1992-93 and 1993-94. Debt-equity ratio fluctuated at 30 per cent in 1991-92, 14 per cent in 1992-93 and 24 per cent in 1993-94. Return on investment rose steadily from 10 per cent in 1991-92 to 12 per cent in 1992-93 and 15 per cent in 1993-94. Sundry creditors to current assets has shown a steady increase from 32 per cent in 1991-92 to 33 per cent in 1992-93 and 36 per cent in 1993-94. Short-term bank borrowings to inventories increased by 5 percentage points in 1992-93 and 14

Readings in

**REVOLUTION AND ORGANIZATION :
ROSA LUXEMBURG AND HER CRITICS**

Lenin/Luxemburg/Trotsky/Stalin/Lukacs

Selected and Introduced by:

Sobhanlal Datta Gupta

Demy 8vo

Pp 320

Price Rs 180.00

Pearl Publishers

206 Bidhan Sarani

Calcutta 700 006 Phone 241 0176

Financial Indicators	Bayer (India)		Cipla		Premier Auto Electric		Kelvinator of India		Ahmednagar Forgings	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	25945	25279	22901	18241	7361	5959	36312	21739	4546	4805
2 Value of production	26231	24803	24673	19504	7400	5866	37781	19448	4355	4766
3 Other Income	759	391	724	788	298	117	436	404	207	158
4 Total income	26990	25194	25397	20272	7696	5983	36217	19852	4562	4924
5 Raw materials/stores and spares consumed	11261	11738	10084	8277	6063	4805	21854	12138	2727	3020
6 Other manufacturing expenses	2588	1887	6114	4395	5	4	795	593	551	534
7 Remuneration to employees	2950	2631	1432	1273	314	278	2837	2192	396	308
8 Other expenses	5692	5035	4464	3546	457	347	6620	3520	163	273
9 Operating profit	4499	3903	3303	2781	859	549	4111	1409	705	789
10 Interest	1389	1329	940	791	148	161	1650	1942	176	258
11 Gross profit	2773	2673	2402	2007	705	390	2318	-363	529	539
12 Depreciation	680	539	460	496	133	67	556	541	125	99
13 Profit before tax	2093	2134	1942	1511	572	323	1761	-904	404	440
14 Tax provision	930	1030	480	475	127	72	1		101	170
15 Profit after tax	1163	1104	1462	1036	445	251	1760	-904	303	270
16 Dividends	438	406	99	93	153	99	212	0	82	82
17 Retained profit	725	698	1363	943	292	152	1548	-904	221	188
Liabilities/assets										
18 Paid-up capital	1622	1622	311	311	511	508	1763	1763	304	304
19 Reserves and surplus	4646	3930	6630	5307	1162	862	12900	13641	1068	846
20 Long term loans	5485	4210	3429	1647	412	200	3695	3592	1144	703
21 Short term loans	4895	2749	5176	4371	927	420	6628	2922	1454	1152
22 Of which bank borrowings	3195	2249	3548	2864	488	335	4309	2090	1093	833
23 Gross fixed assets	10923	9047	10468	7828	1755	778	20126	19307	2196	1505
24 Accumulated depreciation	4351	3719	3120	2764	272	143	6511	4136	435	321
25 Inventories	5170	5025	7936	6006	910	856	5752	5977	1284	1034
26 Total assets/liabilities	20289	17273	20732	16053	4482	3049	33379	29273	4631	3979
Miscellaneous items										
27 Excise duty	1578	1666	1520	1534	168	60	7250	5972	509	442
28 Gross value added	6904	6830	4622	3858	1147	836	6543	3902	1114	1123
29 Total foreign exchange income	1419	1321	2407	1999	15	24	239	397	834	1048
30 Total foreign exchange outgo	1946	1808	1918	1881	20	14	1655	1134	199	32
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	127.9	146.3	110.5	113.6	164.2	195.4	108.8	74.3	98.2	115.7
32 Sales to total net assets (%)	157.9	202.1	147.3	156.8	244.4	299.4	145.3	99.2	114.5	153.2
33 Gross value added to gross fixed assets (%)	63.2	75.5	44.1	49.3	65.4	107.3	32.5	20.2	50.7	74.6
34 Return on investment (gross profit to total assets) (%)	13.7	15.5	11.6	12.5	15.7	12.8	6.9	-1.2	11.4	13.5
35 Gross profit to sales (gross margin) (%)	10.7	10.6	10.5	11.0	9.6	6.5	6.4	-1.7	11.6	11.7
36 Operating profit to sales (%)	17.3	15.4	14.4	15.2	11.7	9.2	11.3	6.5	15.5	17.1
37 Profit before tax to sales (%)	8.1	8.4	8.5	8.3	7.8	5.4	4.8	-4.2	8.9	9.6
38 Tax provision to profit before tax (%)	44.4	48.3	24.7	31.4	22.2	22.3	0.1	0.0	25.0	38.6
39 Profit after tax to net worth (return on equity) (%)	18.6	19.9	21.1	18.4	26.6	18.3	12.0	-5.9	22.1	23.5
40 Dividend (%)	27.00	25.00	32.00	30.00	30.00	25.00	12.00	0.00	27.00	27.00
41 Earning per share (Rs)	71.70	68.06	470.10	333.12	6.71	4.94	9.98	-5.13	9.97	8.88
42 Book value per share (Rs)	386.4	342.3	1819.0	1379.4	32.7	27.0	83.2	87.4	45.1	37.8
43 P/E ratio (based on latest and corresponding last year's price)	42.5	48.5	1.3	18.5	11.5	25.3	16.5	-48.8	25.3	0.0
44 Debt-equity ratio (adjusted for revaluation) (%)	87.2	75.8	60.6	38.4	24.6	14.6	25.2	23.3	83.4	61.1
45 Short term bank borrowings to inventories (%)	61.8	44.8	44.7	47.7	53.6	39.1	74.9	35.0	85.1	80.6
46 Sundry creditors to sundry debtors (%)	28.5	50.5	129.6	93.6	65.4	62.9	45.8	108.8	37.3	56.7
47 Total remuneration to employees to gross value added (%)	42.7	38.5	31.0	33.0	27.4	33.3	43.4	56.2	35.5	27.4
48 Total remuneration to employees to value of production (%)	11.2	10.6	5.8	6.5	4.2	4.7	7.5	11.3	9.1	6.5
49 Gross fixed assets formation (%)	20.7	13.8	40.9	—	125.3	90.9	4.2	148.9	45.9	35.6
50 Growth in inventories (%)	2.69	-9.18	32.13	—	6.31	-9.80	-3.76	-17.28	24.18	31.89

percentage points in 1993-94. Earning per share doubled in the past two years. Net value added to value of production has been constant at 13 per cent for the past two years. Inventories grew by 15 percentage points. Remuneration to employees declined from 38 per cent in 1991-92 to 33 per cent in 1992-93 and 27 per cent in 1993-94. Remuneration to employee as a ratio to the value of production has remained stable at 4 per cent for the past two years. Raw materials consumed to the value of production has been steady at 81 per cent for the past two years. Net profit to sales doubled in 1992-93 from 2 per cent in 1991-92 and has now risen to 6 per cent in 1993-94. Operating profit to gross value added has increased steadily in the past three years.

The total income of the company showed a 27 per cent growth in the year. The performance of the manufacturing plant at Halol improved due to increased demand from its OE customers. The company had in the previous year signed an MOU with Best & Crompton Engg, Madras, to purchase plant and machinery and know-how. The company has also started the production of starters and alternators at its new plant at Madras.

The company invested Rs 8 lakh for its R and D activities for the year. Deployment of indigenous in place of imported material at the factory, fitment of compressed natural gas (CNG) kits in vehicles, for which it has obtained ARAI certification, and expansion in the application of CNG kits to other automobiles are the activities of the department.

KELVINATOR OF INDIA

Out of the Red

Kelvinator of India, one of the largest manufacturers of refrigerators, has done well in 1993-94 after suffering losses in the previous year. The company experienced increase in net sales by 67 per cent, operating profits by 191 per cent and net profits by 294 per cent. Depreciation was up by 2 per cent while interest charges fell by 15 per cent. Non-operating profits fell by Rs 143 lakh (184 lakh) and other income rose by 7 per cent. Exports fell by 39 per cent, while imports were up by 42 per cent. A dividend of 12 per cent was declared for the year.

Debt-equity ratio showed fluctuations at 49 per cent in 1991-92, 23 per cent in 1992-93 and 25 per cent in 1993-94. Remuneration to employees fell by 13 percentage points for the year. Earning per share rose to Rs 9 for the year. Net profit margin showed a rise by 8 percentage points. Short-term bank borrowings to inventories more than doubled, from 38 per cent in 1991-92 to 74 per cent in 1993-94. Sundry creditors to current assets ratio, after being steady around 31-32 per cent during 1991-93, declined to 23 per cent in 1993-94. Return on investment fluctuated at 1 per cent in 1991-92, (-) 1 per cent in 1992-93 and 6 per cent in 1993-94. Gross saving to gross capital formation rose to 260 per cent as against (-) 8 per cent in the previous year. Sales to total assets fluctuated to 90 per cent in 1991-92, 74 per cent in 1992-93 and 106 per cent in 1993-94. Sales

to gross fixed assets fluctuated at 248 per cent in 1991-92, 112 per cent in 1992-93 and 180 per cent in 1993-94. Raw materials consumed to value of production declined steadily in the past three years from 70 per cent in 1991-92 to 59 per cent in 1992-93 and 55 per cent in 1993-94.

The company has tied up with Whirlpool Corporation of the US. The emphasis is to be on improvement in product design, better process engineering and cost reduction. The company failed to revive its automotive division and thus had to close it down.

The company invested Rs 251 lakh on its R and D activities in the year. Development of new models of visi coolers and CFC substitutes in compressors, refrigerators and deep freezers and reduction in cost were significant achievements.

AHMEDNAGAR FORGINGS

Mixed Performance

Ahmednagar Forgings has shown mixed performance in 1993-94. Net profits were up 12 per cent (Rs 33 lakh), while net sales and operating profits fell by 1 per cent (Rs 59 lakh) and 10 per cent (Rs 84 lakh), respectively. Other income rose by 31 per cent, depreciation was up by 26 per cent and taxation and interest charges fell by 40 per cent and 31 per cent, respectively. Imports for the year rose sharply by 592 per cent (Rs 16.6 crore), while exports fell by 20 per cent (Rs 2.14 crore). A dividend of 27 per

cent was announced for the year.

Debt-equity ratio rose from 52 per cent in 1991-92 to 61 per cent in 1992-93 and 83 per cent in 1993-94. Short-term bank borrowings rose from 49 per cent in 1991-92 to 85 per cent in 1993-94. Sundry creditors to current assets fluctuated at 26 per cent in 1991-92, 28 per cent in 1992-93 and 14 per cent in 1993-94. Growth in inventories fell by 7 percentage points. Gross saving to gross capital formation declined by 6 percentage points. Return on investment has shown a continuous decline from 19 per cent in 1991-92 to 13 per cent in 1992-93 and 11 per cent in 1993-94. Earning per share fluctuated at Rs 9 in 1991-92, Rs 8 in 1992-93 and Rs 9 in 1993-94. Net value added to value of production fluctuated at 23 per cent in 1991-92, 21 per cent in 1992-93 and 22 per cent in 1993-94. Remuneration to employees rose by 8 percentage points. Net profit margin fluctuated from 9 per cent in 1991-92 to 5 per cent in 1992-93 to 6 per cent in 1993-94.

During the year the company produced 11,402 mt of steel forgings. Despite recessionary tendencies in the steel industry sales rose by 584 MT. The company received recognition as an Export House from the government of India. Its Ahmednagar factory has been awarded the ISO 9002 accreditation from the Bureau Veritas Quality International (BVQI). The installed capacity at the Chakan plant was enhanced to 10,500 mtpa. Production of cold forgings was also started during the year.

Updated Ver 2.4

induscope

industry database
on your PC

over 100,000 data entries

updated every quarter

based on user-friendly
text retrieval.

*For Subscription received upto March 1995
attractive discount offer*

CIER-INTECOS in technical cooperation with BLUE

Centre for Industrial & Economic Research

7 Community Centre, East of Kailash, New Delhi - 110065 (India)

Tel : 6432335, 6219792 Fax : 6218974, 6440866

Development Paradigms: China and India Since 1949

Arun Ghosh

The success in putting a burgeoning workforce to productive work constitutes the most important lesson of China's development experience for India and the entire underdeveloped world. No matter what the political framework, the needs of societal development call for this basic change.

CHINA and India may be truly regarded as representing two entirely different paradigms of development. There have been few analytical essays (available to the Indian reader) on the process of development and of social change in China after the victory of the People's Liberation Army in 1949, and the establishment of the People's Republic of China. It is exciting, therefore, to come across a volume¹ that attempts not only an ambitious comparison of Chinese and Indian development during the post-second world war years (until 1990) but also to frame these developments in the context of the history, the cultural and social milieu, the problems and the political background of the cataclysmic changes that have occurred in China over the past 40-odd years, and the slower (and yet doubtless) changes that have been ushered into India under the system of planned development within a capitalist framework and a regulated market system. This paradigm is, of late, rapidly changing in India. So, indeed, is China headed for a change, though one is not quite sure of all the consequences of the latest changes. However, that is another story.

Any book of essays, written by a large number of experts, must be of the nature of somewhat separate and independent essays. The editors have therefore to be congratulated that despite the inherent problem – that of getting each article to focus on the particular in the context of the general – a broad overall picture does finally emerge. Unfortunately, there is no final 'summing up' chapter; perhaps mercifully so, leaving the reader to draw his (or her) own conclusions.

What is the picture that finally emerges in regard to the processes of change ushered into China and India over the past 40-odd years? Let us consider the experience of China first, before attempting to draw appropriate lessons from the Chinese experience for India.

THE CHINA STORY

The China of 1948 was a country with rampant corruption and hyperinflation. During the 19th century, the British had introduced opium eating in China, purely for commercial reasons; and the warlords in China had become

addicted opium eaters. There was little effective resistance to Japanese occupation of the country before the second world war; and the 'older values' had become the privilege of a few mandarins. The awakening brought into the consciousness of the Chinese peasantry by the People's Liberation Army necessarily had to proceed with the hypothesis of 'destruction before construction', destruction of the decadent old order. That the same dogma brought about the sudden collectivisation of agriculture after 1958 needs to be looked at from different viewpoints; and certainly, after the years of the Great Leap Forward, Chinese agriculture again prospered, for the base had been laid through innumerable small works undertaken by the people in a decentralised manner.

The changes in China have been dramatic, and somewhat ruthless. The experience has very obvious lessons for India where – though we have never adopted the type of repressive polity relentlessly pursued in China – we are suddenly switching horses, *the riders being the same*, with single-minded pursuit of personal power and pelf by the 'riders'. The lesson of progress through decentralisation, on which there is little focus in the volume, has never found political support in India. China provides the contrast.

There is little doubt, in retrospect, that the Great Leap Forward in 1958 was a mistake, in fact a big mistake; and in two to three years, caused 20 million deaths from starvation in China. There is also little doubt, in retrospect, that the decade-long Cultural Revolution – which commenced in 1966 and ended with Mao's death in 1976 – proved to be not only a major setback to Chinese development but also caused a lot of suffering and avoidable turbulence in Chinese society. And yet one has only to take a look at the development of both Chinese agriculture and industry since the days of the Revolution in 1949. As per figures given by Wei Jinsheng, the total agricultural product of China, at constant prices, increased from 51 billion RMB in 1953 to 765 billion RMB in 1990, and this growth has been fairly steady except for the disastrous three years of the Great Leap Forward (1958-61) when a severe drought complicated and complemented the sudden and drastic changes in production relations introduced in 1958. In quantity terms, grain production increased from 1.1 billion tons in 1949 to 4.5 million tons in 1990; cotton production from 4.4 million tons to 45 million tons; and vegetable oil production from 26

million tons to 161 million tons. Over the past 40 years, Chinese agricultural production has increased at an annual rate of 3.8 per cent per annum; and if one takes the period between 1977 and 1990, the annual average growth rate has been 6.3 per cent per annum. As far as industrial production is concerned, the share of industry in China's total product increased from 36 per cent in 1953 to 63 per cent in 1990 – in India, the percentage contribution of industry to national output remains at some 24 per cent – while the contribution of agriculture to total product in China declined from 41 per cent to 20 per cent over 1953-90. And though Wei Jinsheng, writing on the industrial development of China, has been critical of the continued emphasis on 'heavy industry' (as contrasted with 'light industries' or consumer goods industries), the industrial growth rate of China has increased from some 15 per cent per annum from 1953 to 1988 to around 18 per cent per annum in more recent years, and probably to an even higher growth rate – leading to inflation – in the past two or three years. (Up to 1988, the figures are those of Don Fureng; the more recent figures are those one gets from other studies and reports.) One must, of course, add that the longer term growth rate of agriculture was achieved despite considerable confusion arising from the 'decollectivisation' of agriculture in 1978. If one sifts through the available evidence, one finds that traditional China's leap into modernity and rapid economic growth arose principally from several factors, as a result of the communist takeover in 1949. After 1953 – when consolidation had been completed by the new regime, and an egalitarian system established – three distinct changes took place. First, all local development was left to local authorities; and with the emancipation of women, the workforce increased phenomenally, with the entire workforce engaged in productive activity. With 1952 as the base year the index of the number of workers (rural labour participants, urban individual workers and state employed workers and staff) increased from 37.2 in 1949 to 114.7 in 1957 (base: 1952=100) and further, to 193.7 in 1978 (Yang Zihui and Zhao Xiaohua, pp 367-68 of the volume under reference). So, the first achievement of the Chinese political system was to ensure full employment of the entire labour force. The percentage of social labour participation was 36.1 per cent of the population in 1952, 40.3 per cent in 1958, 42.9 per cent in 1980, and 49.6 per cent in 1990.

One may question the level of social security in a society where close to 50 per cent of the population constitutes the workforce; but so long as productive employment can be found for such a large percentage of the population, economic development at a rapid rate must be inevitable. Incidentally, this is also a reminder to the votaries of 'efficiency' (at the micro level, and in comparison with international standards) that it is the average productivity of the entire workforce that is the true touchstone of the efficiency of societal organisation. That China has been able to employ its entire workforce, that the economy has been growing rapidly (implying increasing productivity of the entire workforce) is manifest. The Chinese

Society and Development in China and India edited by Kuttan Mahadevan, Chi-hsien Tuan, Jingyuan Yu, M Sumangala and G P Ramachandra; B R Publishing Corporation, Delhi, 1994; pp 423, Rs 450.

*Times have changed,
ways have changed.*

Today's way of life demands life insurance

*Corporate ladder has its own demand
- professional excellence. You have it.
Isn't it?*

*Uncertainties and contingencies have
their demand too - security. Life Insurance
provides this to you, your valued employees
as well as to your organisation.*

*LIC policy guarantees a secure future.
It is a means of employees' welfare and
employees' incentive. Salary Saving Scheme
is an additional facility.*

*LIC has a variety of Plans to meet your
personal and corporate requirements.*

*For more details, contact your
LIC Agent.*



**FLAG BEARER OF
FAMILY SECURITY
IN INDIA**



**A Trust you can trust your life with -
Life Insurance Corporation of India**



authors (in the volume) bemoan the lower physical productivity of the Chinese worker in comparison with, say, the productivity (in micro sense) of workers in developed countries; and there are many hints at the need to introduce a 'market economy' and competitive efficiency. This reflects the Deng Xiaoping thrust of recent years, and ignores the importance of a transition with full employment.

Perhaps one may appropriately put in a word in a different tone at this juncture, with a brief quotation from an arch neoliberal journal, the *Far Eastern Economic Review* (November 17, 1994). In an article titled 'Against the Grain', Lincoln Kaye writes:

But 10 years on losers in Deng's increasingly stratified socialist market economy are pondering how their shattered 'iron rice bowls' can ever be put back together again; they look toward Nanjie for guidance...

Nanjie's recollectivisation began when local party secretary Wang Hongbin, just 36 at the time, repealed the Dengist 'household responsibility' system of farming in 1986. After a six-year experiment with family plots, the village reverted to communal cultivation. Through collective effort, Nanjie now boasts a drought proof 680-metre deep communal well. And, no matter how overloaded the national transport grid, Nanjie's supplies and produce move on the village's own 150-truck fleet. Even the great bogeyman of China's current economic boom, inflation hardly fazes Nanjie, villagers receive their staples in kind rather than in cash.

Agricultural production, which slumped by more than 50 per cent under 'household responsibility', has by now rebounded. It accounted for a record RMB 8 million of village income this year...

If the so-called 'Nanjie model' says anything of interest to contemporary China, according to [a] Chinese Academy of Social Sciences sociologist, "it's all about micro - rather than macroeconomics".

The second major factor in the rapid growth of agricultural production in China arose from 'decentralisation' of production activity from early years of the new regime. The Chinese peasant economy had been stagnant in respect of soil productivity before the communist take-over of the country; and the new system ensured that a large segment of rural labour was engaged in rural construction. Wei Jinsheng has characterised the agricultural development of China as 'tormented' and has divided the period 1949 to 1990 into five sub-periods: (a) 1949-57 when land reform was completed and grain production increased from 113 million tons (in 1949) to 195 million tons (in 1957) and total agricultural production increased by 7 per cent per annum. (b) 1958-62, the period of the Great Leap Forward, after the collectivisation of agriculture in 1956, when rural Agricultural Production Co-operatives (APC) were turned into people's communes. The changed production relations caused a setback and total agricultural production declined by 19.9 per cent in 1962 as compared to 1957 or by 4.5 per cent per year. (c) 1963 and 1965 were two years of readjustment and restoration, when the ownership system was redefined into a three-tier system - the people's commune, the production brigade and the production team, the last one being an independent production unit. Agricultural production increased by 11.1 per cent per year over 1963-65 and by 1965

agricultural production had returned to the 1957 level (which was 37.2 per cent higher than in 1962). (d) 1966-76 were the years of the Cultural Revolution. Though these years have been described as a 'period of tempestuous turmoil and a time of storm and stress', agricultural production in 1976 was still 51 per cent higher than in 1965, averaging a growth rate of 3.8 per cent per year. And finally, (e) the period after 1977 when far-reaching changes in rural relations of production were introduced, with the introduction of the family responsibility system. Between 1977 and 1990, the average growth rate of agricultural production was 6.3 per cent per year.

We make no comment on the report by Lincoln Kaye in the *Far Eastern Economic Review*, in regard to developments in Nanjie, reproduced very partially earlier. We in India do not have access to primary data for China, either at the micro or macro level. Perhaps one can only reiterate the validity of Mao's dictum: 'Let a thousand flowers bloom'.

Wei Jinsheng has brought out the reasons for the growth of Chinese agriculture despite the "tempestuous turmoil... storm and stress" (which he decries). The new regime insisted on "the strategic importance of agriculture, focusing attention on agriculture and developing the rural economy comprehensively". From 113 million tons in 1949, total grain production increased to 446 million tons in 1990 - that is, three times in 41 years. This was possible because of the deployment of a large workforce for rural construction works, mostly small irrigation and other works calculated to improve the moisture retention capacity of the soil, with increased input of soil nutrients (both organic and inorganic). Chinese agriculture did not grow as a result of imported technology (like the Green Revolution in India), but through local enterprise and local effort. By 1989, as many as "83,000 reservoirs had been built with a storage capacity of 461.7 billion cubic metres" of water, and the irrigated farm land had increased to 44.7 million hectares, in addition to 2.3 million hectares of grassland and forest land. There was also an improvement in local technological input, with 1.5 million agricultural experts (college graduates) and 0.85 million of middle level agricultural education.

At the same time, because of the population 'registration' scheme, the relative absence of transport, and focus on 'rural development', and arising from the increased demand from the local population, there has been a rapid growth of rural industries, which introduced deep changes in the rural economic structure. According to Wei Jinsheng, "since late 1970 total product of the rural enterprises has been growing at an annual rate of over 30 per cent". The rural enterprises have employed over one-fifth of the labour force in the villages.

Thus, despite the 'turmoil' and the 'stresses', not only did the yield rates (of all crops, both grain and commercial crops like cotton) improve significantly, there was a phenomenal growth of rural industries. Mao's concept of 'backyard furnaces' helped to foster a more regionally balanced growth than is being ushered into China in very recent years.

The above major changes in the rural production structure were accompanied by two other types of changes: the total product of industry increased from 36 per cent of the social product

in 1953 to 63 per cent in 1990. In this, the share of heavy industry increased from 37 per cent in 1953 to a peak of 57 per cent in 1980 and declined to some 51 per cent by 1990. Both infrastructure and key inputs (like primary energy sources) increased phenomenally.

At the same time, the emancipation of women, and the (somewhat harsh) regimen in regard to control of family size, together with better education and health facilities, freed the women from prolonged periods of child bearing and child care and helped to increase the size of the workforce participating in production. Mass education, and in particular, the education of women, doubtless helped to usher in a new pattern of societal change in China. The commune system - though totally different from the traditions and culture of Chinese society - was doubtless favourable for fostering universal education of children which in turn helped to bring up the skills of the workforce.

Finally, though not explicitly stated anywhere, the egalitarian regimen - doubtless introduced through harsh measures between 1949 and 1953 - was certainly a factor in the continued growth of the Chinese economy, despite the 'turbulence', the confusion, the 'storm' and the 'stress' of the years of the Cultural Revolution. (One must leave out the years of the Great Leap Forward as a bad dream.) Perhaps the focus of the Chinese leadership on decentralised rural development was the crucial element in the continued resurgence of the Chinese economy, despite all the 'turbulence' and the 'stresses' between 1958 and 1988.

The picture is not one of 'unmixed virtue'. The development of education doubtless suffered badly in China as a result of the Cultural Revolution. But the resurgence of higher education after 1976 reflects the success of primary education, where the entrants to higher education originate. Zou Ping and Zhao Xiaohua conclude that the "modern and contemporary history of education in China saw a series of reforms and revolutions with each negative to the preceding one".

There are other problematic issues. Zou Ping and Zhao Xiaohua are critical of the fact that "while natural erosion contributes to 70 per cent of soil erosion in the Loess Plateau due to severe slopes, erosion by human destruction is about 30 per cent". Further, "the coverage of forest on the Loess Plateau (around 4,000 years ago) was over 50 per cent... The present desert of Ke'ermi was once grassland, forest and lakes..." But then, the population of China was only 20 million at that time; and 4,000 years back, much of India was doubtless a densely forested area. Though the authors worry about increasing environmental degradation accompanying agrarian and industrial growth, some 11 billion trees have been planted in the past 10 years with nearly 100 per cent survival rate. Some 40 per cent of China has been covered thus far by the tree planting project, and signals the success of the decentralised responsibility system.

LESSONS FOR INDIA

There are numerous writings available to the Indian reader on the story of India's economic development and on the development of the Indian polity since independence. In the present context, therefore, it may be useful to focus

only on the major similarities and differences between Chinese and Indian economic development, to reflect on the failure of the Indian development effort to 'take off', and the lessons, if any, for India from the Chinese experience.

We must allow for the fact that with two entirely different political systems, one cannot – one should not – compare the Chinese and Indian economies. There are certain costs attaching to totalitarian regimes; and the lessons of the experience of one country can only be partially applicable to the other. Yet, there do remain clear lessons, in regard to both what to emulate and what not to emulate. Let us focus on the former.

Though considerable progress has been achieved by India on diverse fronts – in the matter of self-sufficiency in food production, in building up a reasonable capacity for the production of capital goods and key intermediates – there remain several areas where the Indian situation leaves room for great concern. As per a (rather thin, in terms of sample size) survey conducted by the NSS for the calendar year 1992, 41.7 per cent of the rural population and 37.7 per cent of the urban population (or around 40 per cent of the population in the aggregate) were still below the poverty line; and this datum – in the light of continuously favourable monsoons since 1988 – must be deemed to be a severe indictment of overall economic policies, especially since 1987-88 – a year of drought – shows a smaller percentage of people below the poverty line. One can, of course, rationalise that some degree of inequality is inevitable in the early years of economic growth; the famous inverted U-curve of Simon Kuznets in regard to income distribution in relation to economic growth may be said to be in play. But, and this is a significant point, economic growth in India has been at best tardy, the overall growth rate since the inception of planning – over a period of some 40 years – being at best some three-and-a-half per cent per annum, much of it eroded by a population growth of around 2 per cent. In any case, the increase in poverty – if the 'thin' 1992 NSS is to be believed – after 1987-88 (which was a drought year) would doubtless be most disturbing.

Let us go back in time and briefly examine the Mahalanobis plan model which set out the framework for India's planning effort. The Mahalanobis model – a variant of the Russian model as outlined by Feldman – suffered from two defects. First, it neglected agriculture, which, even as per the 1971 Census, provided the basis of income for some 70 per cent of the population. This is in sharp contrast to the model followed in China where rural development – together with emphasis on heavy industries and infrastructure build-up – was given primacy. Clearly, in a primarily agrarian economy, the first task is the build up of agriculture, of rural employment. This, the Mahalanobis plan, drawing heavily from Russian experience, failed to do. The corrective after 1966 came in the form of the Green Revolution, which doubtless increased the output of foodgrains, but that development was highly unbalanced regionally, with the result that much of the country failed to derive any benefit from the rapid agrarian growth in a few selected pockets. Regional imbalances grew.

The second flaw in the Mahalanobis model arose from within the model. While the output of capital goods increased, the model did not ensure the offtake of the output. The combination of public investment in investment goods and private investment in consumer goods did not ensure the automatic offtake of the output of investment goods; and partly because of (financial) resource constraints with government, the economy suffered by not making full use of the production capability built up. (The South Korean experience, by contrast, was a rapid switch-over of industries started with the objective of import substitution, to export production, with single-minded devotion to excellence in technology, its absorption, and international competitiveness. A certain conjuncture of world polity – when US aid was freely forthcoming for South Korea – also helped that country.) Anyhow, in India, the attempted combination of planning with reliance on the market did not ensure the generation of adequate demand (because of the absence of focus on rural employment) to ensure the offtake of the increased output of producer goods. The planners failed to that extent; yet there was undoubted growth during the planning era, of an order not even dreamed of in two centuries before independence and planning. In China, on the other hand, despite complaints of the preponderance of 'heavy' industries, production growth continues at a rapid pace. Consumer demand in China may well run ahead of supplies, but the process of growth of output has also continued unabated.

There are, of course, certain major differences between Chinese and Indian polity; and policies that have worked in China need not work equally effectively in India. But there have been two other failures in India for which the price has to be paid now. First, though zamindari was abolished soon after independence, proper land reform – in the sense of land belonging to the tiller – has never been properly implemented (Kerala and West Bengal are the only two states where this policy has been adopted even partially). In fact, this is one area where the Japanese, Korean and Taiwanese experience has lessons for us.

There was a second area where the Indian polity did not favour a revolutionary change after independence; the area of women's emancipation, women's education and release of the energies of half the population for socio-economic development. This, in fact, has been one of the major reasons for the Chinese success. The enormous increase in the size of the productive workforce in China contributed in no small measure to China's rapid economic development. Yet the important issue remains: the entire workforce must be found productive employment.

CONCLUDING REMARKS

That perhaps has lessons not only for India but for the entire underdeveloped world. The fact that China was able to put a burgeoning workforce to productive work explains the rapid economic growth of China.

In fact, the same objective facts fly in the face of the dictum of 'market led' development,

which is now the accepted theology almost all the world over. Even without the direct participation of women in overtly productive effort, India has a large population which is underemployed or employed in low productivity jobs. The first requisite is to put this workforce into capital construction, the way Chinese rural labour was deployed. The idea is neither new nor revolutionary. From Ragnar Nurkse and Arthur Lewis in the 50s to the concept of 'food for work' in India in the 70s and 80s, models have been built, and experiments tried out, but the latter have not been pursued with single-minded attention.

This is really a far cry from the concept of market-led development to which even the Planning Commission in India appears suddenly to have been converted. Again, there is nothing new in the concept of putting idle manpower to work for capital construction. And, in the area of capital formation, what we need is a 'widening' of the capital base before attempting to deepen it.

This is the lesson we need to learn from China; and in the context of the widely divergent political systems in the two countries, we can still follow the Chinese model through a process of decentralisation of power and authority, decentralisation of the polity and of the economy, allowing each village community to organise its own 'watershed area' planning to develop agriculture, provide employment, and develop local rural industries.

In the last context, we do not have the same ground conditions as China does. In China, both the 'population registration' system and the absence of a transport network connecting villages to the outside world facilitated rural development in a manner which cannot be replicated in India. And yet the skills of the village craftsmen can still come to their rescue, provided that they do not suffer from terrible discrimination in the matter of credit availability (and the rate of interest on productive loans). This deficiency, as also that of inadequate supply of raw materials, can be resolved through institutional changes. Co-operative credit, the spread of banking in rural areas in the interest of the rural communities (and not for mopping up deposits for lending in metropolitan areas), and similar changes can still transform the Indian production structure, provided that (a) we do not blindly pursue the path of 'market-led development', and (b) we build the institutions necessary for proper 'local area planning'. For this, we need to empower the local communities, and not centralise all power and authority.

This is not to say that all technological changes should be shut out. The growth of technology is essential if we have to provide a better standard of life for a growing population. But the 'management' of technological change in the interest of the people can also be done better through decentralisation of the decision-making structure.

What is essential, in brief, is that we must find some way to productively employ the entire workforce, and seek to increase labour productivity consistent with full employment. No matter what the political framework, the needs of societal development call for this basic change. And with this basic change, other desirable changes are certain to follow.

Election and Bihar's Fractured Polity

A K Roy

The assembly election in Bihar has laid bare the state's fractured polity. Every party is torn, every organisation is fragmented, every leader is suspect.

EVERYTHING in Bihar makes news and provokes views. The present election is no exception. Rather, that the election could start, completing all formalities, is news in itself. At last the parties have selected their candidates. Now the people are to choose from them. The lot is fearsome both in quantity and in quality. The Damocles' Sword of T N Seshan is hanging. As nobody knows what exactly 'Achar Samhita' means, there is nervousness everywhere. What is striking is over-obedience. It shows that the people are fed up with senseless unrest and want some respite. The rule of law has gained a new respectability even though law protects injustice. Status quo is no more regarded as worse than chaos without an alternative. Other factors are also no less noteworthy. The guns are calling for vote boycott. Cameramen are calling for photographs. To make the confusion complete government employees are on strike. There is an air of suspense and uncertainty. Will the election take place at all?

Everybody knows that there is no family planning in Bihar. This is true for the people, leaders and ministers, not to mention the chief minister. Family trees have grown, now yielding fruit. The trend has infected political parties in general. Election year being fertility year, numerous political parties have been born. This is to accommodate the bumper crop of leaders. Aspirations run high. All are equally confident about victory. Only the people are worried. They are finding their defeat on all sides. The most talked about person is T N Seshan. The most discussed party is the party of vote boycotting 'Maoists' (the MCC). The two combined make headlines in the Bihar election.

However, this election has presented one important feature requiring serious pondering. It has laid bare a fractured polity. What was concealed has been revealed. Every party is torn. Every organisation is fragmented. Every leader is heckled. 'Tickets' are acting as the missiles. It appears, the parties became brittle long back and have now crumbled with a mild stroke of 'tickets'. In this election the cause of fear is not from outside but from within. All parties are centres of discord. Dissidents

of one party are blessing the official candidates of other parties scared by their own dissidents. The biggest party in the fray is the party of the dissidents, at least in terms of the number of candidates in the field and so they well deserve a separate election symbol for their 'dissidence'. The ruling Janata Dal has one plus point. It was never a party but a crowd with a sentiment clinging to the hallow of some leader. In Bihar even that wonder got ruptured. The Janata Dal got divided. The Samata Party was born. Being born, the Samata Party is also torn. The only ex-chief minister it had to show in its fold has left. However, those who are not getting tickets from JD are seeking tickets from SP. Still there is no dearth of 'ticket collectors'. Ultimately the crowd has to be dispersed by a lathi-charge from the chief minister's house.

So is gone with the wind all the discipline in the Bharatiya Janata Party. Even the exclusive grace of Lord Ram could not save it from disintegration in south Bihar, the region where it gets seats. Armed with the expertise to demolish the Babri masjid, the ardent devotees of 'Jai Shree Ram' are now out to demolish the party in south Bihar. The quarrel over giving tickets gave birth to a 'Vananchal Mukti Sena' and the Sena immediately after taking birth is out for assault. It started from Bokaro and Dhanbad. It was a devastating spectacle. Offices were stormed. Flags were torn. The holy lotus was trampled upon. Congress(I) has remained always a house divided, but a new chapter has been added recently with the mighty Arjun brought to heel by Rao in Narasimha 'avatar'. If the fall-out in Bihar has been less ugly, it is not because of any newly-acquired restraint, but because of the party's overall bleak prospect in election. Similarly, Jharkhand is also caught in the election cyclone. Going to the Bihar assembly is more important than getting Jharkhand. So before Jharkhand is separated the leaders have got separated over the distribution of election tickets. Now half-a-dozen Jharkhand parties are in the fray along with dozens of rebels. The left, even after maintaining a low profile in Bihar after its bond with JD, is not free from the same symptoms and some odd cases have bewildered the old guards now marginalised in the present political scenario.

When election tickets could divide parties into parts, the fate of the Fronts can well be imagined. All calculations have failed for all the common Fronts. The Bihar election is broadly being fought between pro-Laloo and anti-Laloo fronts. Despite lofty claims of fielding a common candidate in a constituency by the pro-Laloo Front there will be a number of officially acknowledged 'friendly contests' amongst its constituents which are unlikely to remain friendly at the end. Moreover, these will remain thinly veiled rebels against each other. As in the liberalised market economy shares have become free for buying, so in liberalised politics the tickets of many new-comers like the Bihar People's Party have been made available to the rebels. The position of the anti-Laloo Front is even worse. Apart from Congress(I) and BJP upset with their rebels, all efforts at unity amongst Samata, JMM(S), JMM(M), CPI(ML), etc, have floundered on the rocky soil of ever-arching aspirations and claims. All permutations and combinations have failed. Every accord is leading to further discord. The capital of each party is the allegations against others. Nearer the parties, the more fierce are the allegations. Accusations and counter-accusations rent the sky. With all this, the Bihar election is likely to be a free-for-all even with the formidable T N Seshan as the referee.

Thus with all parties in disarray and the leaders scared from within, Bihar is heading for elections. Every party member has become an island and the sole objective in politics is to contest the election. To get elected is to get power. Power gives money. So to get rich quick one must get power quicker. Enhanced pay and perks of Bihar MLAs are an additional attraction. The caste and religious analysis of each party's candidates has come in the media along with similar analysis of the electorates despite the census being silent on that. In all electoral exercises, ideologies and principles have taken a back seat. So the CPI(ML) attempted to make a Front with Samata and JMM(S) though its land struggle was against the former in central Bihar and it was opposed to the Jharkhand Area Autonomous Council (JAAC) sponsored by JMM(S). Election manifestos have become a non-issue, with none taking them seriously. This reminds me of an incident narrated by the lone CPI(M) MP from Orissa. When he along with the late Pramode Das Gupta went to meet Biju Patnaik on election eve, Patnaik said immediately, "Promode da you need not have taken this trouble. We have already acceded Bhubaneswar seat to the CPI(M)." When Das Gupta insisted on some common programme Patnaik hurriedly signed on a white paper and gave that to Das Gupta

stating that whatever he wanted he might type on that and give it to the Press. To the amazed Promode Das Gupta Bijju smiled and said, "after all, neither you nor I will implement them. So what is the use of exercising our mind on that?" Thus the rot started quite some time back.

Though it is hazardous to make predictions about the result of this uncertain election, preliminary indications are that Laloo Prasad will win. He carries some vague popular sentiments, while his adversaries have nothing except venom against him. But this will be the last chance for Laloo Yadav to make structural changes to accommodate the psychological changes he has brought about. Here the left will have a pivotal role in designing that new structure. But the main question is whether the present fragmentation of politics and lack of principles are stray instances or a phenomenon deep-rooted in our body politic. The symptoms point out to the latter. Where does lie the root of this alarming development? The root is in the capitalist way of development, which shorn of all control has taken a belligerent form

under the New Economic Policy where in the name of liberal pragmatism a world without ideals has been declared the ideal world. Whether the cat is black or white, red or yellow what matters now is whether it can catch mice. So in this world ideologies have no place, restraint is foolish, society is nothing, self is everything. Consumerism and acquisitiveness have acquired a new respectability and corruption has become a part of life. Long-term planning has been replaced by short-term gain, creation by hard work by collection by clever manoeuvring. The social fall-out of this policy is the malignant growth of individualism, selfishness and inconsideration embracing all parties, all organisations, society and even the country. This calls for a great social revolution and restoration of lost moral values which would mean in the present context immediate reduction of pay and perks of the elected members at least to half, radical land reform and self-reliant industrialisation on which all parties are silent in their election manifestos except for some vague wailing over the state of affairs in Bihar.

nutrition. Even if it is available in some pastures, the pressure on such land is so high that the per capita availability falls much short of the optimum requirement. Besides scanty rainfall which is the case with Rajasthan, the largest producer of raw wool in the country, there are other factors which need to be considered seriously as a part of the study of the initial conditions.

The most important of all is the steady decline of grazing lands. For instance, at the all-India level it declined from 14,810,000 hectares in 1965-66 to 11,967,000 hectares in 1985-86 and 12,038,000 hectares in 1986-87. Coming to Rajasthan it declined from 1,840,275 hectares in 1985-86 to 1,824,312 in 1986-87. The worry is that the grazing area per livestock which comprises cattle, buffaloes, sheep, goat, horses and ponies, mules, donkeys, camel and pig has gone down in a state like Rajasthan from 0.20 hectares in 1972 to 0.16 hectares in 1983. It appears to have declined further in 1988. The government of Rajasthan's Draft VIII Five-Year Plan noted with grave concern that "the proportion of land under permanent pastures and other grazing lands is not only low, but also has remained broadly unchanged and with the increase in the livestock population particularly sheep and goat, the available village pastures and grazing lands have come under severe pressure". The study conducted by IIM, Ahmedabad, reveals that the area under permanent pasture and other grazing land in Gujarat is steadily reducing with a declining growth rate of 0.5 per cent. In view of the decline of the grazing land on the one hand and increasing competition due to increasing livestock population on the other, one can well imagine how much would be the per capita availability of land for sheep for grazing. One of the major reasons is that more and more lands are coming under cultivation with the help of new sources of irrigation. This is further aggravated by the uninterrupted illegal encroachment of grazing land by influential people in the rural areas for cultivation leading to further shrinkage of the common pasture land.

Added to it, an emerging phenomenon is that young men and women are gradually switching their occupation from sheeprearing to others like agriculture owing to low returns in sheep husbandry. The reason for such low return in Rajasthan is the large-scale appropriation of value added of raw wool by the middlemen and commission agents who finally pass on a very small share to the raw wool producers. Over and above this, large import of raw wool from New Zealand in the recent past, which has been made possible by drastically reducing the import duty, has reduced the price of local wool. Even devaluation of Indian currency does not appear to have helped in raising prices. All these factors are likely to

Hand-Knotted Carpet Industry Myths of 'Export Drive'

Sunil Ray

The myth of the international competitiveness of the Indian hand-knotted carpet industry rests on an arrangement where raw material cost is depressed through an imperfect market which prevents the raw wool producer from recovering his cost of labour and where the social cost of depreciating grazing lands is not reflected in the cost structure. Finally, there is the well documented abuse of child labour by the industry.

THE New Economic Policy of the government of India has identified the woollen textile industry as one of the export thrust industries. To enhance the level of export of carpets (hand-knotted carpets) and achieve better competitive edge in the international market the Indian Woollen Mills Federation, Bombay, has estimated that 62 million kgs of raw wool of good quality would be required by the end of the century out of which 42 million kgs have to come from the indigenous sources as against the present level of 16 million kgs of wool which is suitable for carpet manufacturing. The balance estimated to be 20 million kgs is to be met from import. The export drive *per se* in the face of BOP crisis may not be a matter to be disputed in the short run. The matter of great concern, however, is how feasible the 'so-called' drive is and at what long-run social cost the drive is undertaken.

The export potential and, therefore, the export 'drive' need to be viewed against the initial conditions of production of raw wool carpet and the long-term social cost to be borne by the economy. The initial conditions of raw wool production are the availability of grazing land and increasing scale of reproduction of sheep and for carpet the initial condition is the availability of huge mass of child labour. In order to optimise the wool production of sheep, 10 per cent protein level in the daily ration (Report of National Commission in Agriculture, Part VII, Animal Husbandry, New Delhi, Ministry of Agriculture and Irrigation) is required. The problem which is increasingly intensifying is that the pasture and grazing lands which used to provide optimum nutrition level by virtue of having mixed type of harbage containing both leguminous and non-leguminous forages and grasses can no longer provide such optimum level of

reinforce each other and as a sequel supply response of raw wool production might fail to be commensurate with the expected rise in export-led demand for raw wool by the turn of the century. The immediate remedy one could foresee is increase of import of raw wool, which will have its decelerating effect on the price of local wool further. One may not then wonder if the increasing industrial capacity especially for yarn manufacturing is maintained largely by import in the absence of the supply response of the local raw wool producing sector.

UNACCOUNTED COSTS

According to the neo-classical theory of trade a country that has relatively a large supply of one factor is said to be abundant in that factor, and the relative cost of production of the good which uses the abundant factor more intensively, other things being same, will be lower in that country. If scarcity margin of natural resources like grass and grazing land is estimated even at shadow prices and incorporated in the cost calculation, then the cost efficiency will be higher in the endowment structure, so much so competitiveness of the carpet industry in the international market will fall drastically. The grazing land which is subject to constant depreciation is still considered to be abundant because no mechanism exists to account for the scarcity margin. Yes, abundant labour, including children and old aged people, is available and, therefore, the supply of labour to maintain the sheep flock and produce wool is assumed to be infinitely elastic. Resultant subsistence wages are so low that raw wool production has turned out to be incidental, thanks to the meat market which has at least allowed the sheep rearing activity to continue still. The millions of sheep rearers have, of course, no reason to expect to receive more than what they receive now from the existing 'oligopolistic-monopsonistic' wool markets. While surveying the rural areas of Jodhpur, Jaisalmer, Bikaner and other parts of Rajasthan and the wool markets a huge difference is found to exist between the prices received by the wool producers and the price at which it is sold to the final users.

This brief illustration explains the inner dynamic of 'real market' which is riddled with informal contracts through personalised interchanges and embedded with various exchange relationships. Conventions, contractual interlinkages and asymmetry of information are the rules that dictates the process of price formation of local wool. This continues to happen in spite of government intervention whereby changes are sought in the structure of exchange. In an imperfect commodity market like wool market of Rajasthan, allocative efficiency

and utility maximising standard fall short and the cost of labour is never allowed to reflect in the actual price of the produce, let alone the social cost of ever depreciating grassland. Notwithstanding such expropriation, 'distress sale' of raw wool continues and will continue so long as the opportunity cost of sheep husbandry as an occupation which fetches money to the rearers by way of selling sheep, wool and manure is higher than that of the other occupations in the rural areas. Such 'distress sale' of raw wool is one of the factors responsible for keeping the cost of production of carpet low. This does not mean that the price paid by the final user, the yarn manufacturer for raw wool is low. It is certainly, as mentioned above, higher which is why the middlemen and commission agents are able to make considerable profit out of wool trade. But the point is that if the cost of labour and other inputs is reflected in the price at which the raw wool producers sell their wool, the cost of production of carpet would then be much higher given the same share of the middleman and the commission agents in the final value added. Hence, the cost of production is lower not because of infinite elasticity of labour supply for raw wool production but mainly because of imperfection in the commodity market for wool. Now suppose that supply of labour in raw wool production is elastic owing to the relative increase of opportunity costs of other occupations, viz, agriculture. It means that less number of people would be prepared to work in sheep rearing activity. It would lead to reduced wool production which should eventually entail scarcity margin to the producers. However, as mentioned above, market imperfection will not allow such margin to percolate down to the actual producers. Even if it happens, the extent of it would necessarily be marginal given the degree of imperfection. More so, scarcity margin cannot be assumed to be too high to raise the price of local wool because such scarcity can easily be removed and is removed at present by the import of raw wool. In addition to it, if pricing of grazing of the depleting grazing land is introduced and the raw wool producers are asked to pay the users' charges, then it would reduce the opportunity cost of raw wool production because market imperfection in the wool market may not allow the raw wool producers to recover such charges. If it is recovered by them then one can well imagine how much relative cost of production of carpet would be. Hence, in a situation where raw material cost is kept low through an imperfect market which does not allow the cost of labour of the raw wool producer and the social cost of depreciating grazing land to be reflected in the cost structure, how does one claim cost efficiency in the international market?

CHILD LABOUR AND COMPETITIVENESS

The last important aspect which is known and well documented is the use of child labour in the carpet industry. How genuine is the competitive advantage of the industry gained by subjecting children to inhuman labour processes is anybody's guess. Thanks to poverty, there is infinite elastic supply of labour of children and, therefore, 'distress

Another New From Ajanta

Complete Documentation & Analysis on

POLITICS OF SIKH HOMELAND

Gopal Singh

Rs. 395

Contents: • Introducing the Problem; • From "Bhakti" to "Shakti" (Formation and Politicization of a Minority Community: From Guru Nanak to Akali Movement); • Complexities of the Question of Sikh Nationality; • Militancy, Terrorism and State Terrorism; • Through the Prism of Field Study; • For Conclusion: (Khalistan: Myth or Reality?)

Appendices • Constitution of Shiromani Akali Dal (Translated from Punjabi) • Anandpur Sahib Resolution(s) • Federal Polity • Dharam Yudh • Two Letters to the President of India • The Punjab Massacres • Truth About the Punjab Tragedy • Gurmata (Translated from Punjabi) • Document of Declaration of Khalistan (Translated from Punjabi) • Programme for the Liberation of the Punjabi Nationality • Directives About Punjabi Language (Translated from Punjabi) • Commandments About School Uniform and Prayer (Translated from Punjabi) • Sikh Grievances & Demands • Darshan Singh Pheruman: The First Martyr of Sikh Homeland • Punjab Crisis in Perspective • An Open Letter to the World Sikh Convention by Dal Khalsa • Text of Sukha-Jinda Letter to the President • Constitution of Khalistan (Translated from Punjabi).

ALREADY PUBLISHED:

- **PUNJAB: PAST, PRESENT AND FUTURE**
Gopal Singh Rs. 480
- **BLUE STAR OVER AMRITSAR**
Harmlner Kaur Rs. 160
- **PUNJAB IN INDIAN POLITICS**
Amrik Singh (ed) Rs. 200
- **PUNJAB CRISIS**
Oitendra Kaur Rs. 125
- **PROBLEM IN PUNJAB**
B.S. Minocha Rs. 15
- **RELIGIOUS REBELS IN PUNJAB**
Mark Juergensmeyer Rs. 275

Address your order to:

AJANTA BOOKS INTERNATIONAL

1-U.B., Jawahar Nagar, Bungalow Road, Delhi-110007
 ☎ 7258630, 2926182 Fax 91-11-7132908

sale' of labour power. This is not the issue here. The issue is how does one see the export potential of hand-knotted carpet industry of India when a strong movement against the buying of carpet produced by making use of child labour is gaining currency world over especially in the major carpet importing countries from India? Of course, there is little to be bewildered about the frequent pronouncements of the state on the legislation on enforcement of child labour regulation act. For several such pronouncements were made in the past but to no effect. It all depends on whether the government is interested in resolving the conflict between its understanding of the problem of child labour and its objective of earning foreign exchange. The state, of course, claims that child labour is a 'harsh reality' produced by poverty which forces many families to send their children to work to ensure survival. It appears to be a correct understanding on the part of the state. However, correct understanding is one thing but remedying the 'harsh reality' is another thing, because a clash with the objective of foreign exchange earning in the present context is absolutely certain. What position is the state then going to take - earn foreign exchange through export drive or remedy 'harsh reality'?

Child labour is indispensable for the industry to survive in the international market. It is a living human technology with the well defined requirements of the tender fingers of the child labour with easy flexibility. Adults' fingers and machines are no substitute for children's fingers in manufacturing carpets and achieving competitive edge in the international market. Hence, if the export drive is to succeed child labour is bound to be there in the carpet industry not only because it is available at cheap rates, but chiefly because it cannot be dispensed with.

Both the huge mass of raw wool producers in the countryside and the children in the carpet industry are engaged in bringing foreign exchange to the economy which in exchange pays them to meet the cost of survival. The 'distress sale' of labour power of both these productive forces may continue to feed the carpet industry so long as their survival is at stake. But what cannot feed the industry any longer at no cost is the depleting natural resources, i.e., grass and grazing land.

It is acknowledged even by the 'free marketers' that unless the initial conditions of production change, globalisation has no effect on economic development. On the basis of this assertion if a move is made to change the initial conditions by way of (1) incorporating scarcity value of grazing land in the cost calculation, (2) removing imperfection in the commodity market of wool, and (3) replacing child labour (or

paying higher wages to child labour) on no consideration hand-knotted carpet industry can be identified as an export thrust industry.

The relevant issue then is not the short run calculus of gain accruing to the economy through export, much more important than this is the long run economic development *vis-a-vis* social cost the economy is going to bear. While concentrating our attention on export earning through carpet manufacturing we have forgotten the fact that the varieties of local wool produced in our

country can also have other consumer uses. If an attempt is made to explore the other uses then the large domestic market which is yet to be tapped can trigger off localised process of development in the absence of which no amount of foreign exchange can bring about economic development. Even if we assume that long run social cost can be addressed by restructuring the production conditions that could lend credence to the export drive at least in the short run, the question remains to be answered whether the state can afford to do so.

MODERN SOCIAL THINKERS

<i>Lois McNay</i> FOUCAULT: A CRITICAL INTRODUCTION	£ 11.95
<i>William Outhwaite</i> HABERMAS: A CRITICAL INTRODUCTION	£ 11.95
<i>David Wood (Ed.)</i> DERRIDA: A CRITICAL READER	£ 14.99
<i>Philip Manning</i> ERVING GOFFMAN AND MODERN SOCIOLOGY	£ 11.95
<i>Georgia Warnke</i> GADAMER: HERMENEUTICS, TRADITION & REASON	£ 11.95
<i>Calhoun Craig et al. (Eds.)</i> BOURDIEU: CRITICAL PERSPECTIVES	£ 12.95



RAWAT BOOKSELLERS

3-Na-20, Jawahar Nagar, JAIPUR 302 004
Phone: 0141-567022 Fax: 0141-567748

New
From

ashish

PUBLISHERS OF THE
PROFESSIONAL
SOCIAL SCIENCES

Ambedkar and Indian Constitution: Kusum Sharma	Rs. 350/-
Ambedkar, Politics and Scheduled Castes: Prem Prakash	Rs. 250/-
Gandhi-Ambedkar Dispute: An Analytical Study: A. K. Vakil	Rs. 200/-
Aspects of American Government: Mohd. B. Alam	Rs. 300/-
Gulf Crises: US and the Emerging World Order: Kulwant Kaur	Rs. 250/-
The Indian Press Role and Responsibility: Krishna Singh Padhy	Rs. 300/-
Rajiv Gandhi: Life and Message: Arun Bhattacharjee	Rs. 300/-
Tilak and Gokhale: A Comparative Study: Mohd. Shabbir Khan	Rs. 500/-



ashish publishing house

8/81, PUNJABI BAGH NEW DELHI-110026
PHONES : 500581, 5410924

Subaltern Identities and Struggles

Agenda for Transformation

Mahesh Gavaskar

The second Vicharvedh convention at Latur focused on the transition the subaltern struggles have gone through and the issues that continue to riddle them. The convention agreed on a multi-pronged approach to social reality so as to avoid compartmentalisation of progressive energies.

TWENTIETH century has witnessed tumultuous change in all spheres of life. Awesome technological strides under the aegis of capitalism have helped market forces to penetrate the remotest corner of the globe. Industry and agriculture, space and culture have been increasingly colonised for capital accumulation. But the colossal booty garnered has not reached everyone in equitable amount. Instead, the profit-seeking drive has endangered the life chances of many, rendering them peripheral in its historic march towards superabundance. These victims of progress have time and again thrown up incisive critiques of existing development paradigms and have appropriated histories to mobilise their respective identities as sites of resistance. The second 'Vicharvedh' convention at Latur focused on these subaltern identities, the transition their struggles have gone through and the issues that continue to riddle them. Raosaheb Kasbe, a noted dalit thinker, presided over the convention while Narayan surve, the president of the Marathi Sahitya Sammelan at Parbhani, was the chief guest. The convention, organised out of the contributions of the toiling masses of the Comrade Krantisimha Nana Patil Trust, unanimously appealed for a multi-pronged approach towards social reality so as to avoid compartmentalisation of transformatory energies.

FLEXIBLE ACCUMULATION AND WORKING CLASS

Rajiv Sane, a trade-unionist from the industrial belt of Satara, recounted the momentous shifts that are taking place in the production processes, both at the level of industrial organisation and at the level of labour market structure. The old Fordist model of mass production is being replaced by small compact firms producing goods in batches. The economies of scale which entailed execution of all industrial operations under a huge single canopy is being displaced by the economies of scope which involve restricting essential operations within the premises of a firm and subcontracting other services and outsourcing certain specialised ones. This structural change, Sane opined, affects labour recruitment in two ways. Firstly, the statutory relationship between the owner and his workers transforms into

a transitory one resembling that between the consumer and the vendor. The workers congregate in small guild-like surroundings, selling their product on contract to the owner who further processes it. Sane referred to this process as peasantisation of the industrial workforce. Secondly, due to the reduction in permanent workforce, the labour branches into two categories – the displaced, constituting the majority, and the assimilated, forming the minority. The latter has all the privileges and becomes status quoist, neglecting its responsibility in larger transformative endeavours while the former, yearning for betterment, lacks clout because of its dispersed livelihood. Sane visualised the interests of the displaced and the assimilated workers as heading towards collision. The exit policy which allows retrenchment without prior approval of the government is a constant threat to the assimilated worker, while depriving the unorganised labour of protective measures furthers the insecurity of the displaced worker. The displaced labourers toil more and make available their wares at a cheap rate so as to sustain themselves in the market. On the other hand, the assimilated workers, decreasing in size, eventually become redundant. Their earlier strategies of go-slow or strike are no more effective bargaining encounters since most of the execution now takes place beyond the so-called industrial premises. These changed contours by undermining the objective basis of class struggle have far-reaching consequences for the working class movement. According to Sane, with increasing stratification and interpenetration that is occurring within the working class, the most touted slogan of working class solidarity is becoming obsolete. On the trade union front, the public sector, the main base of party-based labour unions, is rapidly diminishing. In the private sector owner-sponsored or professional trade unions are gaining ground with party-based unions facing extinction.

After this sociological enunciation, Sane put forward his reformist programme. He demanded withdrawal of opposition to global capitalism and instead sought taking advantage of the spaces provided within the new system to mitigate exploitation. He advised trade union leaders not to confuse disputes between capitalists, such as swadeshi

versus TNCs or public sector versus private sector, as their own. What was essential at this juncture was to consider the working class situation not within the nationalist framework based on geographical lines of division but from the labour point of view. In this context Sane found the managerial techniques of the west progressive and far more humane compared to their Indian counterparts. His three-point programme listed democratisation within the factory system, rational utilisation of labour and democratisation of labour unions as priority issues.

Though Sane presented an objective picture of the contemporary transformation of the production sector and its implications for the industrial working class, he made no attempt to forge a new, non-industrial identity of the toiling masses given the changed modes of labour control and surplus extraction. In spite of announcing the redundancy of the industrial workforce as the revolutionary vanguard, it is the very same industrial (and assimilated) labour that underpins Sane's reformist programme. Sane definitely does not claim an end of exploitation with the advent of TNCs but at the same time fails to derive logical conclusions from the shift in the terrain of exploitation that accompanies the entry of TNCs. No more can an emancipatory action plan be enunciated in pure class terms. Caste, gender and other ethnic categories of the oppressed need to become part and parcel of any theoretical formulation regarding the new international division of labour. Bhalchandra Congo, a CPI trade unionist of Aurangabad, articulated this position when he called for a radical restructuring of the theoretical base and organisational efforts of the subalterns, linking the agitations of blue-collar workers with that of dalits, women and the unorganised sector.

ENLIGHTENMENT AND ECOFEMINISM

More insights into the trajectory of capitalist growth were provided by the ecofeminist perspective as expounded by Chhaya Datar in the session on women's movement. Datar recapitulated the liberal feminist, Marxist feminist and radical feminist positions on gender-based division of labour. Both, liberal and Marxist feminisms, saw technological progress liberating women from the prison-house of domestic drudgery. Both conceived equal status of women in the public sphere as the hallmark of an egalitarian society. Though both schools deny biological basis of gender discrimination, Marxist feminism posits woman's domestic confinement as an outcome of the necessity to continue male ownership of private property. Once private property is abolished, as in communism, woman will no more be chained to her reproductive role. Radical feminism advances the concept of patriarchy as an autonomous

mode of oppression, separate from capitalist exploitation. Radical feminism highlights gender difference and espouses a distinct manifestation of feminist sensibility and expression throughout history. Ecofeminism develops upon this experiential faculty of women and organically situates their predicament within the contemporary phenomenon of ecological destruction. Unlike liberal feminist concern for equal access to opportunities, Marxist feminist criticism of capitalist ownership of production and radical feminist stress on cultural identity and signification system, ecofeminism problematises the epistemo-logical basis of capitalist patriarchy. Ecofeminism locates the centralised, hierarchical and exploitative capitalist growth in the dividing practices legitimised by enlightenment. By defining progress as successive liberation from the realm of necessity/nature and placing women and colonies as variations of nature, the enlightenment project since its very inception was not only anthropocentric but also ethnocentric and androcentric. Progress, in short, was the white male's triumph over nature. Envisioning woman as part of nature obviously reified her work and reproductivity. Marx's free proletariat was parasitical on housewife's unfree labour. The ecofeminist vision unveiled that industrialisation, an epitome of enlightenment achievement, was based on similar generation of internal colonies across the globe. It questioned the equation of development with technological advancement and clearly stated the impossibility of restoration of regional balance in the given framework of development.

Datar opined that the left parties in India concurred with the Nehruvian model of industrial development and hence were unable to provide a long-lasting solution to unemployment and poverty. She feared that under GATT rural India would witness and enclosure movement similar to that which occurred in 18th century Britain. Shortages of fodder and drinking water would grow and women would bear the brunt of the burden. Datar's ecofeminist blue-print advocated: (i) Equitable distribution of water, not on the basis of size of landownership but on the size of the family. This would empower even the landless families in asserting their right to water. (ii) Women exerting right over the permanent assets developed in the vicinity of the villages under EGS. And (iii) acknowledgment of the right of the village over the wasteland surrounding it.

Though the ecofeminist critique of enlightenment value-system has points of moral strength and has some grass roots level micro experiments to validate its stand, there are certain doubts regarding how effective the critique will be in dismantling the hegemony of global capital. The critique, instead of politicising the space which at present is certainly captured by global capital, retreats into politicisation of place which

carries no possibility of getting replicated at macro level. In fact, Datar recommended that the first step towards circumventing the widening gap between the first and the third world be to terminate international trade. This naive position overlooks the extent to which the global is getting enmeshed in the local and determining the emerging contours of the latter. Moreover, reading the sharp polarisation predicated between the global and the local in the ecofeminist texts one gets an uneasy feeling that the ecofeminists are falling into the trap of dividing practices which they themselves condemn as a legacy of enlightenment. Many critics of capitalism have hinged their alternative projects on the hope of an imminent crisis within capitalism. Ecofeminism plays upon this theme of downhill trend of capitalism and expunges the possibilities of counter-checks and counter-balances engendered within the present phase of global capitalism. A Balirajad, however path-breaking in the developmental field, cannot negate the geo-political dominance of IMF and World Bank and the need to counter them on their own terrain.

Other discussants hardly addressed the issues raised in the presentation and proceeded to voice their own judgments on the women's movement. While Nisha Shivurkar of the Socialist Front called for stepping up the anti-liquor campaign to pressurise the government on the issue of prohibition, Rajendra Vora, a political scientist from Pune university, expressed his disagreement with Chhaya Datar's lamentation that there has been a paucity of theoretical engagement in the women's movement. According to Vora, there has been a spate of women study centres in the academia which has never been the situation with any other movement of the subalterns. He argued that by getting entrapped in setting up legal consultation centres, the women's movement has lost a sense of broader socio-political change and hence incidences like Jalgaon sexual blackmailing occur. Ram Bapat tried to counter-balance this lopsided evaluation of women's movement by commenting that setbacks are being experienced on all fronts and hence it would be injudicious to make any one movement a scapegoat for social ills.

REDEFINING 'THE POLITICAL'

V D Phadke narrated the manner in which satyashodhak principles of Phule's movement got diluted by his self-proclaimed followers in the latter phase of the non-brahmin movement. Phule was for simple and inexpensive marriages without a brahmin priest. The non-brahmins though they may have emulated Phule on the latter point, nevertheless indulged in ostentatious marriage functions. Phule was a staunch supporter of prohibition but four out of the 19 non-brahmin leaders elected to the legislative council in 1923 were owners of liquor-dens. *Kaivari*, a periodical run by

Bhaskarrao Jadhav and edited by Dinkarrao Javalkar, used to carry liquor advertisements on its very first page. A vehement opponent of brahminism, Phule equally distanced himself from tall claims of kshatriyahood. Satyashodhak leadership was characterised by noteworthy absence of aristocratic marathas, kayasthas, lingayats and jains. These very social groups monopolised the leadership of the non-brahmin movement and kindled a pride in the kshatriya status. Many a family started excavating (inventing) their links with the royal lineages of the north. Genealogies started to be fabricated. Kadams claimed to be heir to Kadamba dynasty; Mores forged their links with Mauryas while Bhonsales sought prestige through rajput Sisodiyas. Phule conceived the shudras and the at-shudras as the social revolutionary force. But the non-brahmin's definition of bahunjan entailed deletion of brahmins on one hand and that of the dalits on the other. Phule's diatribe was against both, shetjis and bhatjis (marwari moneylenders and brahmin priests), but the non-brahmin leaders overlooked the former since most of them, especially the Chettiars and the Mudaliyars of Madras province, were engaged in trade and credit. Lastly, Phule's stress on universalisation of primary education too, was neglected in the non-brahmin period even when Bhaskarrao Jadhav, a non-brahmin leader belonging to respectable maratha family, was an education minister in the governor's council. In short, satyashodhak's total boycott of religious, economic and political middlemen got occluded in the non-brahmin phase to an anti-clerical stance.

Commenting on contemporary socio-political situation in Maharashtra Phadke made two observations. He remarked that the recent attempts to project Phule-Shahu-Ambedkar as nationalists was a move to strengthen the image of the Congress as the sole inheritor of the nationalist struggle. He cautioned that the leaders involved in caste politics should keep in mind that organising people on caste lines should be seen as an inevitable but not a commendable step. Otherwise, the sad part of present-day reality is that those very leaders who are foremost in the struggle to annihilate caste turn out to be most conceited when matters come to their caste identities.

The overall thrust of Phadke's presentation was that the original inspirations which guided the satyashodhak movement during Phule's and Shahu's time suffered an eclipse in the 1920s. The main reason for this debacle was the germination of political ambitions among the non-brahmins with the declaration of the Montford package in 1919. On these grounds Phadke classifies the satyashodhak movement as a socio-cultural one and the non-brahmin movement as a political one. The limitation of this theoretical paradigm is that it postulates the political only with reference to the British. An overt pro- or anti-British stand qualifies

it as a political act. Phadke reads the preamble of the Satyashodhak Samaj instructing the followers to desist from anti-British activity as the samaj's non-committal stand on political matters. This circumscribing of the political to British colonial power blinds one from grasping the hidden political meaning of Phule's overtly socio-cultural activities. In this context, the numerous journalistic ventures and pamphleteering of the non-brahmins in the 1920s should not be documented as merely cultural happenings but as events of politicisation of culture. Further, if the non-brahmin movement is imagined beyond the Jadhav-Jedhe-Javalkar trio then perhaps one might notice satyashodhak inspirations still enriching various avenues of non-brahmin social life. Hari Narke, a scholar of satyashodhak movement, substantiated this view when he disclosed the satyashodhak links of various personalities prominent in the field of labour movement, journalism and co-operatives. Keshavrao Vichare, a satyashodhak, was a pioneer in the co-operative movement of Satara. Also significant is Savitribai Rode, a ramoshi and a chairperson of Pune satyashodhak samaj. She ran a periodical entitled, *Ramoshi Samachar*, in 1927.

CLASS DECENTRED

Since independence the nation-state and the market have been the two major forces netting the widely scattered Indian populace into the process of democratisation. Democratisation has taught various sections of the populace the language of rights so as to alleviate their deprivations. But democratisation has also acquainted them with their specific histories of oppression and as a consequence has introduced diverse voices in their articulation of rights. In such circumstances, social movements need to give up their dogmatic insistence for a singular site around which all oppositions can be framed. Gopal Guru made an half-baked attempt to enter into a critical dialogue with certain positions in vogue on this issue. Guru, at the very outset, rejected the liberal interpretation of Ambedkar's view of political power. The liberal version, embraced by many renowned sociologists, believes that a relative deprivation stemming from unfulfilment of dalit aspirations for status upgradation results in the agitations of the downtrodden. Guru lists three reasons which counter this proposition. Firstly, the buddhist conversion has provided an alternative frame of reference of determining status. Secondly, the democratic claims of Hindutva allow dalits a feeling of fraternity, however spurious. Lastly, existence of the welfare state acted as a beacon, instilling hope among the downtrodden to overcome their social deprivations. However, when Guru attempts to problematise the relation-ship between dalit liberation and post-modernism, he does grave injustice to Foucault by pushing him

into the post-modernist camp. Foucault is a post-structuralist certain of whose positions are being appropriated by the post-modernists to canonise him as one of their pantheon. Foucault's conception of micro-processes of power need to be understood in the context of his anti-utopian vision. When Foucault speaks of multiple sources of power he dismisses the conventional approach of attributing an eminent position to the centre as the source of power, and instead seeks to relativise power by contextualising its operations. If, as Guru points out, caste Hindus unite against dalits on the question of pasture land then in case of mahar-mang conflict certain sections within dalits become oppressors of their own brethren. Thus, power is dispersed, omnipresent and immanent in a Foucauldian sense. Moreover, Foucault while speaking of dispersal of power does not obliterate the terrain of resistance. In fact he visualises resistance as an inseparable component of any power relation.

Similar slipshod treatment was evident in Guru's appraisal of post-Marxism. Citing the example of disagreement among backwards on the issue of renaming of Pune university, Guru concluded that post-Marxism, which prioritises caste, gender, race as sites of confrontation, fails to provide a satisfactory answer to above-mentioned phenomenon. Here it is important to note that post-Marxism emerged as a reaction to the tendencies of class reductionism and essentialism dominant within Marxian discourse. It evolved out of a theoretical engagement with anti-nuclear, anti-apartheid, feminist, and youth move-ments that were spawned in the post-world war west. Post-Marxism is based on the real-isation of multiple identities of human existence and their politicisation according to conjunctural possibilities. It is in this sense that it does not accord a privileged position to class as the sole articulator of antagonisms. In fact the fragmentation of social reality with the advance of global capitalism has multiplied sites of friction and legitimacy of a monolithic meta-narrative has evaporated.

Nonetheless, Guru drew attention to a crucial question regarding the relationship between identity and representation in an emancipatory discourse. Guru observed that there has been a recent misconceived tendency among the dalit intellectuals to arrogate authenticity for their positions on the sole basis of their belonging to the oppressed community by birth. Guru rightly questioned the soundness of such arguments as they derail the broader process of democratisation by setting up opaque walls of non-negotiation around them. Uttam Kamble, editor of *Sakal*, pointed out that more than a thousand sessions of various caste associations take place all over Maharashtra every year. This 'awakening' has a particular caste figure at the centre of inspiration. These various icons are then played against each other to the benefit of the power-wielding sections in the

society. Thus, if class is decentred and plurality of suppressed voices is to be given adequate space, it should be seen that this emerging diversity is not ghettoised into small enclaves and deprived of an access to a more authentic universal narrative.

BUILDING NEW BRIDGES

The destruction of Babri masjid has badly shaken the faith of Indian Muslims in the Indian state. In laying the foundations of a secular nation, the makers of the Indian Constitution had deposited their trust in the impartial functioning of the state machinery as a counter-force to societal tyranny in form of communalism and casteism. But the riots over the past couple of decades have exposed the biased functioning of the state apparatus. Faced with the spectre of insecurity, Muslim intellectuals have become vigorously vocal in their harsh appraisal of post-independence minority politics and have started to chalk out fresh ways and means of defining their predicament. One such attempt was the presentation made by Fakruddin Bennur, a founder of Muslim OBC Front in Maharashtra. He spelled out the dangers of constructing politics on the basis of religious minority identity. Religious minoritism, or for that matter any minoritism, according to Bennur, is based on an implied criterion of separatism. In the age of the welfare state, mobilisation on grounds of minoritism may have pragmatic justification for securing concessions. But it also indirectly circulated a false impression of a monolithic, distinct community which in days of communal frenzy contributed to its easy victimisation. Bereft of any defences from within, the policy of minoritism leaves no option but to seek redress through internationalisation of its grievances. Hence, instead of confirming to a top-down view of Muslim elites, Bennur advocated a view from below that bares the chasm between elite Muslim and plebeian Muslim, a chasm wider than that between the latter and the OBC Hindu. Situating the Indian Muslims firmly in the Indian social milieu reveals the prevalence of caste system amongst them. Bennur wants a caste struggle to be initiated among the Muslims similar to that of the OBC Hindus. The ashrafian view of Muslim religion is a brahminical view and has in a distorted fashion projected to the outside world that 'talak' is the prime problem amongst the Muslims. Interestingly, the findings of a survey of seven states, as mentioned by Razia Patel, also conveyed that Muslim women list poor education, insecurity and unemployment as more worrying than talak or polygamy. At the present juncture, Bennur's viewpoint carries a polemical weightage given the caste-class overlap among the Muslims. Nevertheless, Bennur nowhere seemed to deny the Muslim dependency on the state, but rather demanded a redrawing of Muslim social base for appropriation of state resources.

Politics of Silhouetted Anger

Gautam Navlakha

The government has played a prominent role in perpetuating and promoting communal prejudices and differences through its policies and pronouncements on Babri masjid, Kashmir, Pakistan and other issues. An enemy image has been deliberately promoted by blurring the distinctions among Pakistan, the ISI, Muslim fundamentalists and Indian Muslims creating an active sense of insecurity among Muslims and suspicion in the minds of the rest.

ROSALYN CARTER once observed that Ronald Reagan made the American middle class feel comfortable with their prejudices. She was pointing to the re-emergence of racial preconceptions, considered unacceptable during the 1960s and 1970s and to the fact that in its virulent comeback the policies and pronouncements of the Reagan administration played a prominent part.

Considering the overwhelming importance of government in our lives, and the manifold ways in which it influences and governs us, its capacity to mould opinions or sensibilities is immense. It does not follow that people are pliable and can be manipulated endlessly, nor that human beings are inescapably bound by identity. But government can lend social acceptability to prejudices, promoting or playing upon them, to protect its interests. This power acts in two ways. First, by selection, suppression or projection it can make an issue appear different than it is, thereby creating a frame of reference and setting the agenda. For instance, class exploitation may be obfuscated under the more commonly understood terminology of caste and community oppression. This becomes possible because common interests, values, rituals and memories become media for such articulation. More important, however, government can change the balance of social forces by its support, or withdrawal thereof, for one or the other social group or ideological force, thereby conditioning, if not always determining, the political outcome. In a country the size and plurality of India, prejudices are aplenty—some naive, others hostile. The problem arises precisely when government shows bias through its acts of commission and omission, indicating an ideological preference for one or the other.

Before proceeding any further it is necessary for me to make clear my assumptions. Two things are noticeable about contemporary Indian society. First, a strong anti-backward caste and anti-dalit sentiment has surfaced under the guise of opposing reservations. Second, prejudices have sharpened differences along religious lines. While the former gives vent to fears about

divisiveness, the latter is perceived as proving that religious loyalties supersede all other commitments. The terrain on which this is happening is an economic policy which promotes greed and graft at the expense of commitment to the disadvantaged sections of the population. The apprehension that dalit-backward classes assertion with Muslim support will undermine upper caste/class dominance informs the emphasis on unity. It is not surprising that commonly-held opinions of the privileged caste/class get passed off as perceptions of an entire community, either religious or political. Upper caste prejudices are presented as defence of the democratic principles of equality and merit, while Hindu communal prejudices lend weight to the opinion that in matters of belief, one has to tread carefully. The incapacity of the democratic perspective to hold its own and respond to this challenge bolsters assimilationist and xenophobic perceptions. They make their appearance as 'nationalism' and mobilise support in the name of their version of the nation's interest or its pride. It follows that isolating the nation's enemies and upholding national unity become holy cows. The augmentation in coercive powers of government is no accident, just as Muslims are the easily identifiable enemy for both bigots and chauvinists.

In accepting the primacy of religious communities, political explanations encourage motivated readings of events and situations; the government's policies and pronouncements appear at their worst as aberrations. That is to say, their role in delineating the boundaries of 'us' and 'them' appear as pragmatic response to prevailing conditions and not as a key contributor to the formation of the conditions themselves. This stands out when one considers the dilemma of the Indian Muslims.

The discrimination against Muslims in public life is clear from their low representation in government and corporate sector employment. Participation in trade and professional services is minuscule. Because their access to government and private finances is limited, their conditions of existence do not improve. Instead of

addressing this problem, the government asserts the superiority of the religious clergy, thereby aggravating disabilities, which ends up strengthening the stereotypical view of the Muslim. Be it the exclusion of Muslim women from right of maintenance; or the official support for the formation of the Muslim Personal Law Board in 1985; or concessions of a symbolic nature such as the introduction of a 10-minute Urdu news broadcast on Bangalore Doordarshan; the government's policy of non-interference helps perpetuate debility. In other words, separateness is not only emphasised but promoted.

The interesting thing is that, simultaneously, encouragement is given to efforts which dilute all types of differentiation among Hindus. This is done through the use of religious symbolism as well as the arousal of patriotic passions. Let us recall that while everyone was engaged in debating the Shah Bano case, the government facilitated the opening of the doors of the Babri masjid to appease the Hindu chauvinists. Few realise the importance of the officially approved VHP's 'dharma sansad' at Allahabad during the Kumbh Mela in 1986, where the decision was announced to demolish the Babri masjid, which culminated in December 6, 1992—bringing us perilously close to civil war.

This is where the antagonism towards Pakistan acquires meaning. With the government harping on Pakistan's alleged 'proxy' war in Kashmir, support for insurgencies in different parts of the country, and the complicity of the ISI in acts of terror by so-called 'anti-nationals', an oblique link is made between an enemy outside with enemies inside. Let us recall that the RSS always questions the loyalty of Indian Muslims by stressing the Arabic origins of Islam, and points to the religious and kinship links of Indian and Pakistani Muslims as a potential threat. The election commission's (EC) admission that the deletion of the names of 'foreigners' is based on central intelligence reports demonstrates how uncorroborated evidence is concocted to match this lie. The public knows nothing about such reports but the Sangh parivar has access to them, and on their representation the EC promptly undertakes the exercise aimed at disenfranchising Muslims in particular, and other minorities and dalits in general. It is therefore necessary to explain the vital role played by the manufacturing of threats, generation of insecurity, and misrepresentation of issues.

ONE STEP SIDEWAYS

The remarkable thing about the prime minister's independence day speech was his insistence that "the unfinished task is that Pakistan-occupied Kashmir should be ceded to India". In response to this, the BJP declared that the government has been unable to stop

the arming of Kashmiri militants and prevent the "spread of the ISI networks", and that it could "not rule out the possibility of a conflict" with Pakistan. In this dialogue between the hawks even dispassionate observers see this as evidence of 'national consensus' requiring no further debate.

It is here that allegations against the ISI become significant. These emerged during the anti-insurgency operations in Punjab and subsequently Kashmir, but the preoccupation with getting Pakistan declared a 'terrorist state' by the US gave this task urgency. In blaming the ISI for the Bombay blast, and the Indian army chief B C Joshi's claim that the ISI paid Somalis to attack Indian troops, the projection of the ISI as a larger-than-life organisation became complete. Not only was it convenient for the government to deflect attention from its own perfidious role during the demolition of the Babri masjid and the carnage of Muslims, but it also provided a stereotypical image of an easily identifiable enemy both outside and within the country, i.e., Pakistan and by association Muslims.

This association of Pakistan with Indian Muslims has not been denounced by the government. On the contrary, the ministry of defence in its annual report for 1993-94 speaks of "several anti-India groups...being used to engineer communal violence" by Pakistan. Considering the overwhelming evidence of anti-Muslim carnage the reference to "groups" is a euphemism for Muslim groups. Whatever ambiguities were there, were removed when the army issued a self-serving statement on the attack by 50 jawans of the 9th Garhwal Regiment at Langar Hauz police station on February 2. It was claimed that "the hand of Inter-Services Intelligence of Pakistan or some anti-national elements in the setting of the houses on fire cannot be ruled out. Its link with the gruesome murder to provoke the army is also plausible". Whitewashing the criminal deed did not stop here. A press statement by the army in Tezpur bemoaned the "spread of Muslim fundamentalism among immigrants". It voiced concern that "ULFA is recruiting Muslims... to please their members - Bangladesh-based agents and Pakistan's ISI". That this feeds the anti-minority hysteria being generated by the Sangh parivar is also clear from the fact that there is no official mention of the threat posed to the country by communal-fascism which time and again has brought India to the brink of major crisis, sapping it of the strength to withstand external interference.

This paves the way for fantastic claims to make their appearance in print. For instance, a leading economic daily (*The Economic Times*, March 4, 1994) carried a New Delhi datelined story alleging that a joint venture between Nepal's Himalayan Bank and Pakistan's Habib Bank will lead to the

financing of "clandestine activities" against India; that the bank will be a conduit for the ISI; etc. It was shown that the story was full of inaccuracies, but the proliferation of such stories has fed into anti-Pakistan hysteria and their refutation does not undo the damage.

In Hyderabad during the recently held Ganesha Chaturthi, addressing a large crowd VHP leader Sadhvi Rithambara made a provocative and incendiary speech threatening to convert every mosque into a temple, and said that some blots on the country cannot be washed by water but require blood. Such verbal violence evoked no response from administration; but in the same city allegations by the RSS can result in deaths.

A BJP leader and VHP activist Nandraj Goud and Paparch Goud were killed sometime in June 1993. The Sangh parivar promptly accused "ISI backed terrorists". The police killed three young Muslim men and said the "killers" of the BJP leader were shot dead. Now the wife of the slain BJP leader Lalitha Goud in a public statement has blamed a group of BJP leaders for killing her husband and said that she had herself told L K Advani, who airdashed to Hyderabad last year, of this fact. Despite knowing this Advani went on to accuse the ISI of the killing. The alacrity with which the police went on to kill three young men on RSS allegation and their own suspicion, says something about the mutually beneficial ties between the police and the Sangh parivar.

Indeed, government agencies do not hide their communal prejudice. Army headquarters issued an order on April 25, 1994 discounting leave for Friday prayers by Muslims. The order said that it was withdrawing "all such concessions which might be regarded as a communal nature". Ironically on October 8, 1992 the same army headquarters had said that "the ministry of defence has clarified that one hour for prayers will be allowed to Muslim employees on Friday with pay". The strange thing is that the army is not asked to explain why there is this sudden awareness about concessions of a "communal nature". Why single out the Muslims when religious appeal forms the basis of armed forces training of jawans?

While the ISI becomes an omnipotent force, the calibre of evidence linking it to Indian Muslims is too poor to carry any convention. The latest instance of the central intelligence bureau-led raid on the famous Lucknow Islamic institution, Darul Ulum Nadvatul Ulema, for apprehending alleged ISI agents, only confirms the need to interrogate the ideology of internal security. It should be noted that when anti-Muslim fervour is aroused, the demand for serious evidence in support of such claims is suspended. It would not be unreasonable to read into this the actuality of antipathy towards Muslims, the most poignant

expression of which is manifest in the issue of Babri masjid.

AND TWO BACKWARD

Considering that the demolition of Babri masjid horrified people at home and abroad, not much has been done by way of rectifying the wrong. The only reference in P V N Rao's public meeting at Delhi on July 14 was that the VHP-backed trust will not be allowed to build the temple; not once did he refer to the demolition of the Babri masjid - not surprisingly, since vandalism has been sanctified right from the beginning. When the wounds were still fresh, justice H N Tihari of the Allahabad High Court ruled that 'darshan' of the Ram idols be allowed, and the state government then under central rule did not bother to challenge the judgment. Through an act government acquired the 2.7 acres of land on which Babri masjid stood; this not only took away a place of worship that belonged to Ayodhya Muslims but under the act the government empowered itself to transfer this property to another community! Little has been done for rehabilitating the Muslims. Instead, just when a semblance of normalcy was creeping in the local administration promptly served notices on those who had begun rebuilding their homes, for constructing without municipal permission. Yet again, with the excuse that ISI-trained Kashmiri terrorists might strike somewhere in Ayodhya, Muslims were asked to inform local thanas if guests arrive to stay with them. The incongruity of killers walking free and their religious sensibilities considered at a premium, while victims were being harassed, has escaped comment.

Ayodhya has become the hallmark of our claim to be a civilised democratic country. Hardly anyone voices the demand for reconstruction of the mosque, let alone that the guilty be arrested and prosecuted. Some use the specious argument that Muslims would much rather forget it, while others feel that the better course is to be cautious lest it provides a "handle to the Sangh parivar to mislead the people". There are indeed a few who even express the apprehension that since "opinion polls" show that Hindus oppose reconstruction, to go against the majority view would be politically suicidal, and that the RSS would incite trouble and disturb 'communal amity' which today is the highest priority. All therefore end up pandering to the Sangh parivar, the result being that none feels that justice and the rule of law are the bedrock of democratic functioning and that any dilution in this stance would be to countenance government's violation of its constitutional duty. As a result the government is allowed to create the illusion that Babri masjid is a non-issue; that the issue is the 'structure' that existed; and that government was not a party to the demolition. As a result, until

the formation of the SP-BSP government – which incidentally won all the assembly seats from the Faizabad-Ayodhya area – little was done to restore hope among the local Muslims.

Another instance of the government kowtowing to Hindu chauvinism is available from the formation of a “non-political” trust; in bringing this about, the prime minister’s office and senior officers were directly involved. Last March the PM himself met the shankaracharya of Dwarka and Jyotirpeeth, Swaroopanand, and mooted the idea of the clergy constructing the Ram temple. The shankaracharyas has long been the key to Congress efforts to usurp the Sangh parivar’s Ayodhya plank. In this game of one-upmanship the shankaracharyas not only insist that they too will not abide by the Supreme Court’s judgment but that the sanctum sanctorum will be the same as earmarked by the VHP. There is little difference between the two ‘trusts’.

What this implies is the conspicuous absence of efforts to undo the wrong. There are several points of law involved. The entire land including the area surrounding the demolished Babri masjid vests with the waqf board. The central government acquired a little over 67 acres of land in and around the site through a presidential ordinance in October 1990. Portions of this land were already the subject of dispute before the Lucknow bench of the Allahabad High Court. In January 1993, the government acquired all this land and imposed the status quo which sanctified vandalism. It then went on to request the Supreme Court for its “opinion” on “whether a Hindu temple or any religious structure existed prior to the construction of the Ram Janmaboomi-Babri masjid in the area on which the structure stood”. This is after the Sangh parivar demolished the mosque, set up a makeshift temple, and conducted anti-Muslim carnage in various parts of the country. Instead of rejecting its maintainability, the Supreme Court after a length of time asked the government to stop making “off the cuff remarks” and make “explicit” if they will abide or not by the “opinion”. The government refused to commit itself to building a mosque even if the Supreme Court ascertains that no Hindu temple existed before the construction of the Babri masjid.

The statute of limitations itself would have been enough to dismiss the reference sought; therefore one cannot ignore the implications of asking the judiciary to adjudicate on fabricated myths which form the basis of the RSS’ outrageous claims. While the Supreme Court rejected the “reference” it did declare that the faith of Hindus is superior, never mind the criminal conspiracy that resulted in the demolition of a mosque. It did so by completely ignoring the original crime of December 1949; by describing the criminal act of planting idols as “shifting of the idols”;

by upholding the right of Hindus to offer prayers; and by claiming that Muslims do not require a mosque to offer ‘namaz’. What is more is the absence of contempt of court proceedings against the Sangh parivar, either by the court or the government, thus suggesting that violation of pledges given to the highest court and the act of vandalism is of no judicial concern.

Apprehensions that justice is being devalued are reinforced if one also looks at the Justice Liberhans commission, set up in December 1992 to investigate the demolition of the Babri masjid. Before it even began working there were moves to dissolve it last January; after the news was leaked the government backed down, but the commission is working at an indifferent pace. It took the commission one year to get its act together and issue notices to various parties. As a measure of our resolve the media does not even cover the proceedings of the commission as and when it convenes. The government provided a list of 57 witnesses to depose before the commission. How many witnesses have deposed, approximately how long they will take to complete the investigations, and by when they will submit their report to the government, are not known.

With those implicated moving about freely, free both to continue with their inciteful activities and to wipe out evidence, the government is engaged in wiping out the memory of what led to, took place during, and followed the demolition of the Babri masjid. The failure to provide justice bolsters the feeling among Muslims that their plight is on account of their Muslimness, and that the government will do its utmost to placate the victimiser because of religious affinity. This not only aggravates polarisation around religious lines, but it helps the Sangh parivar to rehabilitate itself in civil society by making its crimes against the minorities appear as mildly disagreeable.

REHABILITATING THE AGGRESSOR

Since the RSS is seen as a Hindu nationalist force, in confronting the challenge posed by it decision-makers make concessions, blunting the struggle against them. No matter how violently anti-Muslim they may be, since nationalism is not a pejorative term their patriotism is regarded as above question. In this sense not only does the RSS get politically rehabilitated but its ideological campaign receives a boost. It is then convenient to push the argument that the RSS cannot be wished away and that different means have to be adopted to contend with them.

Seen thus, the casual manner in which the government has gone about first banning the RSS and its front, forming a tribunal headed by a judge who dismissed testimony of key eyewitnesses, and then ensuring a weak case

which no court could uphold, was no more than a temporary discomfort. This enabled the Sangh parivar to bounce back politically. The VHP remains banned in name only and is without let or hindrance free to conduct its vicious campaign, including openly threatening to initiate a call for destroying the Gyanvapi mosque in Benares and Jami masjid, Mathura. The Bajrang Dal boldly announces the start of its ‘military operations’ to “rescue” cows from May 22 when Muslims celebrate Id-ul-Zuha. In fact, when the Sangh parivar staged a protest in Punjab against Punjab Meats (September 23) on the ridiculous grounds that Indians are “vegetarian”, the state government-owned plant management made it known that the plant would not be commissioned without consulting the “aggrieved organisation”, i.e. Sangh parivar. It is then not surprising to read of the ruling party giving Atal Behari Vajpayee, leader of the BJP in parliament, the GB Pant award for best parliamentarian – an exhibition of its ideological proximity with the RSS. He also was chosen to head the delegation which went to defend the government’s abhorrent human rights record in Kashmir.

CONCLUSION

Taken as stray instances these appear to form no pattern. Nevertheless, they cannot be brushed off as exaggerations or as reading too much into them – what they express is a deliberate promotion of an enemy image, where after a point distinctions among Pakistan, the ISI, Muslim fundamentalists and Indian Muslims get blurred. The acute sense of insecurity generated among Muslims is the other side of the suspicion about them planted in the minds of the rest. Whereas propaganda about the ISI compels Muslims to give proof of their loyalty, the government’s handling of the Babri masjid issue becomes a reminder that the democratic space within which they thought they existed has shrunk to a point where even brazen discrimination evokes little outrage. That this provides a handle for those who have a stake in perpetuating hostility towards Muslims is obvious. But the underplaying of such by secular democrats politically isolates the minority. For instance, the plight of the young girl Ameena married to an old Arab rouses the middle class conscience, whereas the marriage and rape of Anita last May goes unnoticed. Or else Muslim fury over *Satanic Verses* becomes a ready refrain but there is no fury over the code of conduct imposed on the Hindi film industry in which no one can condemn the demolition or the demolishers of the Babri masjid or mock at Ram, Sita, etc. This dichotomy in attitude is clear when the so-called Muslim intelligentsia meet receives a pat on the back without anyone bothering to ask if there is not a need for the Hindu intelligentsia meet

too? The question is not if one wrong makes the other right. It is the consistency with which Muslim issues, events, and personalities become stereotyped symbols and reappear as self-evident facts.

To place the threads of the argument together, what becomes important is that the policies and pronouncements of the government have played a preponderant role in perpetuating and promoting community differences. The deliberate ambiguity maintained by the government between the ISI and Indian Muslims in no way stops anyone from arresting, torturing or killing under mere suspicion or accusation. Discrimination apart, a feeling is created that Muslims are being singled out for humiliation and attack. The EC-led move to delete the names of Muslim voters shows the advancing of 'Hindutva' ideology, if not the appeasement of the Sangh parivar. In such a climate, when political parties and other corporate bodies take the posture of being against all kinds of communalism and are unable to make a distinction between victim and victimiser, then faced with private and government coercion community solidarity gets a boost. As a corollary, under the refrain of fighting "all types of communalism", the threat of the RSS gets muted.

This is enough to cause Muslims to become reluctant to express their views in public meetings, for example, when the Babri masjid issue was brought up; and few dare to condemn the terror let loose in Kashmir lest they be accused of disloyalty. This hesitation is a measure of the attempt to silence and disarm them, to sharpen their feeling of being different – and all this is cynically used by the government to its own ends.

This tends to provide the rationale for ideologies of identity politics. While one side sees the need for this in view of its persecution, the other side sees it in being privileged; to the extent to which one group feels constrained, the 'other' feels emboldened. If this appears to be a zero sum game it is not surprising – this is how it is perceived by various public and corporate personalities. Just as the government's discrimination emphasises Muslimness, the official endorsement for key elements of the Sangh parivar agenda acts as a fillip for 'Hindutva'. While it appears that each feeds into the other, in reality the two sides are unequal; one is persecuted and the other privileged.

The remarkable thing is that an alternate course was possible. The government could have, instead of mollicoddling the Sangh parivar, opted for restoring people's belief in the fairness of public institutions and desisted from pandering to religious sentiments. In reading criminal activities as acts of faith and the faithful, gross democratic rights violations were condoned. Since the struggle for democratic rights did not remain at the centre of Indian politics after the emergency, overarching principles of rule

of law got discounted in the name of a hierarchy of interests, in which 'national interests' as defined by the rulers become sacrosanct. The phobia about the threat to independence and the evocation of the imagery of fifth columnists always deflates the importance of internal freedom. Consider that the army headquarters has set up several task forces for areas where insurgency is said to prevail, as well as a special group for monitoring the communal situation. No one asks why the army with its evident bias should be engaging itself in police matters. Such slippages question the commitment of the Indian ruling classes to democratic functioning. If the struggle for democratic

rights remains alive it is due to movements on the periphery of 'mainstream' politics. Indeed, democracy in the minds of articulate sections is becoming associated with lawlessness, and popular scepticism about the conduct of politics is read as apathy and cynicism. This is often attributed to the alienness of 'western' political concepts and institutions in India, especially when discussing secularism and the concomitant insistence that religion be separated from state. This political climate is tailor-made for the generation of fear psychosis, which tends to obfuscate social differentiations and allows the special interests of the ruling classes to retain their dominance.

Russia's War of Attrition in Chechnya

P L Dash

Though Russia may eventually subdue Chechnya, the prolonged war has exposed the authoritarianism of Yeltsin.

IN recent years, Decembers have visited Russia with a distinct difference. In 1991, it was the Soviet disintegration. In 1992, it was the climax of a classic clash between the president and the parliament. In 1993, it was the emergence of ultranationalist phenomenon of Vladimir Zhirinovskiy, and in 1994, it was the Chechnya war when in December 1994 Moscow failed to strike an accord with Grozny on the limits of Chechnya's autonomy within the Russian federation, clouds of war began to hover over Northern Caucasus. What began purely as a political tussle between Moscow and Grozny in 1991 turned into a savage war in 1994-1995. Yeltsin faced a dilemma: to attack or not to attack. The fears of separatism spreading from Chechnya to other non-Russian regions, the strategic interests of Russia in the Caucasian southern rim, the economic factors connected with the gas pipeline, a major highway and rail line running through Chechnya, and salvaging Yeltsin's own plummeting popularity were major factors responsible for Russia's entanglement in Chechnya.

After too much of insult and injury, Russia has won a partial victory over Chechnya. Yeltsin has found it extremely difficult to resolve this problem or walk away from it. The fears of acting liberal, as Gorbachev did under perestroika, might have precipitated impending dismemberment of Russia. Although this has not happened, the euphoria of behaving tough has left Yeltsin in the lurch. Saddled by these two extremities of soft and tough options, Yeltsin chose military might with cluster and needle bombs to resolve an ethno-politically sensitive conflict.

HISTORICAL BACKGROUND

Chechnya lies in the North Caucasus along Terek river. Known through the Soviet years as Chechen-Ingush ASSR, it had a combined territory of 19,300 square kilometres and a population of 1.22 million. The landmass of Chechnya falls into three geographical regions: the main Caucasus range in the south, the river valleys of Terek and Sunzha from west to east, and the rolling plains of Nogay steppe in the north. Broadly, three groups inhabit the area. They are the Chechen-Ingush who comprise 60 per cent of the population, the Russians who form 35 per cent of it and the numerous Caucasian nationalities making up the remaining 5 per cent. The ethnic composition has tended historically to create a religious divide between the Russians, who are Slavs, and the Chechen-Ingush, who are Muslims. Ever since the Persian campaign of Peter the Great in 1722 that resulted into Russian colonisation of the region, both sides have nurtured a sense of animosity on the basis of religion. It was around this time in early 18th century that the Chechen-Ingush were affirming their ethnic names. The Nakhcho tribe from the mountain village of Chechen came to be known as Chechens and the Galgay tribe from the village of Angush was subsequently known as Ingush. By close of the 18th century, both these tribes were known as 'Vaynaks' [FBIS report 1992: 26].

The Vaynaks rose against the Russian dominance under the leadership of Sheikh Mansur in 1780 and were brutally quelled by the Russian army in 1789. The Chechen liberation efforts took an intense turn when Yevgeny Yermolov was appointed governor general of the Caucasus in 1816. He speeded

up the colonisation process after successfully annexing Azerbaijan and Georgia. Yermolov wrote in his memoir, "Along the lower reach of the Terek river live the Chechens, the fiercest of the brigands, who attack the line... They can justly be called the liar of all brigands" [FBIS report 1992:27]. In the face of mounting Russian attacks, the Chechen-Ingush had formed 'abrek' or mountain bands who continued the guerrilla warfare against the Russians till the fall of the tsarist empire in February 1917. After October 1917 the bolsheviks made sustained efforts to bring peace to this region. Four months of talks ended in a peace agreement in February 1918, establishing Soviet power in Terek Oblast.

The Soviet power consolidated in Chechen-Ingush in three stages. In the first stage the Soviets regained control over the region by defeating the white guards in March 1920 and set up Gorskaya Autonomous Republic in November 1920 that included Chechen-Ingushetia. Two years later, in the second stage, Chechen Autonomous Region was created followed by the establishment of Ingush Autonomous Region in July 1924 [Biryukov nd: 96]. The intervening time between 1924 and 1935 witnessed two opposite tendencies: The unifying efforts of the Soviet power that aimed at merger of the two regions, and the anti-collectivisation drive. Anti-Soviet uprisings against the ruthless methods of collectivisation continued to wreck havoc until 1934, when the Soviets succeeded in creating a combined Chechen-Ingush Oblast with Grozny as its capital. In the third stage this Oblast was transformed into Chechen-Ingush Autonomous Republic in December 1936.

After the consolidation of Soviet power, repression against anti-Soviet elements became severe. In August 1937, a special operation was conducted in which "more than 10,000 people were arrested in Chechnya, Ingushetia and in the city of Grozny. Numerous trials were held and virtually all leaders were arrested" [FBIS report 1992:28]. In second world war the Chechens and Ingush suffered further misery at the hands of Joseph Stalin. They were deported to Central Asia and their republic dissolved. In 1957, Nikita Khrushchev restored the Chechen-Ingush Autonomous Republic and resettled its deported inhabitants. However, some of the territories of Chechen-Ingushetia were annexed to neighbouring regions such as Stavropolskii Kray, North Ossetia, Georgia and Dagestan.

GENESIS OF CRISIS

The imprints of Gorbachev's perestroika on Chechen-Ingushetia were felt belatedly. Communist party chief, Vladimir Foteyev, and his deputy, Pavel Gromov, enjoyed full powers and controlled Chechen affairs. In

1988 when glasnost permeated to the grass roots, criticism of communist ideology and the functioning of the leadership became prominent. Relative freedom of the press brought to light public dissent. Like in other republics of the former Soviet Union, issues of democracy were taken up along with ecological problems faced by Chechnya. In February 1988, a construction engineer of the Gudermes Biochemical Plant, Ruslan Ezbulatov, published information about his plant producing lysine, a health hazard for Chechnya. This information sparked revolt in the republic. Mass demonstrations demanding ban on the production of lysine followed. This was the genesis of confrontation between the communist authorities and the democratic public. In April 1989 Doku Zavgayev was elected as the deputy, who subsequently became party first secretary in June 1989, thus ending the era of Foteyev.

On November 23-25, 1990 Zavgayev organised the Chechen National Congress in Grozny. The demand for Chechen sovereignty dominated discussion in the congress and Zavgayev promised to promote national rebirth of Chechnya. By the winter 1990 a number of nationalist parties such as the Chechen Popular Front, Islamic Party of Rebirth and Islamic Path Party were active. While the government of Zavgayev was pursuing a centrist policy, the nationalists were pursuing the objectives of Chechen independence. Conflicting views of the leaders of these parties led to infighting within the Chechen National Congress in December 1990. Around this time Major General Dzhokhar Dudayev was elected the chairman of the executive committee of the Chechen National Congress. This was the beginning of the confrontation between the centrist Zavgayev, who followed the Gorbachevian course, and the radical Dudayev, who followed the Chechen nationalist course. The August coup in Russia hastened the pace of Zavgayev-Dudayev conflict. The climax came on September 1-2, 1991 when the congress met in Grozny and declared the Chechen Supreme Soviet overthrown. It handed over powers to the executive committee of the Chechen National Congress led by Dudayev [FBIS report 1992:37].

The following months were hectic. Yeltsin at the helm of power in Kremlin knew the danger of Chechnya separatism, and sent Ruslan Khasbulatov and Gennady Burbulis to negotiate with Dudayev. Meanwhile, on September 15, 1991 Chechnya and Ingushetia were separated as independent republics. Dudayev headed for presidential and parliamentary elections slated for October 27, 1991. When Dudayev was elected president of Chechnya and his National Congress won a landslide victory, Moscow quickly declared the results of

elections unlawful and started to create hurdles for Dudayev. Thus, long before the Russian invasion began last December, warfare was going on between pro-Kremlin and pro-Dudayev forces for the past three years. The Russian president, on the threshold of Soviet disintegration in 1991, imposed an emergency only to rescind it two days later. This resulted in the withdrawal of Russian army units from Chechnya. However, Moscow's surrogate, Umar Avturkhanov, a rich Chechen merchant, was elected the mayor of Nadterechny district in December 1991 and Moscow pursued its policy of proxy war through him in Chechnya. Ever since the pro-Moscow opposition formed a provisional committee headed by Avturkhanov in June 1994, Moscow supplied 40 billion rubles in cash, besides a fleet of 70 tanks and combat gunships with crew [Moscow News Weekly December 2-8, 1994]. Despite all these odds, Dudayev continued to consolidate his power.

When all 15 constituent republics of the former Soviet Union became independent, Dudayev failed to understand why his tiny Caucasian state with its distinctive heritages should not become independent. He pursued the matter vigorously with Yeltsin who throughout his presidential campaign in 1991 summer had consistently advocated that Russia had no imperial ambitions and that every constituent unit of the Soviet Union had the right to become sovereign and independent. This right was in fact embodied in the Soviet constitution. In 1992, some new Chechen leaders like Beslan Gantemirov, Yusup Saslambekov, Ruslan Labazanov and Yaragi Mamodayev joined hands with Dudayev. Mamodayev subsequently became the prime minister of Chechnya and resigned when Dudayev dismissed the parliament in the spring of 1993. After the parliament was dissolved, Gantemirov, Labazanov and Avturkhanov spearheaded the opposition while Dudayev headed the Chechen government. Open clashes between the two groups continued intermittently. The opposition sought Moscow's active support to restore constitutional order in Chechnya. Despite Moscow's generous support, the Labazanov faction was routed on September 3, 1994, at Argun. On November 26-27, 1994 Dudayev's forces were able to do away with the opposition. Thereafter, the Chechnya crisis took the form of direct confrontation between Moscow and Grozny, and between Dudayev and Yeltsin.

DIFFERENT PERCEPTIONS

No sooner did the crisis in Chechnya begin to unfold, it became clear that there existed differing views not only on the conduct of military operations, but also on the constitutional issues. Yeltsin was guided

by his constitutional provisions. Article 42 of the Russian constitution says, "The state unity of the Russian Federation will be secured by the integrity of its territory... and the territory of the Russian Federation will be integral and indivisible". Since Dudayev threatened this integrity, Yeltsin considered him a gangster, and not the president of Chechnya. On the other hand, Dudayev did not consider Yeltsin a Russian citizen nor Chechnya a part of Russian federation. At a time when most voices of secession had receded, Chechnya's revolt threatened to unleash another phase of breakaway syndrome.

Where Yeltsin vastly differed from his colleagues was whether or not to use military force to settle the three year-old political and territorial dispute. Yeltsin favoured using force whereas his fellow Russians disagreed. Nearly all Duma members opposed invasion. They wanted the issue to be negotiated with Dudayev. Disillusioned with the attitude of the Duma, Yeltsin invited the upper house or Federation Council to consider three questions: (1) Should the Russian constitution continue to apply to Chechnya or is the council prepared to amend the constitution to let Chechnya secede? (2) If the government is to negotiate with Dudayev, as nearly all of the parliament wants, is the parliament ready to rescind measures that call Dudayev's regime illegitimate? (3) If there are to be elections in Chechnya, as some propose, what are the circumstances in which they could be held? [*Economist*, December 1994].

After a lengthy debate, the house was near unanimous about a peaceful solution and members urged the president to grant amnesty to the Chechens, if they surrendered their arms before December 15, 1994. The ultimatum was of no avail and Yeltsin decided to use the military. To Yeltsin's embarrassment the commander-in-chief of the Russian armed forces, General Eduard Vorobyov, tendered his resignation, refusing to assume control of the Russian military operation in Chechnya. At least five generals expressed their reservations about the campaign [*The Times of India*, January 7, 1995]. The generals categorically warned the president that the mission in Chechnya was not going to be smooth. A group of deputies who visited Chechnya to negotiate with Dudayev sent telegrams to the president to immediately stop the assault even after their peace talks with Dudayev broke down. Yeltsin's dithering perceptions were clearly evident when he informed his countrymen on the Russian television, "the first stage in settling the crisis has been completed and the ring around Grozny was tight" [*Time*, January 9, 1995].

However, eyewitness account on the eve of the Chechen expedition was different. It conveyed to the people the debacle facing

Russia and the possibility of a protracted guerrilla war. The Russians became circumspect of their president when the chairman of the human rights commission, Sergei Kovalev publicly remarked that blood was being spilled in Grozny not to solve the Chechen conflict but to drain the strength of Russia's weak democracy. The Russian defence minister, Pavel Grachev, was overconfident of winning a mini war over little Chechnya. He grossly undervalued the strength of the Chechen fighters and their fervour to uphold Chechen nationalism. Grachev seemed more loyal to Yeltsin than to ground-level reality. Mounting criticism came from all quarters as reports of initial failures trickled in from Chechnya. Russian orthodox patriarch Alexei II stated, "no one can remain indifferent to the death of peaceful civilians". Former president Mikhail Gorbachev called the war "a bloody and disgraceful adventure". Pro-Yeltsin reformist-democrat, Grigory Yavlinsky told Yeltsin; "Boris Nikolaevich, resign! Do not wash Russia with blood" [*Time*, January 16, 1995].

RUSSIA'S INTERESTS

Several factors forced Yeltsin to take recourse to the option of force. Strategically, Chechnya is located in Russia's Caucasian southern underbelly between the Caspian and Black seas. The region as a whole has remained tumultuous in post-Soviet times. The ethnic Armenians have been fighting with the Azerbaijanis in Nagorno-Karabakh conclave for the past eight years. Independent Georgia has been beset with the problems of Abkhazian and Adzharian separatism. South Ossetia has been demanding to secede from Georgia to unite with North Ossetia that constitutes a part of the Russian federation. Moscow has policed a truce between the two since 1991-92. The split of Chechen-Ingushetia in 1991 has created two separate entities in place of the earlier Chechen-Ingush ASSR. All these developments have remained strategically disquietening for Moscow. The propensity of such low intensity ethnic conflicts have severely jeopardised Russian interests in the region. In view of all this, events in Chechnya were not worth ignoring.

Politically, the Caucasus has remained unstable too. In the smallest of former Soviet republics, Armenia, president Levon-Ter Petrasyan has been carving out his own niche of democracy. In Azerbaijan, turbulent political events have swept to power former communist Gaidar Aliiev, and in Georgia former Soviet foreign minister, Eduard Shevardnadze is having a tough time. These leaders are no longer able to safeguard Russia's political interest in the region as trusted allies. At this juncture, Russia's total withdrawal from Chechnya is bound to facilitate further instability in the region.

Leaving Chechnya to follow its own course will have far-reaching constitutional and political repercussion in Russia.

Economically, Russian interests in Chechnya are in the gas pipeline that runs westward through Chechnya from the Caspian basin. There are also vital transport links. The Moscow-Baku highway and railway run through Chechnya. Chechnyan independence will sever Russia's vital transport links with the Caucasian states. This will cause severe economic constraints for Russia and in the region. Yeltsin wished to prevent this happen. Thus, a combination of strategic, geopolitical and economic factors has driven Yeltsin to engage troops in Chechnya.

Critics, however, relate a different version. They feel Yeltsin's Chechnya invasion is "a badly miscalculated attempt to boost his own sagging popularity. Yeltsin's approval rating in opinion polls has slipped to less than 40 per cent, down more than 20 per cent from a year ago" [*News Week*, January 9, 1995]. According to the Russian centre for public opinion and market research the forced march to Chechnya was condemned by 57.7 per cent Russians on December 5-6, 1994 and by 69.9 per cent on December 11-12, 1994. Defence minister Pavel Grachev's intention was to cover up widespread corruption in the Russian military which was brought to limelight by journalist, Dmitry Kholodov. After publication of his article in *Moskovskie Kuranty*, Kholodov was assassinated by unknown gangsters and investigations regarding the murder have run into a *cul-de-sac*. Finally, the newly liberated regions no longer obey the Kremlin command. Among the ex-Soviet republics, "Estonia declares ever more loudly its claim for the Pechorski district, Lithuania is closing the military transit to Kaliningrad, and Azerbaijan and Kazakhstan are locking horns with Russia for their rights to Caspian oil" [*Moscow News Weekly*, December 23-29, 1994].

YELTSIN'S MISCALCULATIONS

It was for the first time Russia was witness to televised live pictures of bomb-gutted buildings, burned corpses of its own soldiers soaked in blood and many pathetic scenes of wailing civilians in the midst of raging fire. Dudayev's Grozny sent to the Kremlin clear signals of an impending debacle awaiting the Russians in Chechnya. While 25,000 Russian troops backed by 300 armoured vehicles were marching to the centre of Grozny, reports of Russian tanks being destroyed in large numbers made the Kremlin shiver. After 15 days of fighting, it was reported that 1,000 Chechen troops were killed by the Russian soldiers [*The Times of India*, December 26, 1994]. The Russian casualty figures ranged between 12,000 to 13,000.

On the eve of 1995, all major Chechnyan cities such as Argun, Gudermes, Melgobek and Beslan continued to reel under Russian attack. Yet, Yeltsin was determined to continue his Chechnya war. Even when the Russian security council met to discuss the 'force option', Yeltsin began putting his proposal to vote without any discussion. Reports of military disaffection were gradually percolating from the Russian forces. General Ivan Babichev commander of Russian forces in western Chechnya, openly told, "It is forbidden to use the army against peaceful civilians. When I see the faces of these old women, it is as though I see the face of my own mother" [*News Week*, December 26, 1994]. Despite these reports, Russia continued its battle for Grozny, and after it succeeded in occupying the presidential palace, it found that Dudayev was missing. Dudayev probably had fled southward to the mountains to continue guerrilla war against the Russians.

As the military adventure in and around Grozny began to unfold, the vacillations of Boris Yeltsin became clear. He continued to make blunders repeatedly. First, he grossly underestimated the popularity of Chechen president, Dudayev. Secondly, Yeltsin, along with Grachev, undervalued the fighting motives of Chechen patriots. Disturbed by Russia's frequent incursions into their process of nation-state building at various times in history, the Chechens, headed by Dudayev, seemed determined to teach Russia a lesson in warfare. Those army men who defected to unite with Chechen forces were critical of Yeltsin. Some pro-democracy civil and military groups and human rights activists, who were staunch supporters of the president, began criticising him for mishandling the Chechen affairs. Thirdly, Yeltsin apparently did not exercise enough caution to gauge the sentiments of the Russians. Most Russians were averse to their country being dragged into another bloody conflict. The Russians comment that what was the last war of the Soviet empire in Afghanistan has virtually turned out to be the first war of Russia in Tajikistan. Enmeshed in an ongoing civil war in that Central Asian state, the Russians are fearful of another military entanglement. However, Yeltsin failed to realise what his countrymen had been increasingly feeling about. Fourthly, the Russian president had underestimated the Islamic undertones of the Chechen conflict. The organisation of the Islamic Conference that met in Casablanca in December 1994 endorsed the independence of Chechnya. Moreover, only after the reports of initial failures in Chechnya reached the Russian authorities that they realised that mercenaries from several Muslim countries like Afghanistan, Pakistan, Azerbaijan and Jordan were fighting with Chechen forces.

DUDAYEV'S STRENGTH

The fears, vacillations and miscalculations of Russia were known to the Chechen president Dudayev. As a top military personnel of the ex-Soviet army he knew the intricacies of Russian decision-making at the time of military crisis. As a commander of the strategic bomber division in Tartu, Estonia, and as a soldier privy to armed opposition to popular protests, Dudayev had gathered more experience than Yeltsin. He combined this rich experience with his expertise as a pilot engineer and major general while managing the crisis in Chechnya. However, the mainstay of his military support came from the armed forces of the Chechen republic, which he had formed on November 10, 1991 under his own chairmanship. On December 24, 1991 he also introduced a law for the 'Defence of the Chechen Republic'. This law introduced mandatory military service for all male citizens of the republic aged 19-26 years for a period of 18 months and those with higher education for a term of 12 months. The law also mentioned that anyone who does not wish to serve in the armed forces out of religious conviction must do labour service instead of regular duty [*FBIS report 1992:6*].

This law has placed under the disposal of the Chechen leadership the following units to carry out military missions: the president's personal guard of 30 to 50 men, two special purpose platoons of 50 men each, a detachment of the Islamic Path Party of 200 men, a headquarter defence platoon of 50 men, the border custom service regiment of 1,200 men, the mountain peoples' quick response forces of 100-150 men, the internal affairs ministry special forces of 50 men, and the Chechen national guard of 10,000 to 15,000 men [*FBIS report 1992:6*].

Ever since he came to power in the autumn of 1991, Dudayev has been veering his little state in Caucasus to total independence. War with Russia had become inevitable. In a bid to quickly enhance Chechnya's defence capabilities, Dudayev has made constant efforts. Most notable among them was his effort to possess Russian arms and ammunitions located on Chechnyan territory as of mid-1992. After he declared Chechnya independent, Dudayev insisted on evacuation of the Independent Military Training Centre from the region. The commander of the North Caucasus Military Area, General A Shustko, in a coded message requested Russian defence minister, Pavel Grachev to endorse his request and permit him to transfer some ammunitions to Chechnya as follows: 50 per cent of combat equipment of arms, 2 standard supplies of ammunitions, and 1-2 per cent combat engineers' ammunitions [*Moscow News Weekly*, January 20-26, 1995]. The sanction was given by Mikhail Kolesnikov, the current Chief of Russia's

General Staff. This action implied that Russia *de facto* recognised the Chechen republic headed by Dudayev.

Dudayev's support base continued to widen with the onset of Russian attack on Chechnya almost in an equal fashion as Yeltsin's rate of popularity declined in Russia. People living in Chechnya were awestruck by the ferocity of the Russian attack. Irrespective of their nationalities, volunteers came forward to fight against the Russian troops. They organised into informal bands of 20 to 50 men, elected their own commanders and began fighting in the streets with total loyalty to Dudayev. The support was so spontaneous that even a businessman, who left his home in Ukraine, used his personal funds to equip a band of 50 men [*Time*, January 16, 1995]. Chechens who lived in Russia supported Dudayev's mission for Chechen independence. Chechens living as far as in US and Canada threw their support behind Dudayev.

However, one solid base of strong support which the Russians totally overlooked was the Islamic world. The 'mercenaries' were in fact soldiers dispatched by various Islamic countries to fight against the Russians in Chechnya. This help flowed as a result of Dudayev's call for 'jihad'. Active support came not only from the neighbouring Dagestan, Kabardino-Balkaria and Azerbaijan, but also from distant countries such as Turkey and Jordan. Pro-Chechen sources said that Turkey even may close Bosphorus to hinder Russia's passage to warm waters. There were various estimates about Dudayev's financial strength. Rumours were rife in Moscow that in the bunkers of Dudayev, there were three billion US dollars, which was sufficient to pay for the mercenaries at the rate of \$ 1,000 per day of fighting [*Argumenty i Fakty 1994*]. The initial Russian retreat in the Chechen battle could be attributed to this adequate support base of Dudayev.

ADDITIONAL BURDEN

The Chechen war has now shifted gear. After the capture of Grozny by Russian forces, on January 18-19, 1995 the supporters of Dudayev have fled to the adjacent mountains. While the war has not ended, tentative estimates of loss of the warring factions have been published. They show that Chechnya expedition remains ignominious for Russia. Russian finance minister, Panskov is on record saying, "hundreds of billions of rubles have been pumped to Chechen battle". Other sources put the approximate figure at one trillion ruble [*Argumenty i Fakty 1994*]. The interrelated nature of problems involved in Chechnya makes it difficult to arrive at a sum total of Russia's financial loss in the middle of a continuing war. The entanglement for Russia has cost many

valuable human lives too. This loss is not only irreparable, but also most traumatic after Afghanistan. The continuation of the war in Chechnya makes it for Russia neither glorious nor victorious.

The war has created a major refugee problem in all neighbouring countries. The Russian migration service in the neighbourhood had registered 12,577 refugees in various republics. The Dagestan local administration had given figure of 8,500 refugees who were coming at a rate of 80 migrant families per day. As of December 19, 1994 Dagestan had registered 856 families. By December 29, the total number of people who fled Chechnya under the war conditions had touched 34,374 and it was expected to touch 90,000. In the Dagestan town of Khasavyurt 25,000 refugees, mostly women and children, took rest. Migration services spokesman, Yevgeny Chernayev revealed that the rate of refugee arrival had increased to 300 refugees per day. The mid-December refugee figures from Grozny provided by press centres of Chechnya and Ingushetia's parliaments were more than 15,000. Over 5,000 people (Chechens, Ingush and Russians) have fled to Ingushetia. 6,000 to 8,000 Chechens went to Dagestan and about 2,500 Chechens and Russians to Stavropolski Kray. The number has been constantly increasing. In the initial days of the battle, 700 people were killed from both sides, 1,500 were wounded and according to different sources 300 to 700 people were taken prisoners, including 120 Russian troops [Moscow News Weekly, December 9-15, 1994].

The loss of both sides in the combat operation was huge. On January 7, 1995 Russian defence ministry sources gave information about the Chechen losses. It said that units of Russian defence ministry had destroyed about 2,500 militants, as well as 26 tanks, 40 armoured vehicles, 63 artillery pieces and mortars, 129 vehicles, 3 MI-8 helicopters, more than 150 aircraft including 6 TU-134, 14 AN-2, 14 L-29 and L-39 planes and damaged over 100 L-29 and L-39 planes. A total of 167 firing emplacements and positions have been destroyed, 108 people taken prisoners, 340 guns, 9 tanks and 27 armoured vehicles seized" [FBIS report 1995:9]. These figures of loss not only reveal the strength of Dudayev's Chechnya, but also show his enduring capability to hold on before a much-vaunted Russian army.

Russian sources came out with further data on the war losses in Grozny in the first week of January 1995. According to them, by the end of December 1994, 2,000 Chechens and 800 Russian servicemen were killed. Other sources said 1,000 Russian soldiers were killed in the storming of Grozny. Russian Federal Migration Service put the number of refugees as of December 30, 1994 at 1,00,000 to 1,50,000. The rate

of applications received daily for migration was 2,500. Argun was completely destroyed by December 23, the centre of Grozny was annihilated and a number of suburban villages raged. The vice-president of Ingushetia confirmed that 500 Russian troops were taken prisoners in Grozny [Moscow News Weekly, January 6-12, 1995].

TEN LESSONS FROM CHECHNYA

(1) It was on the Russian territory the Russian army was deployed for the first time in post-Soviet times to launch attack on people, who are juridically citizens of the Russian Federation. These citizens are Chechen by their nationality does not minimise the gravity of the situation.

(2) By ordering army assault on Chechnya, Yeltsin has not only shown scant regards for rights of nations to self-determination, but has revealed some new features of handling sensitive ethnic matters by preferring martial democracy to democracy of consensus. Tactlessness, brutality, impatience, ruthlessness and obdurate approach are some of the features of Yeltsin's Chechnya policy that have exacerbated the crisis beyond resolve.

(3) At the most unfortunate moment of Russian history, the country has an impudent maverick like Yeltsin as president, who has created this crisis. He covertly groomed Dudayev by overlooking him for three years. And now, he has travelled his solitary path to Chechnya along with a handful of disgruntled soldiers to take revenge on Dudayev but at the cost of the common Russian.

(4) The intensity of the tragedy in Chechnya had overwhelmed even the Russian soldiers, some of whom had defected to side with Dudayev for as a matter of principle against the use of force on civilians. The arbitrariness of the presidential decision to deal with a political problem by military means without elite or mass support has revealed that Russia's decision-making process remains whimsical rather than democratic. When Yeltsin's repeated calls for a halt to bombing fell on deaf ears, doubts arose about the efficacy of his leadership and Russians questioned, "who is in control of the Kremlin?"

(5) The lessons for defence minister Grachev were devastating. As a chum of Yeltsin, Grachev has finally helped all his plans turn turtle. The crisis in Chechnya has defiled the political future of both, Grachev and Yeltsin.

(6) The long battle to take Grozny and the subsequent failure of the Russian army to capture Dudayev have evinced the weakness of Russia's political and military leadership. The echo of this weakness is likely to be heard on the ethnic frontiers of Russia which may have many a Chechnya in upcoming months.

(7) The ongoing war in Chechnya involving the Russian army will drain the country's treasury. The longer it continues, the worst it will become for Yeltsin's Russia.

(8) The Chechens are brave fighters, nay good merchants. They have used against Russia the very arms they had procured from Russia. The Russians have felt the boomerang effects of pilferage of their arms. They must learn to be ready, at least, to handle their loose arsenal cautiously.

(9) Strong support for Chechnya from the entire Islamic world tends to accentuate the wider ramifications of Russo-Chechnyan conflict. It is likely to influence the existing fissiparous risings throughout Russia and widen the divide between Slavic and Islamic peoples.

(10) Since force has little effect in democracy, arrest warrant against Dudayev may not help contain Chechnya within the boundaries of the Russian federation. Instead, it is likely to erode the fledgling foundation of Russian democracy. Chechnya has driven Yeltsin from the pinnacle of his popularity in 1991 to the nadir of his blunders in 1995. The gory memory of Chechnya will continue to haunt the Russians beyond the next year's presidential elections, maybe beyond the millennium.

However, three mutually inclusive possible scenarios have emerged recently out of the Chechnya crisis. They are: (1) The Kremlin has called for the creation of an interim administration until local elections can be held. Yeltsin has appointed deputy prime minister, Nikolai Yegorov, as his representative in Chechnya. The Kremlin has also given a two-point blueprint that envisages: (i) rebuilding of financial institutions, restoring oil facilities, paying pensions and other social welfare benefits to residents; and (ii) lobbying through the interim administration to persuade the leaders of Chechnya to hold elections [International Herald Tribune, January 21-22, 1995]. Alongside these peace initiatives, the Kremlin has unleashed terror on civilians and issued arrest warrants against Chechen leaders. (2) The second scenario is the resolute Chechen attitude to continue the battle with Russia to death. The Chechens have gone to the mountains along with their leaders and weapons to wage guerrilla war against the Russian troops. This is the most probable scenario to prevail there in upcoming months with intermittent fierce fighting. (3) The third scenario concerns a possible truce between Moscow and Grozny with Moscow recognising Chechnya's identity as a free nation. Only time will tell the efficacy of such a compromise, with or without Dudayev.

References

- Biryukov Valery (nd): *Peoples of the Soviet Union*, Soviet Land Publication, New Delhi.
 FBIS Report (1992): 'Political Guide to Chechnya', *Central Eurasia*.
 FBIS Report (1995): 'Daily Report', *Central Eurasia*.

Culture and Globalisation

A Non-Issue at World Summit on Social Development

K N Panikkar

In the absence of an adequate recognition of the cultural dimension, the agenda of the World Summit for Social Development in Copenhagen next month is incomplete and ineffective as far as developing countries are concerned. The National Report of India is no better. It does not go beyond listing the achievements of the state and as such is a misleading document for any meaningful discussion. For any rethinking on social development, the implications of cultural subjection have to be taken into account.

THE background literature put out to enable and enrich the discussion at the World Summit for Social Development meeting at Copenhagen on March 11-12 almost totally ignores culture as a crucial component of the three issues of the summit's concern—poverty, productive employment and social integration—except a very tangential reference to culture in the Draft Programme of Action. The draft says that "our societies are products of unique historical evolution, enriched by diverse cultures and languages and composed of different ethnic, religious and cultural communities... Government should protect the integrity of cultures and ensure that representatives of minority groups participate fully in defining the social policies affecting their lives". The Indian response embodied in the National Report prepared by the ministry of external affairs, which is replete with contradictions and internal inconsistencies, is completely silent over the cultural question, even while discussing social integration. The very concept of social integration is lopsided and inconsistent with the preamble of the report. The social integration is conceived in following terms: "Disparities in development across areas, regions and social groups combined with low level of income have led to the existence of certain marginalised groups who need to be integrated into the mainstream development. The National Plan attempts to fulfil this task through programmes for development of women and children, scheduled castes, scheduled tribes, minorities, other backward classes and the disabled" (emphasis added). Although, what is mainstream development is not spelt out, it should be clear that integration so envisaged would impair the social and cultural specificities of these groups. The impact of the new cultural situation arising out of globalisation is likely to be more disastrous for the identity of these groups. The preamble of the National Report like the fact-sheet of the UN celebrates the right of the individual to live in a manner that suits him, yet it is completely silent about

the forces which would make such a choice almost impossible. This omission is indeed very strange, but not altogether surprising.

There is an obvious disjunction between the stated objectives and commitments of the summit and the realities obtaining in countries currently subjected to the global economic and cultural forces. The UN backgrounder on social integration claims that in "the context of sustainable human development, social integration is a synonym for greater justice, equality, material well-being and democratic freedom that implies equal opportunities and rights for all". Its manifestation, it is assumed, would foster "solidarity, inter-dependence, respect and cultural diversity and tolerance for non-mainstream life styles". At least in the realm of culture, the global context in which the summit is taking place tends to usher in a situation quite contrary to these expectations, since the cultural invasion promoted by the forces of globalisation threaten to annihilate the plurality and diversity which the summit pledges to respect and seeks to preserve. The national report has already given up tolerance for non-mainstream life, as it would be untenable with the liberalised market and globalised culture industry.

Today culture is an important component of domination, both of and within developing societies. The ideological apparatuses of state and of multinational agencies brought into being by technological revolution has ushered in this possibility. During the last couple of decades, culture industry in the capitalist west has undergone transformation beyond recognition. A very large volume of capital has gone into this industry. James Petras holds that one out of five of the richest North Americans derive his wealth from the mass media and that cultural capitalism has displaced manufacturing as a source of wealth and influence. Aided by technological innovation, particularly in the field of electronics, cultural products have swelled in volume and their scope and reach have phenomenally increased. They cannot be

contained any more within national boundaries as they are too restrictive for effective and profitable operations. Transgressing these boundaries in quest of new pastures has been made possible by the pressure exercised by capital over developing societies. Therefore, cultural imperialism is the order of the day, but at the same time, culture is being deployed as an instrument of imperialism. These two functions of culture in contemporary world are closely enmeshed, but a distinction does exist. The former is an expression of cultural capitalism, whereas the latter acts as the ideology of imperialism. Both serve imperialism and global market forces, yet the distinction is important and significant, as culture is now both a mask and a sword in the imperialist armoury.

Cultural imperialism legitimises itself on the plea that in modern times isolation is neither possible nor desirable. There is no place for closed door policies any more, as the world is moving towards a global village. The cultures, therefore, have to meet necessarily and to enrich and universalise through mutual interaction. What is happening, however, is not such an innocent process of acculturation, permitting the acceptance or rejection of cultural elements based on freedom of choice. On the contrary, the power differential inherent in economic relations determines the cultural interaction. What Gandhiji said is worth recalling in this context. Referring to the possible relationship with outside world, he had welcomed winds blowing from outside, provided it did not lead to uprooting. Such is not the situation today. The exogenous cultural presence is not only unsettling the indigenous but also trying to hegemonise it for legitimising a concept of social development modelled on the advanced capitalist societies. That no such development is feasible is effectively concealed and the underdevelopment the new economic order would perpetuate is camouflaged. The national and comprador bourgeoisie and their ideologues, either wittingly or unwittingly, and for ideological and material reasons, is a part of this imperialist project. Their collaboration, however, reinforces the process of legitimisation and helps to mask the real and mystify the dominant as the universal.

If the Draft Programme of Action is any indication, the summit does not take adequate cognisance of the contradictions in the world social order. It underlines several laudable ideas like international co-operation, dignity and worth of the human person and better standards of life in larger freedom, but at the same time refuses to confront those forces which are likely to be detrimental to these ideas. It should be evident that these forces would use the summit for furthering their ideas. Unless the summit is geared to contend with them, its deliberations are not likely to be beneficial to the developing countries like India.

(Contd on page 375 after the Review section)

February 1995

Technological Implications of Structural Adjustment: Case of India
M R Bhagavan

Technological Capability in Indian Electronics
Industry under Economic Liberalisation
Dipayan Datta Chaudhuri

Indian Software Exports: An Assessment
Pronab Sen

Public, Joint and Private Sectors in Indian Industry
Evaluating Relative Performance Differences
Sumit K Majumdar

Refocusing India's Competitive Advantage in a Borderless World
Challenges to Corporate Sector
S L Rao

REVIEW OF INDUSTRY AND MANAGEMENT

Technological Implications of Structural Adjustment

Case of India

M R Bhagavan

As a result of the Structural Adjustment Programme adopted by the Indian government in July 1991, India now operates a virtual 'open door' policy towards foreign investment and technology in most areas of industry and infrastructure. The new policy regime is likely to intensify and accelerate the process of technological polarisation between the large and small scale sectors, and high tech imports will impede the design and innovation capability of in-house R and D units. An educated and skilled workforce is essential to economic development, and for this a new public policy for a radical transformation of the education system is needed.

I

Technological Scene on Eve of Structural Adjustment

WITH the benefit of hindsight, we can see four major periods in the evolution of industrial and technological policies of the Indian state, each period defined by departures from some of the positions taken in the previous period. The first period, 1950-1965, was marked by the state acquiring and keeping the lead in the producer goods sector, i.e., capital goods and some key intermediate goods, leaving almost the entire consumer goods and the non-strategic parts of the intermediate goods sectors to private Indian and foreign capital. During the second period, 1966-1984, the emphasis on state ownership and control of the strategic parts of Indian industry gradually declined, and the strategy of self-reliantly catching up with the west technologically was abandoned in practice (though not in rhetoric). The third period, which spans the years 1985-1991, signalled the retreat of the state from the 'commanding heights of the economy'. It initiated the entry of the private sector into areas formerly reserved exclusively for the public sector. It also witnessed a strengthening of the strategy of 'import liberalisation for modernisation of industry' which was set in motion already during the latter half of the second period. The onset of the so-called 'stabilisation and structural adjustment programme' in July 1991 heralds the start of the fourth period. (For a detailed presentation of the Indian government's industrial policies over the last 40 years, the reader is referred to Sandesara 1992.)

The conventional division of India's so-called 'mixed economy' into 'public' and 'private' sectors can be misleading. They are two sides of the same coin. It should be borne in mind that from independence (1947) onwards the strategic aim of those who wielded real (as opposed to nominal) power was to make India into a strong nation-state on the foundations of a strong capitalist economy. There was a convergence of views between the state and domestic private capital

as to their respective roles in this endeavour: the state would provide highly subsidised transport, communication and social infrastructure, as well as basic materials and energy (e.g., steel, chemicals, coal and electricity) required by industry (both private and public), impose barriers against imports and create highly protected domestic markets for the output of domestic industry; the private sector would accumulate capital and grow by supplying the domestic market for consumer goods. State intervention on behalf of domestic industry has been and will continue to be the key issue in the process of successfully industrialising any country, let alone India, as the literature on the economic development of Europe, North America and east Asia repeatedly demonstrates. (See the critique of the World Bank's 1993 report on 'The East Asian Miracle' in the special section of *World Development*, April 1994.) The question, then, is not whether the state should intervene, but how and how much. As a background to the analysis in this paper of how structural adjustment is likely to affect industry and technology in India, we will in this section briefly review the technological outcome of the state intervention practised over the last four decades.

During the first policy period (1950-1965), with its three first five-year plans single-mindedly concentrating on building domestic manufacturing capacity in capital goods, India had strong technical collaboration with both the west and the erstwhile communist bloc. But with the onset of the second policy period in the mid-1960s, technology transfer from the communist bloc began to decline in favour of increasing collaboration with western transnational corporations. By the mid-1980s, when the third policy period with its strong bias towards liberalisation had been ushered in, the former Soviet Union and eastern Europe were out of the picture altogether. Already by then, technology agreements with the OECD region were running into several thousands. Since then, the demand for, and the approval of, technology agreements have greatly

accelerated, as is evident if we note that during 1985-1990 the total number of new agreements approved were 5,203, which was 80 per cent more than the 2,916 approved over the preceding five-year period 1980-1984 [India-DSIR 1992]. These figures bear eloquent witness to the fruition of the quiet and implicit policy embarked upon in the early 1970s of abandoning the quest for self-reliant indigenous technological development. Official industrial statistics in India are now graced by a new concept of classification, the 'foreign collaborated firm', as in Wipro-Sun, HPL-HP, PSI-Bull, etc [Vyasulu 1993].

Let us now turn to the question of what actually has been achieved on the basis of this massive import of technology.

ANALYTICAL FRAMEWORK

The concept of modern technology we adopt is a broad one. Its 'embodied' or 'hardware' form consists of tools, machinery, equipment and vehicles, which together make up the category of capital goods. Its 'disembodied' or 'software' form encompasses the knowledge and skills required for the use, maintenance, repair, production, adaptation and innovation of capital goods, which are often also labelled in the literature as 'the know-how and the know-why of processes and products'. In our usage, knowledge and skills refer not only to scientific, engineering and technical abilities, but also to the skills associated with organisation, management and information. Hereafter we use the terms 'knowledge' and 'skills' interchangeably.

We find it analytically useful to classify modern technology into two broad types, standard-modern and highly-modern, on the basis of five indicators: automation, science-relatedness, research-intensity, dominant innovative skills and leading sectors [Freeman 1974]. These two broad types, which we hereafter denote by 'standard-tech' and 'high tech', are characterised respectively by 'medium' and 'high' values in their degrees of automation, science-relatedness and research intensity. For a

detailed exposition of this approach to technology analysis the reader is referred to Bhagavan (1990). The range of professional skills required for the regular use, maintenance, repair and production of the capital goods belonging to these two types of technologies depends of course on the specific industrial and infrastructural branches at which one is looking. In general, they comprise a large number, but not all, of the skill categories listed under the International Standard Classification of Occupations (Appendix 2), excluding those that come under sales, services and agriculture.

A country's capacity to innovate in standard and high techs presupposes the existence of a good base in the skills mentioned above. However, that is not enough. In addition, one has to acquire capacity in certain areas which are specifically innovation-oriented. Research scientists and research engineers represent the class of people with leading innovative skills. For much of the century-long duration of the standard modern era in the west (1860-1960), the research scientist and the research engineer worked individually without being tied to 'systems approaches'. The transition from standard to high tech, both in 'old' products (say, textile machinery) and in entirely new ones (say, digital telecommunication), depends crucially on systems approaches to solving problems. The innovations associated with the high tech area, and with the transition from standard to high tech in already known products, appear impossible without professionalised R and D entities in which research scientists and engineers, as well as system and symbol analysts, work as teams.

Roughly speaking, the transition from the standard-modern to the highly-modern era began in western Europe and north America in the 1960s. Some examples of the leading sectors that exemplify standard-tech capital goods and skills are steel, railways, electricals, automobiles, plastics, synthetic textiles and synthetic dyes. However, all these 'old' products have made the transition and are now available in their high tech avatars. Examples of entirely new leading sectors that have arisen with high tech are microelectronics, computers, digital and satellite-based telecommunications, robotics, informatics, biotechnology (based on genetic engineering) and new materials.

USING AND REPLICATING IMPORTED STANDARD-MODERN TECHNOLOGY

In the following we summarise the factors and measures that helped India acquire, within a space of 30 years (1950-1980), the capacity to use and replicate a great variety of imported standard-modern capital goods, as well as a few highly-modern ones. However, what has signally failed is the

apparent effort to acquire the capacity to design and innovate new standard-tech, let alone the very much more complex high tech. On paper, of course, the Indian state formulated a host of measures to generate this capacity. But no serious efforts were made to systematically enforce these measures and to create the environment that would oblige both the public and private sectors, as well as government-funded R and D establishments, to undertake technology designing and technology innovation.

Table 1 shows that imports of consumer goods had been drastically reduced already by the early 1970s in comparison with the other two sectors. By then India was meeting most of domestic demand for consumer goods by domestic production, importing mainly a small range of consumer durables for its high-income stratum that it was not yet making itself

Machinery dominated the import composition of capital goods, accounting for nearly 90 per cent by 1981. The average annual growth rates of imports of machinery and transport equipment were also very high right to the end of the 1970s, reaching nearly 17 per cent by 1980

Since, by the early 1980s, India had achieved a large capacity in domestic manufacture of capital goods, the question arises as to why imports of capital goods did not decline much from the 1970s level. The answer lies in the fact that although India had achieved near self-sufficiency in replicating standard-tech by the late 1970s, it was very far from doing that in high tech, on which was what the capital goods imports in the 1980s and beyond concentrated. Nearly 30 per cent of the capital goods imports in the early 1980s consisted of high tech such as electrical power machinery and switch gear, telecommunication equipment, computers, aircraft and ships [Bhagavan 1990]. In comparing the monetary values of imports, one should remember that the cost of even one high tech capital good, say, a long-range civilian jet aircraft, may be several orders of magnitudes higher than that of a large number of consumer durables, say, dishwashers.

India began exporting standard-tech capital goods from the late 1970s onwards, accounting by 1984 for 10 per cent of total value of exports [Lall 1990].

SKILL STRUCTURE OF WORKFORCE

One of the key indicators of a country's technological level is the skill composition of its workforce. The historical pattern is that employment in modern industry and infrastructure overtakes that in agriculture, as a country becomes more industrialised. And since substantial parts of industrial and infrastructural work require machine-related skills, a relative increase in industrial and

infrastructural employment can be taken to be a rough and ready indicator of an increase in the skill level of the workforce.

Looking at Table 2 we note that South Korea conforms to this pattern, but not India. Between 1970 and 1989, there was a massive shift downwards in agriculture's share of employment in South Korea by 30 percentage points (category 6), accompanied by a shift upwards in the share of industry and infrastructure by 12 percentage points (categories 7, 8 and 9). In India, there has been no shift at all in industry's and infrastructure's share of employment over the period 1971-1981. It is immobile at 13 per cent, while that in agriculture has decreased by more than six percentage points. That decrease is in effect a corresponding rise in unemployment, as the other sectors have also stayed motionless, as is clear from Table 2. Although the Indian data refer to 1981, the well-documented fact that there has been virtually no growth in employment in the organised registered sector of industry during the 1980s [Ghose 1993] let us infer that industry's and infrastructure's share of total employment in the early 1990s is very likely to be less than it was in the early 1980s. Thus, at a very aggregate level, we can venture the opinion that there has been no structural shift within the Indian workforce in the direction of increasing total machine-related skill content

Professional, technical and managerial personnel are of strategic importance in industrial and technological advance. Here too, India seems not to have undergone the kind of structural change that rapid technological progress requires. The figures for categories 1 and 2 in Table 2 demonstrate that over the 10-year period 1971-1981 these two categories stood structurally still at 3.6 per cent of the total workforce. There is no factor in the Indian economy that indicates that this figure may have moved up in the 1980s. Rather, the opposite is true. The measure of Indian non-performance becomes clear when compared with South Korea's strong shift towards higher skills as revealed by the four percentage point increase in categories 1 and 2 over the period 1970-1989.

SCIENTIFIC AND TECHNOLOGICAL MANPOWER

Under the strategy of relatively rapid industrialisation that India adopted after

TABLE 1: STRUCTURE OF IMPORTS OF MANUFACTURED GOODS: PERCENTAGE DISTRIBUTION OF VALUE OF IMPORTS BY BROAD SECTORS

Year	Capital Goods	Intermediate Goods	Consumer Goods
1970	16.7	73.6	6.8
1981	13.4	77.5	9.1

Sources: United Nations Yearbook of International Trade Statistics, various issues.

independence, there arose a sharply increasing demand for large numbers of literate workers skilled in basic industrial skills. The tradition of recruiting unskilled (and most often illiterate) labourers, and training them on the job to acquire the skills that any particular enterprise required, proved wholly inadequate. It was argued that the expanding secondary education system would meet this challenge.

On an average, about 15 per cent of the employees in industry and infrastructure belong to the skilled category. In theory, the supply of recruits into this group should therefore be easily ensurable by Indian secondary schools even at their current very low proportional intakes. One may be tempted to conclude that the supply of recruits for skilled work does not pose a problem in India. However, industrial employers would, in the first instance, be looking for vocationally trained candidates rather than fresh secondary school leavers. Therefore a better measure of the actual recruiting base would be the output of vocational schools that train pupils over several years in one or more industrial skills.

In the early 1980s, India was producing around 4,00,000 vocational school leavers per year, which was roughly 7 per cent of employment in manufacturing. This should be compared with South Korea's 8,40,000, corresponding to 40 per cent of manufacturing jobs [Lall 1990]. As mentioned earlier, the 1980s in India were the years of 'jobless growth'. So in terms of absorptive capacity, even the very modest output by Indian vocational schools (in comparison with South Korea's absolute figures, let alone on a per capita basis) was already too high for Indian industry.

Technicians take a midway position between skilled workers and graduate scientists and engineers. Their role is crucial in industrial development. Ideally, their work should consist of diagnosing and putting right major faults in a range of sophisticated equipment, and liaising among the planning, designing and engineering sections, leaving the actual implementation of the designs to skilled workers. However, in the absence of any significant design work in Indian industry at present, the technical-liaising dimension has remained dormant. Instead, technicians' present primary duties are as foremen and supervisors, exercising technical and social control over factory floor labour. In other words, the talents and training of technicians are being underutilised.

One among several illustrations of the telling contrasts in skill levels and skill use between sluggish and dynamic industrial sectors is provided by the figures for technicians in India and South Korea. From Table 3 one can see that whereas there were more than 50,000 technicians per million of the population in South Korea as early as

1981, there were less than 800 technicians per million of the population in India as late as 1990. But when it comes to the production of graduate scientists and engineers, the Indian figures are roughly at par with South Korea's, at around 3,000 per million of the total population (Table 3). The two countries are also at par in proportional enrolment in higher education and specifically in science and engineering (Tables 4 and 5).

INVERTED EDUCATIONAL PYRAMID

The Indian performance in enrolment in secondary education is very poor, not least when compared to the leaders among the late industrialisers like South Korea. It is seen from Table 4 that by the mid-1980s while South Korea was approaching near universal secondary education, India had not even managed to get halfway to that goal.

In the debate about the role of human resources in development, it is now increasingly acknowledged that without universal primary and secondary education it is not possible to generate the process of self-sustaining development. With universal secondary education, every child approaching adulthood will have internalised the primary knowledge base and the basic techniques of learning, with which she can acquire a whole range of new knowledge and skills. It is not a coincidence that the OECD countries and the dynamic east Asian economies (of which South Korea is used here as a reference example to compare and contrast with India) first concentrated on attaining universal secondary education, before making higher education more widely accessible. In terms of financial resources, India has done the opposite: It has poured more public money into higher education on a proportional basis than into primary and secondary education. It shares this feature of the "inverted educational pyramid" with many other developing countries [Upendranath 1993a]. But now with the SAP there are firm indications that this lopsided behaviour will be put right and primary and secondary education will begin to get more of the education budget.

The imperatives that lie behind this skewed policy of promoting higher education while grossly neglecting primary and secondary education are those of the politically powerful middle class [Upendranath 1993a]. It wants higher education for its offspring partly for reasons of social status and partly because it is the minimum qualification required for any white collar job. But the contradiction of supplying degrees in excess of the needs of a sluggish economy has been transparent for a long time in the guise of graduate unemployment. It is reported that about 1.2 million science and engineering graduates and technicians were registered as unemployed in 1990.

The difference between quantity and quality is nowhere more apparent than in the realms of the work done by scientists, engineers and technicians. For instance, although India is reputed to have the world's third largest combined stock of these three professions, its industrial productivity has still recently been negative and the quality of its industrial products open to serious misgiving. These negative outcomes have their origins in the following conditions under which higher education has been, and continues to be, conducted. First, and perhaps the most devastating, is that non-academic, non-merit factors are decisive in gaining entry into professional courses. Second is the predominantly book-bound orientation of the training, with rote-learning and exams-passing almost totally displacing problem-solving approaches. Third, out of the countless number of universities and colleges, only a tiny fraction has the resources to provide basic laboratories and workshops to back up theoretical work – for the others with no experimental facilities, science simply becomes theology. Fourth, with higher education having exploded in numbers beyond imagination, there simply are not enough places in industries and other professional sectors to place undergraduates for short periods of practical training. On top of all this, there is the annual brain drain of promising young talent to technologically greener pastures elsewhere. To quote from the *Far Eastern Economic Review* (1992): "Out of the 190 recognised universities, the world-class science and engineering institutions number only about a dozen. These schools turn out 2,000-3,000 graduates a year. About a third opt for management careers or the civil service. Another third emigrate to the US, Canada and Singapore."

II

Indian R and D: Not Technology Innovation, but Technology Absorption

The explicit involvement of the government of India in funding targeted scientific and industrial research predates independence in 1947. In 1942, following the British model, the then colonial government in New Delhi established a Council of Scientific and Industrial Research (CSIR) to oversee and be in charge of a few national laboratories, created at that time to investigate whether imported industrial raw materials could be replaced by local ones to overcome the problems created by the ongoing second world war. Recognising the central importance of technology to economic development, the government of independent India rapidly expanded the number of national research laboratories and institutes

under the CSIR umbrella to over 40 by the late 1960s. They were spread over major cities in the country and covered a wide field in the natural and engineering sciences. Their mandate was to do both 'pure' and 'applied' research, and in particular to address the technological problems of industry and contribute to technological innovation. Since then, the exercise has been repeated in other fields like agriculture, forestry, marine resources, medicine, electronics and biotechnology, with each new area being placed under a separate ministerial department that funds and controls the corresponding national laboratories and institutes.

GOVERNMENT RESEARCH LABORATORIES

Total R and D funding in India grew very rapidly during the 1980s, increasing by nearly a factor of six over the period 1981-1991, from slightly over Rs 7 billion in 1981 to Rs 42 billion in 1991 (US \$ 2.3 billion at the then exchange rate). Eighty per cent of the 1991 funding was spent in government labs and public sector enterprises, with the private sector accounting for the remaining 20 per cent [India-DST 1992]. Over half of the government funding, Rs 18 billion, went to three organisations, the Defence Research and Development Organisation (with its huge number of R and D units), the department of atomic energy and the department of space research.

In order to ensure that top class engineers would be available for leading industrial development work, the Indian government, with generous financial and technical assistance from the west, created five Indian Institutes of Technology (IITs). Like the national labs, they too were geographically spread out, with two in the north and one each in east, south and west. Besides providing undergraduate and postgraduate education in the engineering sciences, they were charged with the responsibility of being in the forefront of technological research.

The third approach to promoting technological research was much more diffuse. It was to try and coax both public and private sector industries into establishing in-house R and D units with import tax rebates and generous amortisation rates for R and D equipment.

The scientific establishment in India routinely bemoans the fact that India spends less than its role models in east Asia on R and D as a proportion of its total GDP. For instance, in 1990, Japan, South Korea, Taiwan and India spent, respectively, US \$ 85.6 billion (2.98 per cent of GDP), 3.2 billion (1.83 per cent), 2 billion (1.41 per cent) and 0.88 billion (0.88 per cent) on R and D. What they conveniently forget to mention is that the overwhelming part of east Asian funding comes from the domestic private sector, which really makes sure that it gets value for its money [Sigurdson 1990].

A corollary of this is the stunning performance of the east Asians in making technical changes, in generating technological innovations and putting new products and processes on the market. Considering the truly colossal sums spent on civilian R and D by the government over the last four decades, India has little to show in terms of civilian innovation that is its own. From toothbrushes to tractors, from shoe polish to ships, from bicycles to buses, any improvements that the Indian customer may have enjoyed are still the result of continuing import of technology. The Indian customer is also unaware of any incremental technical improvement in commodities of regular use that government-funded R and D may have hit upon. Not that private sector R and D has done any better.

Whatever else they may have accomplished, it is now clear that the government research labs and institutes have been less than marginal in promoting technical change and innovation in Indian industry and infrastructure. The labs charge industry with deliberately ignoring their contributions in preference to imported technology. Industry claims that the labs have concentrated on work which is of no relevance to industry. The accusations fly back and forth. What the verdict of the present Indian government is can be inferred from the fact that it imparted a sharp shock to the government research labs and institutes in 1992 by not approving the expected automatic annual increase in their budget allocation, hinting that the future would be pretty dire. The ministry of finance has told them to generate 30 per cent of their budget from commissioned work from the private sector. At the time of writing, several of them have set up marketing units and task forces to try and sell their know-how to private industry.

A recent empirical study into industrial R and D in India [Alam 1993] finds that "a large number of firms were unhappy with

their experiences with these [government] laboratories and institutes. Most felt that the facilities available with these institutes were adequate, but that their approach to research for industry was not very positive. The most common feeling was that the national laboratories and research institutes were not used to commercial culture and did not appreciate the importance of completing jobs on time. This has led to frustration and losses for the firms. Firms also felt that the facilities available with these laboratories are grossly underutilised and could be used by industry for testing prototypes, etc".

The IITs seem to have fared somewhat better than the CSIR labs in responding to industry's needs. To quote from the same report [Alam 1993]: "Our case studies reveal that ... industry sponsored research projects (at the IITs) aimed at solving specific problems". Be that as it may, of the original two-part intention that the IITs should not only produce the very best engineering graduates but also retain the intellectually brightest of them to do technological R and D within the country, only the first appears to have been seriously tried. Apparently about a thousand IIT graduates leave India each year for North America.

IN-HOUSE R AND D IN INDUSTRIAL FIRMS

That brings us to a consideration of in-house R and D in industry. A look at the macro-statistics gathered and annually published by the Indian government tells us that the number of industrial firms with some kind of in-house R and D has been steadily increasing over the last two decades and is now nearing the figure 1200. It also tells us that the total amount spent by them on R and D as a proportion of their total sales is about 0.66 per cent, averaged over the six-year period 1985-1990 [India-DST 1992]. Considerable amounts of case study material and analyses, at both the micro and macro

TABLE 2. PERCENTAGE DISTRIBUTION OF WORKFORCE BY BROAD SKILL CATEGORIES

Country/Year	ISCO Major Groups (see notes below) Percentages					
	1	2	3	4	5	6
India 1971	2.7	0.9	2.8	4.0	3.3	72.5
1981	2.7	0.9	2.8	3.9	2.6	66.1
S Korea 1970	3.1	0.9	5.8	9.9	6.5	49.6
1989	6.7	1.4	12.1	14.3	10.5	18.8

- Notes: 1 The above percentages do not always add up to 100, because we have excluded from the table the categories 'workers not classifiable by occupation' and 'unemployed'.
2 For India, 1981 is the latest year for which published data were available in United Nations sources at the time of writing.
3 By 'workforce' we mean those categorised as 'economically active population' by the UN Statistical Office.
4 1 = Professional, technical and related workers
5 = Administrative and managerial workers
6 = Clerical and related workers
7 = Sales workers
8 = Service workers
9 = Agriculture, animal husbandry and related workers
10 = Production and related workers, transport equipment and labourers

Sources: ILO, *Yearbook of Labour Statistics*, 1990 and 1991.

SAGE PUBLICATIONS

SENIOR MANAGEMENT—THE DYNAMICS OF EFFECTIVENESS

SUSHILA SINGHAL

Among the unique features of this book are its integration of quantitative and qualitative data and the interface it provides between social reality, management theory and corporate policy.

HRD Newsletter

1994 ■ 216 pages ■ Rs 240 (cloth) ■ Rs 135 (paper)

WORK MOTIVATION

Models for Developing Countries
edited by **RABINDRA N KANUNGO**
and **MANUEL MENDONCA**

A collection of articles written by reputed management teachers... This book gives a good account of the various theories and models on work motivation.

Business India

The central purpose of this stimulating collection of original essays is to understand why the potential of work motivation techniques has not been fully realized in developing countries.

OBS for Social Development

1994 ■ 290 pages ■ Rs 275 (cloth) ■ Rs 150 (paper)

ORGANISING RURAL BUSINESS

Policy, Planning and Management
RAJAGOPAL

This book provides insights and methods for the design of alternative marketing channels which can ensure that the optimum economic benefits flow to rural entrepreneurs. Dr Rajagopal enunciates a management approach to the marketing of rural products which has so far been an unorganised activity. He covers a wide range of important and pragmatic issues and describes all essential aspects for managing product marketing in a rural perspective

1995 ■ 188 pages ■ Rs 245 (cloth) ■ Rs 135 (paper)

JOURNAL OF HUMAN VALUES

Editor: **S K CHAKRABORTY**

The **Journal of Human Values** provides an international forum for the exchange of ideas, principles and processes concerning the application of human values to organizations and institutions, and to the world at large. The journal carries critical essays, theoretical explorations and empirical studies. It welcomes articles from a wide cross-section: scholars, bureaucrats, artists, scientists and practising managers.

Frequency: Biannual ■ Annual Subscription: Rs 300
(Institutional) ■ Rs 150 (Individual)

ORGANIZATIONAL ETHNOGRAPHY

An Illustrative Application in
the Study of Indian R&D Settings

V SUCHITRA MOULY

and **JAYARAM K SANKARAN**

There is increasing scepticism about the ability of conventional, quantitative techniques to fully comprehend organizational realities. At the same time, there is a serious lacuna in existing research on Indian R&D since there is a distinct lack of in-depth, qualitative studies. This book addresses these two related issues. On the one hand it seeks to introduce the relatively new qualitative paradigm of organizational ethnography as a viable mode of inquiry into organizations, while on the other it demonstrates the potential of ethnography to provide penetrating insights concerning R&D organizations.

1995 ■ 180 pages ■ Rs 235 (cloth)

MANAGERIAL TRANSFORMATION BY VALUES

A Corporate Pilgrimage
S K CHAKRABORTY

This is not only an original, but also a relevant and useful addition to the growing literature on the Indian approach to industrial management... The author is one of India's leading management thinkers.

Indian Review of Books

Hopefully, Chakraborty's book will enthuse other Indian companies to choose such abiding methods for total quality improvement.

Business Today

1993 ■ 215 pages ■ Rs 200 (cloth) ■ Rs 100 (paper)

JOURNAL OF ENTREPRENEURSHIP

Editor: **DWIJENDRA TRIPATHI**

The **Journal of Entrepreneurship** provides a competent vehicle to disseminate the results of research in the field and to document innovative experiments directed towards developing entrepreneurship. The principal purpose of the journal is to provide an avenue for the publication of original contributions, both conceptual and empirical, and to serve as a vehicle for the fast growing literature on the theory and practice of entrepreneurship.

Frequency: Biannual ■ Annual Subscription Rs 250
(Institutional) ■ Rs 145 (Individual)



SAGE Publications India Pvt Ltd

Post Box 4218, New Delhi 110 048

(Tel: 011-2642 4224, 6444968; Fax: 011-26472426)

AE-85, Salt Lake, Calcutta 700 064 (Tel: 377062)

27, Malony Road, T Nagar, Madras 600 017 (Tel: 4348822)

levels, are now available on why Indian industrial firms, both public and private, invest in R and D and what fruit that investment has borne. We summarise below the main findings of a number of these studies [Alam 1993; Desai 1988, 1990; Gumaste 1988; Kathuria 1989; Katrak 1989; Kumar 1987; Lall 1987; Tyabji 1993], which also investigate the effect of government policy on promoting R and D at the firm level.

Empirical studies of several hundred firms were conducted by some of the above-mentioned authors. They covered the fields of ceramics, electronics, electricals, machinery, automobiles, metallurgy, metal working, chemical engineering, minerals and mining, paper, textiles, leather and food processing. The firms identified the following activities as the principal objectives of their R and D work: product adaptation, product diversification, indigenisation of components, indigenisation of raw materials and testing. Of these, the first three were mentioned the most often. Some firms also claimed that they did some 'product development'. On a closer look, what this claim boiled down to is minor modifications of imported articles, or their imitation or an expansion of the product line by introducing new imports.

One of the measures that the government insisted on being implemented within foreign technology agreements was the rapid replacement of imported part-components by locally manufactured ones. This process of 'indigenisation' of component manufacture, as it has come to be called, also required rapid absorption of increasing volumes of foreign technology. The R and D units became the principal vehicles for indigenisation. On analysing their data, the authors find that the primary objective of firms in setting up R and D units was to develop in-house skills to understand how the imported capital goods function (know-how), why they do what they do (know-why), what their strengths and weaknesses are, and what the critical points are of which one has to be aware. This process is called 'technology absorption'.

It is very important to note that technological innovation, which among other things involves acquisition of design capacity, does not feature among the R and D goals of the firms studied. Product adaptation, which usually involves some incremental technical change, is the first step towards product innovation. With most of the attention being focused on absorbing the know-how, the learning of know-why receded into the background. Without know-why it is not possible to successfully attempt change and adaptation in imported technology to suit local conditions. Nor was such change the first priority of most firm owners. Improvement in product quality, production efficiency and labour productivity were of much more central concern; these could be tackled on the basis of the know-how that came with the imported technology.

Firms in electronics and electricals spend more on R and D as a percentage of sales than other firms, with metal industries spending least, while machinery and chemicals take intermediate positions. Roughly the same pattern holds for royalty and other payments for dis-embodied technology (i.e., technological knowledge) as a proportion of sales. A plausible hypothesis that would explain both these patterns is that the rate of technical change in electronics and electricals is much higher than in other areas, leading to frequent imports of new technology, which in turn necessitates a continuous strengthening of the firm's technology absorption capability.

A sharp increase has been noted in the total volume of payments made for foreign technical knowledge (disembodied technology). But, at the same time the case studies find, somewhat to their surprise, that the more generous terms allowed for payments for technological knowledge since 1985 and 1991 have not led to any significant increases in the import of technological knowledge by individual firms as individual firms. The increase in the total volume of payments would then mean that substantial numbers of new firms have entered the market as knowledge buyers. A prime reason why the costs of individual agreements have not risen to the degree expected is that firms are buying only very specific bits of hardware and software, and not a whole composite machinery. This ability to 'unpackage' technology and buy only that which cannot be locally generated is a promising sign of the growing industrial maturity of the country.

It seems as though the limiting factor on R and D investment was not the terms set by the government but quite simply the level of the financial resources available to firms. In fact, most case studies underline the fact that on an average an Indian firm spends far too little on knowledge import and in-house R and D to really be able to attempt technological innovation. The firms are fully aware of this limitation. Their purpose in establishing in-house R and D is first and foremost to absorb technology. One of India's leading industrialists is quoted as saying that "none of this [i.e., in-house R and D] is research. It's mostly reverse engineering. Basic research would mean a lot of time reinventing the wheel, and the funds required are such that most Indian companies can't compete - Honda's R and D expenditure is more than my annual turnover" [*Far Eastern Economic Review* 1992].

Firms point out that a technology agreement makes it easier to source the capital goods and production inputs through the foreign partner's knowledge of, and contacts in, the supplying market. Indian firms usually do not have the resources to build-up such information and market capabilities. In other words, technology agreements are often even less significant

than they are made out to be - they are less the vehicles for upgrading technological knowledge than a practical and relatively inexpensive way of sourcing capital goods and inputs. An extreme is reached when, as in some leather and textile firms, the foreign collaboration agreement is nothing more than a means of obtaining market intelligence.

Analyses of macro-policy factors that promoted or inhibited R and D activities at firm level revealed the following trends. The smallness of the size of most Indian firms in comparison with those in the OECD region is an inhibiting factor when it comes to significant investments in R and D. In contrast to that, firms' export capacity and market competitiveness had no significant impact in either direction. The more liberal rules introduced in 1985 and 1991 for foreign equity holdings in Indian firms, as well as for import of technology, seem to have started eroding the earlier rationale for investing in R and D. However, it was also noted that firms which increased their import of technology and production inputs also invested more in R and D to generate the appropriate kinds and levels of technology absorption capacity.

III

Imposition of Stabilisation and Structural Adjustment Programme

1991 CRISIS AS PRELUDE TO SSAP

The liberalisation of imports and foreign exchange transactions, sanctioned by the 1985 policies, ate rapidly into India's foreign exchange reserves. The sudden increase in the import bill of oil caused by the Gulf war, though brief, was another severe drain. In the aftermath of the Gulf war, forex remittances from Indian workers from the Gulf states dried up. With the confidence in the Indian economy declining, Indians resident abroad began withdrawing their forex deposits from Indian banks. By the summer of 1991 the forex reserves were down to a level insufficient even to cover essential imports for a few weeks!

The total external debt had meanwhile climbed to 70 billion US dollars, corresponding to nearly a quarter of the total GDP, giving India the dubious distinction of being the third largest debtor nation in the third world after Brazil and Mexico. With the forex reserves at rock bottom, India found itself for the first time in the position of having to default on its debt servicing which had now climbed to 22 per cent of export income, a move that would have choked off all future avenues for foreign loan and credit facilities. Five years after the optimistic projections made by the Indian government in 1985 while launching its liberalisation policies, its fiscal crisis had not got any better, but worse. A measure of that crisis is the fact that the accumulated domestic borrowing of the Indian government (financed largely out

of the savings of middle class households held in banks, bonds and sundry financial institutions and instruments) had reached a staggering 55 per cent of the GDP by 1991. In the same year, consumer price inflation had risen to 14 per cent from the 8 per cent in 1985.

The balance of payments crisis and the fiscal crisis of the state are deeply structural and cannot be resolved by short-term measures. But a quick short-term 'fix' had to be found to stave off impending disaster, and it came in the shape of yet another massive loan from the International Monetary Fund. But that loan was conditional on the Indian government's commitment to implementing the IMF's standard prescription of stabilisation and structural adjustment (SSAP). This is not the place to recount the details of the measures proposed within the SSAP for various sectors of the Indian economy and society. For a meticulous, if somewhat positivist, summary that captures the essentials, the reader is referred to Das (1993).

The thrust of the stabilisation policies is to devalue the currency to make exports cheaper and imports dearer, to check inflation through a squeeze on money supply, credits, wages and incomes, and to stimulate investment and demand through tax reductions. The principal long-term aims of the structural adjustment programme (SAP) are to reshape the economy along 'free market' lines which would drastically curtail the role of the state in the ownership and control of economic assets and activities, give the private sector (both domestic and foreign) the dominant role in all sectors of the economy, promote unimpeded imports of foreign goods, services, investment and technology, provide special incentives to promote exports, end all subsidies and sharply reduce state financing of social services such as education, health and transport.

A vigorous debate is taking place among Indian academics, policy-makers and government officials on the pros and cons of the SAP. A great deal has been written and published. To obtain a quick overview of the positions taken, the reader is referred to ILO-ARTEP (1992), Raghuram (1991), Gupta (1993) and Nayyar (1993).

To sum up, then, 'liberalisation' and the SAP were not bolts from the blue. Between the 'closing' of the economy in the early 1950s and its near total 'opening' in the early 1990s, one can discern a gradual political-economic process, the turn towards the 'opening' already being taken by the mid-1970s. The fiscal crisis of the state and the balance of payments crisis, which came to a head in 1991, are but the latest episodes in a long drawn out struggle between the main contenders for economic and political power [Bardhan 1984; Patnaik 1986; Kurien 1986; Bhagavan 1987].

NEW INDUSTRIAL AND TECHNOLOGICAL POLICIES UNDER SAP

The new industrial policy introduced by the Indian government as part of the SAP extends and completes the liberalisation measures of 1985. We summarise its main features and the associated technological measures below.

(a) The licensing system has been abolished for all branches of mining and manufacturing industry except those involving strategic and security concerns, social and environmental concerns, hazardous chemicals and elite consumer durables. These exceptions comprise the following: defence, aerospace, explosives and fossil fuels; alcohol, tobacco and asbestos; sugar, animal fats and oils; leather, furs and skins; chemically treated wood products, paper and newsprint; pharmaceuticals; motor cars, entertainment electronics and household white goods (refrigerators, washing machines, air-conditioners, etc). The small-scale sector would, however, be automatically exempt from licensing for any of the above 18 branches which fall within the list of commodities already exclusively reserved for it through earlier policies. The upper limit on investment in plant and machinery has been raised from Rs 3.5 million to Rs 6 million for small-scale units in general, and to 7 million for so-called ancillary units of bigger firms and for export-oriented small-scale firms. Other firms can now hold up to a quarter of the total investment in any small-scale unit. No licensing is required for expansion of existing production capacities, or for adding new product lines within the existing commodity area of the firm (so-called broad-banding).

(b) Permission to import capital goods would be automatic for projects which ensure foreign exchange through foreign investment, provided their CIF value is less than 25 per cent of the total value of the plant and equipment, subject to a ceiling of Rs 20 million.

(c) A virtual 'open door' policy for foreign investment, with an upper limit of 51 per cent of the equity in any given firm, comes into effect in 34 so-called 'high priority industries', which covers a great many major branches in capital, intermediate and consumer goods sectors, as well as in tourism (see Appendix). To qualify for such automatic clearance, the foreign exchange cost of the imported capital goods must be covered by the foreign equity.

(d) Technology agreements with foreign

suppliers would be automatically approved for the above-mentioned 34 high priority industries, subject to upper limits of Rs 10 million for lump sum payments and 8 per cent of sales for royalty payments. These payments, for which foreign exchange would be automatically approved, would last for a maximum of 10 years from the date of agreement, or seven years after the commencement of production. Non-priority industries would also enjoy this privilege of automatic approval provided they did not claim the same 'free' access to foreign exchange technology payments to which the priority industries have a right.

(e) No permission would be required for hiring foreign technical personnel.

(f) The eight industries hitherto reserved exclusively for the public sector would now be open to the private sector. They are defence; atomic energy and associated fuels and materials' fossil fuels; the mining of ferrous and non-ferrous ores, as well as some strategic and precious metals; and railway transport.

(g) Public sector firms would be subjected to critical review, which would not exclude the possibilities of closure, liquidation, rehabilitation or privatisation. The criteria that would guide any action in these directions would be related to inefficiency in performance, low levels in technology, smallness of scale, low social priority, and not least the existence of well-developed private sector capacities supplying the same commodities. The government has announced its intention to sell 20 per cent of its holdings in the public sector, while simultaneously directing public sector firms to generate more internal resources. Public sector firms would from now on be held to agreed levels of performance through binding memoranda of understanding. Their boards would be made more professional and autonomous and given greater power.

(h) The central provisions of the Monopolies and Restrictive Trade Practices (MRTP) Act have been scrapped. Mergers and takeovers are now freely permitted. Prior government approval for expanding present undertakings or for starting new ones is no longer necessary.

(i) Both imports and exports have been greatly liberalised. Only very few commodities are banned outright from import and export, while between 60 and 70 are placed on the restricted list for exports and imports respectively. Capital goods are being

TABLE 3: SCIENTIFIC AND TECHNICAL MANPOWER (EMPLOYED)

Country	Year	Scientists + Engineers		Technicians	
		No (000)	Per mn Pop	No (000)	Per mn Pop
India	1990	2471	2995	639	774
South Korea	1981	94	2478	1931	50828

Source: UNESCO, *Statistical Yearbook*, 1991.

particularly favoured both with easier import rules for a great majority of items and enhance incentives for their exports.

The above policies have been launched with the conviction that they will lead to rapid rates of industrial growth and exports, through first, high inflows of foreign investment and technology; second, higher investment by the domestic private sector, third, increased efficiency in both the public and private sectors; and fourth, increased competitiveness in domestic and foreign markets both in terms of price and quality.

IV

Industrial Restructuring in Wake of Structural Adjustment

As we have indicated in earlier sections of this paper, the process of liberalising and opening up the Indian economy was a gradual one which picked up speed in the second half of the 1980s. Under the influence of this process, Indian industry and infrastructure began to undergo a shift and a restructuring in the 1980s relative to the character they had acquired by the late 1970s. The structural adjustment policies introduced in 1991 are likely to intensify and accelerate the trends set in motion in the 1980s. Of the various elements that make up the new industrial policy package of the Indian government, the following can be expected to have the greatest impact.

(a) Abolition of the licensing system, in conjunction with the abolition of the restrictions on growth in investment size, production capacity and product lines of individual enterprises

(b) Automatic approval of majority equity holdings by foreign capital, and of foreign technology collaboration agreements, in the 34 high priority areas listed in the Appendix.

(c) Unrestricted imports of capital goods, technical knowledge and managerial expertise, in a large number of industrial and infrastructural branches, on the condition that these are paid for in convertible hard foreign exchange brought in through foreign investment by the enterprise in question.

(d) Allowing up to one-quarter of the investment capital of a small firm to be owned by other firms.

(e) Enforcing penalties on the public sector for non-performance.

We now examine the differential impact that the new policies are likely to have on the restructuring process that had been set in motion before 1991.

OLIGOPOLY

From the mid-80s onwards, the consumer goods sector, both non-durables and durables, has shown much more dynamism than the intermediate and capital goods sectors. At present it also leads the other two in terms of the share of total industrial output and profits. This performance is traceable to the

macro-economic policy shift of the Indian state in the mid-80s to stimulate consumer demand by the urban and rural middle income groups. With restrictions on investment size, production capacity and product lines gone, the fight between the big industrial-cum-trading houses will greatly intensify to grab as much of the consumer goods cake as possible. The scene is set for the further spreading of the cancer of oligopoly that has affected the Indian body industrial and economic so long, with its ills of market rigging, price fixing, indifference to quality and predilection for kickbacks.

The impressive growth of the small-scale sector over the last four decades has taken place under the protection offered by two policies: first, the reservation of certain commodities for the small scale sector from which the large firms were excluded; second, severe restrictions on how much of a small firm's capital can be owned by other firms. While 'commodity reservation' is still in place in the new industrial policy, the capital ownership restriction has been substantially weakened. One can foresee how through the '25 per cent rule' mentioned above, large companies will increase the scope and magnitude of their control, *de facto* if not *de jure*, of the more dynamic and profitable small firms, something that has been conducted so far on a modest scale by undercover proxy ownership. This in turn will indirectly further erode the protection offered by commodity reservation. The small firms that come under the grip of large ones will perforce follow the economic rationale of the latter in replacing labour-intensive technology by labour-displacing ones, and local resources by non-local ones.

These moves will further entrench and accelerate the decades old process of concentration of the more profitable goods in the hands of a limited number of large firms, with the small scale sector left to produce for the poor majority. The brunt of this scale-encroachment will be borne mainly by the following historically most dynamic branches of the small scale sector, which today account for between 40 and 90 per cent of the branchwise value added (see Table 4.2 in Sandesara 1992): food processing, beverages, tobacco, textiles, wood and leather products, and simpler metal products and parts, including household utensils.

PRODUCTION FOR DOMESTIC MARKET VS FOREIGN MARKET

Among the 34 so-called 'high priority' areas that the Indian government has opened up for majority equity ownership by foreign capital, there is not a single consumer goods branch. This is not a coincidence. It is entirely consistent with the post-independence industrialisation strategy of the Indian state to safeguard the consumer goods sector for domestic private capital. On the other hand, the success of the new industrial and

economic policy package is entirely predicated on being able to attract hard currency investment and high tech from the OECD and east Asian regions, to improve the competitiveness of Indian industrial goods, in particular of consumer durables, on the world market. It is hoped that foreign investors will be prepared to accept a non-controlling role in Indian firms in return for attractive profits in export markets. However, it is no secret that the OECD and east Asian investors are primarily interested in getting into the growing middle and upper income markets within India. They are less motivated about helping Indian firms improve their export competitiveness. The interplay of these diverse interests is likely to lead to a major restructuring of the large scale sector in Indian industry along the following lines. It applies to both the private and public sectors, in all the three use-based sectors (those illustrative examples mentioned below which belong to the intermediate and capital goods sectors are taken from the Indian government's priority list reproduced in the Appendix)

(1) Firms which are mainly geared to the domestic market, with no foreign investment but using imported earlier standard-tech designs

Examples: Textiles, beverages, radios, television sets, refrigerators, watches, pharmaceuticals, chemicals, fertilisers, paper and pulp, rubber, cement, building materials, machine tools, industrial and agricultural machinery, passenger and commercial vehicles, railway equipment.

(2) Firms with foreign investment and imported high tech producing largely for the domestic market, but also attempting to export a part of their output

Examples: Colour television, videos, compact discs, washing machines, household gadgets, passenger vehicles, pharma-

TABLE 4 EDUCATIONAL LEVELS IN 1975 AND 1985 NUMBERS ENROLLED AS PERCENTAGE OF AGE GROUP

Country	Secondary Education		Higher Education	
	1975	1985	1975	1985
India	28	38	8.6	6.4
South Korea	56	90	10.3	34.2

Source: UNESCO, *Statistical Yearbook*, 1991.

TABLE 5 ENROLMENT IN HIGHER EDUCATION IN NATURAL SCIENCE, MATHEMATICS, ENGINEERING AND COMPUTER SCIENCE

Country	Year	Number in Thousands	As Percentage of Total Enrolment in Higher Education
India	1985	1234	27.6
South Korea	1989	384	24.3

Source: UNESCO, *Statistical Yearbook*, 1991.

ceuticals, chemicals, pre-fabricated building materials; electrical, electronic and telecommunication equipment.

(3) Primarily export-oriented companies with foreign investment and imported high tech.

Examples: A range of the latest micro-processor based consumer durables and household gadgets, chemicals, computers, computerised equipment in electricals and electronics.

RETRENCHING OF PUBLIC SECTOR

Until the mid-1980s, the public sector had been assured a privileged and pampered place in the industrial and technological advance of India. That era is coming to a close. The new policy directive is to hold public sector firms firmly accountable for their future non-performance, entailing the real possibility of cutbacks and closures. In addition, there is the stated policy intention of privatising 20 per cent of the government holdings in the public sector firms. In the not too distant future this may mean that the public sector will have to vacate its place in a range of industries and technologies. Into which of these gaps the private sector, both domestic and foreign, will step depends on their perceived profitability. Clearly, many will not be. This heralds a radical reordering of the industrial scene in India, the contours of which are not yet discernible. The old self-imposed imperative of wanting to make nearly everything from mirrors to missiles has lost its relevance.

V

Technological Implications of Structural Adjustment

In the first section of this paper we reviewed the main features of the technological scene in India on the eve of structural adjustment. We noticed there that the characteristics attained during the 'closed economy and strong state intervention era' had begun to alter under the pressure of liberalising and opening up of the economy in the 1980s. Chief among the features in the late 1980s were lack of dynamism in technology absorption, absence of technological innovation and design capacity, spread of technological dualism, lack of significant structural change in the skill composition of the workforce, poor educational base, etc. We argue below that the new policy regime introduced by SAP is likely to entrench these negative features rather than help to overcome them. The increasing dualism and polarisation in the area of technology and skills is one of the outcomes of the conflict between rival interests: domestic capital vs foreign capital, the Indian state vs the Bretton Woods institutions, production for the domestic market vs the export market, the public sector vs the private sector, the 'sick'

public sector vs the 'healthy' public sector, the large scale vs the small scale, etc. One among several major consequences of these processes will be that medium and large scale firms will speed up their retooling with imported high tech, abandoning domestically produced standard-tech as fast as they can afford. In contrast, the small-scale sector will continue to depend on locally produced technology, becoming by stages its principal customer.

ACQUISITION OF NEW SKILLS

As indicated earlier in our analytical framework, high tech is characterised by high values in the degree of automation, science-relatedness and research-intensity. The high values of these three features are now built into most industrial and infrastructural branches of the OECD countries, and present OECD research is geared to making them ever higher. Any contemporary technology from the OECD that India acquires with foreign equity will be of this kind, irrespective of whether the product or the process is 'classical' or not, e.g. metallurgy, industrial machinery, vehicles, cement, wood, glass, rubber, paper, printing, food processing, beverages, seeds, etc (see the Indian government's list of 'the privileged 34' in the Appendix). One immediate consequence will be that Indian firms will have to retrain their engineers and technicians to use, maintain and repair the new technology. Various branches of high tech share a common base in certain new generic fields of knowledge in science and engineering. There is therefore good grounds for thinking that a substantial part of the retraining should be common to most firms, while the more narrowly specialised activity-specific skills could be imparted inside the firm. Since top quality and hands-on practicality are of the essence in such retraining, there are but a few institutions in India who can be entrusted with this task.

A number of questions have to be addressed urgently: who should mount common retraining courses, how should the costs be shared, where should the courses be located, is there any credible national expertise available to impart the training or is one obliged to rely heavily on expatriate expertise, etc. The private and the public sector should jointly create an independent-minded task force, with no vested interests, to consider the questions and draft a strategy for retraining on a national basis.

Usually, the introduction of high tech renders most semi-skilled, and some skilled work, redundant. (The limited number of skilled workers who will be retained by firms in the transition to high tech will have to undergo retraining of the kind offered to technicians.) Since, under the present relatively just Indian labour laws, workers cannot in effect be retrenched, the private

and the public sector will have to find other areas of work for them. This will be a huge challenge and a growing one. There are as yet no signs that any constructive, humane and productive strategy has been crafted to deal with this challenge. It would be a tremendous waste of the existing technological capacity of India if the technical capabilities of 'potentially redundant' workers are not used productively. Theoretically, there are three ways in which their capacities can be so used.

First, if one has confidence in the official prognosis that SAP will usher in an era of very high growth rates, the new industrial enterprises, both large and small, may be expected to absorb some of the retrenched workforce. But one cannot be sanguine about it. The 1980s relatively high annual rates of industrial growth of 8 per cent occurred with almost no growth in jobs in the registered organised industrial sector. Growth in output was achieved through higher-labour and technological productivities. The high tech transition will in all likelihood attempt to continue this trend of high output growth with low job growth; that is in fact what it will have to do, if all that is asked of it in terms of high productivity, efficiency, quality and market competitiveness has to be delivered. So this route is likely to remain closed for the redundant workforce.

From the recent computations of Ghose (1993) one can infer that labour productivity in manufacturing during the second half of the 1980s maintained the increased positive levels it had attained in the first half. This trend seems less due to increasing skill content of the workforce than to increasing capital intensity of the means of production, retrenchment of labour and the phenomenon of jobless growth. Further, as we have argued elsewhere [Bhagavan 1992], productivity is not merely a function of shop floor efficiency, but also of crucial externalities such as transport and energy infrastructure. It is not a coincidence that the boost in investment in railways, electric power generation and fossil fuel production preceded the 1980s increases in both industrial output and productivity.

The second route is through small scale industry. It is traditionally more labour-intensive than large industry. It would be ideally suited to the levels of skill that the workers have. But to absorb labour at the rate required, it will have to grow at a much greater pace than it is now doing. The wind is apparently blowing in the opposite direction. Potential small scale investors are fighting shy of getting in, saying that the competition is fierce and market demand is stagnant.

The third route is a return to Keynes, with massive public investment in modern energy, transport and communication infrastructure, public civil engineering projects and social

services. This will create massive numbers of new jobs, while at the same time conserving, upgrading and increasing the technological capabilities of the workforce.

In the present age of SAP-hegemony the third route may sound like science fiction, given the fierce hostility of the begetters of SAP – the IMF and the World Bank – to anything that smells remotely Keynesian. But they may be forced to temper their market fundamentalism under the pressure of the new employment-creating forces gathering pace in western Europe. At the European Union (EU) summit meeting held in Corfu, Greece, in June 1994, the heads of the EU governments endorsed the neo-Keynesian proposals contained in the white paper of Jacques Delors, president of the European Commission, to create massive numbers of new jobs based on new skills. This is to be accomplished mainly through the Trans-European Networks (TENS) Programme comprising 11 transport and communication projects. To quote from the *Guardian* (June 1994), ‘the summit agreed to step up governments’ role in stimulating ‘the unprecedented technological revolution’ which can lead to developments in teleworking, distance learning, road and air traffic management, health care networks and electronic tendering’. The Delors proposals are the product of the new economic thinking that has emerged in western Europe over the last few years to grapple with the task of recovering from the disaster of the Reagan-Thatcher era of ‘new liberalism’ [Lane 1993; Keegan 1993; Lipietz 1993].

Since technological dualism will continue to deepen in India, the question arises as to how to cater to the technological upgrading of the small scale sector, which as we have seen above, will be even more crucial in the SAP-era than it was before SAP. The market, as one knows too well by now, will not do it unassisted. In fact, the small scale sector in India owes its existence and growth to state protection. Because of its tremendous heterogeneity and extremely wide geographical dispersal, national technology suppliers cannot individually effectively inform and service this sector.

This prompts the suggestion that the state actively promotes the idea of small industrialists’ associations themselves establishing technology estates in all medium-sized towns to provide technological information to the local small investors in the local language. The information should be backed up by regular demonstrations of nationally produced hardware and software. As these estates find their feet, they will also take on the role of channels of communication between the users and the domestic producers of technology, which, it is to be hoped, will bring about user-driven improvements, incremental or otherwise.

TECHNOLOGY ABSORPTION

About 1,200 industrial firms in India have in-house R and D units. The most qualified work they do is technology absorption; technology design and innovation are at present beyond their capabilities and resources. In the transition to imported high tech, these R and D units are already confronting, and will continue to confront, the challenge of re-skilling themselves to absorb the new technology. The kind of re-skilling called for often involves a shift in their technological paradigm. It will demand of them that they not only theoretically understand the new concepts and the new way of reasoning, but also translate that understanding into shop-floor practice.

The present in-house R and D units, which have evolved slowly to deal with the pre-high tech situation, cannot be ‘re-jigged’ overnight to take on the new challenge. There is little doubt that their capacity to absorb technology will go through a longish period of serious decline. Older professionals who are the intellectual leaders in their R and D units are likely to find that they cannot make the transition. A vicious circle of stress conditions leading to poor performance will set in.

Although the decline cannot be arrested in the short term, certain measures need to be put in place fairly soon to create the R and D capacity in the medium term that firms will need, if high tech is not to remain forever a ‘black box with buttons attached’ for Indian industry. To this end, the private and public sectors should together commission experts (preferably from high tech exporting countries) to analyse the entire complex of problems and suggest strategies for overcoming them. Mere increases in hardware and software resources, in salaries and perks, and in intra-firm status, will not by themselves be sufficient to generate the motivation and the ambition to solve problems, which only intellectual passion can. Therefore one of the keys will be finding fresh, new recruits with the right cast of mind from the alumni of India’s few high quality science and engineering faculties to join the R and D teams. That will not be an easy task given the preference of the brightest professionals to emigrate to North America or Singapore.

EDUCATION AND MANPOWER

The likely impact of structural adjustment on the public funding of education in developing countries in general is best summarised in the following words from a World Bank study [Noss 1992]:

Adjustment measures (undertaken with or without World Bank assistance) affect education through changes at the macro and micro levels of the economy. Adjustment at the macro level often implies a combination of budget containment measures for the

public education system, limited access to post primary public education and higher user fees for education services at the secondary and tertiary levels. At the micro level, changes in household incomes and prices (user fees, reduced student subsidies) directly influence the demand for education by altering the opportunity cost of attending school. Household incomes also affect health and nutrition status, and thus indirectly influence attendance and learning. Finally, adjustment affects education through changes in markets and infrastructure (resulting from currency devaluation, fiscal and monetary restraint, and price liberalisation) that affect supply of education services and the opportunity cost of attending school...

In plain English what the above-mentioned measures could mean for secondary and higher education in India is first, cuts in public funding, accompanied by the charging of fees, second, a decrease in the number of pupils and students from poorer households; third, a further deterioration of the public education system; and fourth, the strengthening of private education to the benefit of the higher income households.

To go down the route charted by SAP in the area of education is to jump from the frying pan into the fire. India’s development ideology notwithstanding, the Indian government has over the last 40 years neglected primary and secondary education in comparison with higher (tertiary) education. Since the education system has been, and continues to be, almost entirely in the hands of the Indian state, it cannot disclaim responsibility for the inequities and the utter lack of quality that have developed at all levels in the system [Shatrugna 1993; Upendranath 1993b].

The industrial and technological progress of India needs precisely the opposite of what the SAP recommends in education. A rapid advance on a broad front is only possible if the educational and technical levels of all the young in India is raised as a matter of the greatest urgency. That is impossible in the Indian context without increased massive support from the state, but a support that is administered in a radically different way than at present. The need of the hour is not SAP-inspired dismantling of the public education system, but a revolutionary transformation of it to raise the quantity and quality of really skilled young people. What the present system is imparting is not education, but bits of ritual paper certifying that this or that exam has been passed with this or that grade.

To take a leaf out of India’s neighbours in east Asia, their spectacular success in both economic and social development would not have been possible without their single-minded simultaneous pursuit of universalisation of and high quality in primary and secondary education. In quality tests in

science and mathematics administered in the early 1990s to high school pupils across a representative sample of the OECD and the developing countries, with India included, South Korea topped the list, with Japan coming next, western Europe and North America on their heels, and India so far behind as to be invisible in the race.

That said, there is most definitely a need for draconian measures to convert the present higher education system from its present degraded state of being one vast conveyor belt graduate factory into a system that actually imparts knowledge. A re-structuring of public funding based on the criteria of social equity, quality and merit, while simultaneously encouraging higher income groups to take advantage of privatised institutions, would be the strategy to follow.

The present system of government national laboratories and institutes has outlived its original rationale. It is demonstrably not contributing to significant innovation in science and technology. Its impact on industry has been minimal. The move by the present Indian government to progressively reduce its commitment to this moribund system is a wise one. However, that does not mean that the state can afford not to fund scientific and technological R and D – quite the contrary. Again, as with the educational system as a whole, the state needs to pump vastly more resources into R and D, but along the lines of an entirely new strategy. What the new national R and D system should look like and how it should be put together are issues should be publicly debated in India. The ideas that have recently emerged in the advanced industrialised countries on “national innovation systems” would be of seminal value in such a debate and in arriving at future policy decisions [Nelson 1993].

Appendix

HIGH PRIORITY INDUSTRIES WHICH QUALIFY FOR 51 PER CENT FOREIGN EQUITY HOLDING AND FOR AUTOMATIC APPROVAL OF FOREIGN TECHNOLOGY AGREEMENTS.

- (1) Metallurgy
- (2) Boilers and steam generators
- (3) Prime movers (other than electrical generators)
- (4) Electrical equipment
- (5) Transportation equipment
- (6) Industrial machinery
- (7) Machine tools
- (8) Agricultural machinery
- (9) Earth moving machinery
- (10) Industrial instruments
- (11) Scientific and electro-medical instruments, and laboratory equipment
- (12) Nitrogenous and phosphatic fertilisers
- (13) Chemicals (other than fertilisers)
- (14) Drugs and pharmaceuticals
- (15) Paper and pulp, including paper products and industrial laminates
- (16) Automobile tyres and tubes
- (17) Plate glass
- (18) Ceramics
- (19) Cement products
- (20) High technology reproduction and multi-plication equipment

- (21) Carbon and carbon products
- (22) Pre-tensioned high pressure RCC pipes.
- (23) Rubber machinery.
- (24) Printing machinery.
- (25) Welding electrodes other than those for welding mild steel
- (26) Industrial synthetic diamonds.
- (27) Photo-synthesis improvers.
- (28) Extraction and upgrading of minor oils.
- (29) Pre-fabricated building material.
- (30) Soya products.
- (31) High yielding hybrid seeds and synthetic seeds
- (32) All food processing, excluding flour, milk food and malted food, and excluding items reserved for the small-scale sector.
- (33) Packaging for food processing industries, excluding items reserved for the small-scale sector.
- (34) Hotel and tourism related industry.

[This is a shortened and revised version of a study that was commissioned by the South Asia Multidisciplinary Advisory Team (SAAT) of the International Labour Organisation (ILO), based in New Delhi, whose support is gratefully acknowledged. It is a pleasure to thank Rizwanul Islam and Ajit Kumar Ghose of ILO-SAAT for their critical reading of the manuscript and valuable suggestions.]

References

- Alam, G (1993): 'Research and Development by Indian Industry: A Study of the Determinants of its Size and Scope', mimeo, Centre for Technology Studies, New Delhi.
- Bardhan, P (1984): *The Political Economy of Development in India*, Basil Blackwell, Oxford.
- Bhagavan, M R (1987): 'A Critique of India's Economic Policies and Strategies', *Monthly Review*, Vol 39, No 3, July-August.
- (1990): *Technological Advance in the Third World*, Zed Books, London.
- (1992): 'Technological Change and Restructuring in Asian Industries: Implications for Human Resources Development' in M Muqtada and A Hildeman (eds), *Labour Markets and Human Resource Planning in Asia: Perspectives and Evidence*, UNDP and ARTEP/ILO, Geneva and New Delhi.
- Das, T K (1993): 'Structural Reforms and Stabilisation Policies in India: Rationale and Medium-Term Outlook' in Gupta, 1993.
- Desai, A V (1988): *Technology Absorption in Indian Industry*, Wiley Eastern, New Delhi.
- (1990): 'Recent Technology Imports into India: Results of a Survey', *Development and Change*, Vol XXI, pp 723-49.
- Far Eastern Economic Review* (1992): 'Time to Catch Up: India Tries to Bring Science Closer to Business', December 10, pp 45-46.
- Freeman, C (1982): *The Economics of Industrial Innovation*, Second Edition, Francis Pinter, England.
- Ghose, A K (1993): 'Employment in Organised Manufacturing in India', mimeo, ARTEP/ILO, New Delhi.
- Guardian Weekly* (1994): 'Last Words Go to People and Jobs', July 3, p 5.
- Gumaste, V (1988): 'Anatomy of In-House R and D: A Case Study of Indian Automobile Industry', *Economic and Political Weekly*, Vol XXIII, Review of Management, pp 67-72.
- Gupta, S P (ed) (1993): *Liberalisation: Its Impact on the Indian Economy*, Macmillan, Delhi.
- ILO-ARTEP (1992): *Social Dimensions of Structural Adjustment in India*, New Delhi.
- India-DSIR (1992): *Annual Register of Foreign Collaborations, 1992 and preceding years*.
- Department of Scientific and Industrial Research, Government of India.
- India-DST (1992): *Research and Development Statistics, 1990-91 and preceding years*, Department of Science and Technology, Government of India.
- Kathuria, S (1989): 'Market Structure and Innovation', *Economic and Political Weekly*, August 26.
- Katruk, H (1989): 'Imported Technologies and R and D in a Newly Industrialising Country: The Experience of Indian Enterprises', *Journal of Development Economics*, Vol 31, July.
- (1990): 'Impact of Technology and the Technological Effort of Indian Enterprises', *World Development*, Vol 18, No 3.
- Keegan, W (1993): *The Spectre of Capitalism: The Future of the World Economy after the Fall of Communism*, Radius, England.
- Kumar, N (1987): 'Technology Imports and Local Research and Development in Indian Manufacturing', *The Developing Economies*, September.
- Kurien, C T (1986): 'Caught in Contradictions of Mixed Economy', *Economic and Political Weekly*, April 12.
- Lall, S (1987): *Learning to Industrialise: The Acquisition of Technological Capability by India*, Macmillan, Basingstoke.
- Lall, S (1990): *Building Industrial Competitiveness in Developing Countries*, OECD Development Centre, Paris.
- Lanc, R E (1993): *The Market Experience*, Cambridge.
- Lipietz, A (1993): *Towards a New Economic Order: Post-Fordism, Ecology and Democracy*, Polity Press, England.
- Nayyar, D (1993): 'Indian Economy at the Cross Roads: Illusions and Realities', *Economic and Political Weekly*, April 10.
- Nelson, R R (1993): *National Innovation Systems: A Comparative Analysis*, Oxford University Press, New York.
- Noss, A (1992): 'Education and Adjustment', World Bank Staff Paper, Washington, D C.
- Patnaik, P (1986): 'New Turn in Economic Policy: Contexts and Prospects', *Economic and Political Weekly*, June 7.
- Raghuram, S (ed) (1992): *Development Policy: Issues and Challenges for the 90s*, HIVOS, Bangalore.
- Sandesara, J C (1992): *Industrial Policy and Planning 1947-91*, Sage Publications, New Delhi.
- Shatrugna, M (1993): 'Education, Equity and Privatisation', mimeo, Seminar paper presented at the Institute of Public Enterprise, Hyderabad.
- Sigurdson, J (1990): 'The Internationalisation of R and D: An Interpretation of Forces and Responses' in J Sigurdson (ed), *Measuring the Dynamics of Technological Change*, Francis Pinter, London.
- Tyabji, N (1993): 'Technological Collaborations and Partial Absorption: The Failure of Indian Industry in the 1980s', mimeo, Madras Institute of Development Studies, Madras.
- Upendranath, C (1993a): 'Political Economy of Education in India', mimeo, Institute for Social and Economic Change, Bangalore.
- (1993b): 'SAP and Education: Issues Related to Equity', mimeo, Institute for Social and Economic Change, Bangalore.
- Vyasulu, V (1993): 'The New Economic Policy and Technological Change: Towards New Initiatives', mimeo, Institute of Public Enterprise, Hyderabad.
- World Bank (1992): *The East Asian Miracle: Economic Growth and Public Policy*, Washington, D C.
- World Development (1994): *Special Supplement by Alan H. Sanjivani*, Vol 22, No 4, April.

Technological Capability in Indian Electronics Industry under Economic Liberalisation

Dipayan Datta Chaudhuri

With the process of economic liberalisation in India there has been a remarkable increase in the total number of foreign collaborations in the electronics industry. Public sector units which had earlier adopted a lukewarm attitude towards the import of technology changed their policy stand, and picked up momentum in seeking collaborations in the post-liberalisation period.

This article explores, on the basis of the enterprise level time-series data, the direction of change in technological capabilities of some of the public sector units operating in the field of electronics which have imported foreign technologies.

I

Introduction

DURING the period of economic liberalisation the number of foreign collaborations in electronics has been increasing at a much faster rate than in the industrial sector as a whole [Joseph and Narayana 1993]. This acceleration in the rate of foreign collaborations is likely to increase the technological dependence of Indian electronics industry unless the import of technology is backed by in-house R and D effort for its absorption, adaptation and innovation.

The technological capability of an enterprise is argued to be a function of indigenous research and development, technology imports and relation between the two [Blumenthal 1979]. The import of technologies may either substitute or complement (or a combination of both) indigenous R and D. The available empirical evidence on the nature of relationship between the two has been rather mixed in the case of Indian industries. Katrak (1989) found that the imports of technology helped to promote in-house R and D, but the stimulative impact of the former on the latter was 'limited' especially for the complex technologies. The nature of influence of two alternative modes of technology imports, namely, foreign direct investment (FDI) and licensing agreements, on in-house R and D spending was examined by Kumar (1987). His results indicated that the relationship was of substitution in the case of FDI mode of technology import but it was expected to be dominated by complementarity in the other case. For a sample of 100 Indian engineering firms for the year 1978, Lall (1983) found the royalty payments to be positively related to R and D expenditure (both variables being taken as a percentage of sales) and therefore confirmed the existence of complementary relationship. In another study, using Reserve Bank of India Survey data for 10 years (i.e., from 1964-65 to 1969-70 and again from 1977-78 to 1980-81), Subrahmanian (1987) showed the existence of a very strong complementary relationship except in the case of foreign subsidiaries and concluded that the Indian

firms generally moved along a "technology dependence-independence continuum", primarily because of the greater emphasis laid on the in-house R and D.

Another set of studies by Subrahmanian (1991), Siddharthan (1988) and Mani (1993) treated electronics as a separate sector. Subrahmanian found that the technology-importers did not undertake significantly higher R and D expenditure than the technology non-importers. Siddharthan made a distinction between the public sector and the private sector units, and showed the existence of complementary relationship between import of technology and in-house R and D effort (both taken as percentage of sales) for the private sector firms whereas for the public sector firms evidence indicated to a substitution relationship. However, the existence of complementary relationship in the public sector was confirmed by Mani but he showed that the degree of complementarity was weakest in the electronics sector which had witnessed fast changing technological advances.

These studies analysed the nature of the relationship between the expenditure on imported technology and R and D on the basis of the industry-level data but here this relationship will be examined by using enterprise-level time-series data for some of the public sector units (PSUs) operating in the field of electronics. The fact that an enterprise's imports of technology may affect its R and D can be studied by an empirical analysis of two questions relevant to the R and D behaviour of enterprises in the electronics sector. The first question is whether the level of R and D expenditure is higher amongst the technology importers than in the non-importers. This question also considers whether the expenditures on R and D are likely to differ between certain types of enterprises: large and small, private and public, indigenous and foreign-owned. The second question is whether the technological capabilities of some of the PSUs both at the central as well as at the state levels have been increasing as a result of their R and D expenditure over time.

This article is organised in the following manner. Section II discusses the procedures for the empirical tests. Section III deals with

the sources of data and methods of measurement of variables. Section IV reports the results. Section V summarises the main findings.

II

Procedures for Empirical Analysis

The first question will be examined by introducing a dummy variable in a regression equation. The regression equation will also consider the influence of enterprise size (measured by the annual sales turnover and denoted by 'S') to find out whether larger enterprises undertake proportionately more R and D (denoted by 'RD' in regression equations) than the smaller ones. It will also be interesting to study whether the R and D expenditure is higher for that enterprise which has greater experience in adapting imported technologies. It is, therefore, proposed to include the age of the R and D unit as a proxy for the experience of an enterprise in R and D activities. The regression test will take the form

$$\log RD = a + b \log S + c \log A + d TM \quad (1)$$

where,
TM = 1 for technology importers
= 0 for non-importers of technology
and A = age of the R and D unit measured from the date of establishment.

The log-linear regression form will be used because it will readily show the elasticity of R and D with respect to size (S). Thus, if the estimated coefficient of S turns out to be less than unity, it will mean that an increase in enterprise size leads to a less than proportionate increase in R and D. Alternatively, one can also examine whether the R and D intensity (RD/S) increases with the size of the enterprise and age of the R and D unit and whether it is significantly higher amongst the technology importers than the non-importers by fitting a regression equation of the following form.

$$\log RD/S = a_1 + b_1 \log S + c_1 \log A + d_1 TM \quad (2)$$

If the estimated value for b in equation (1) turns out to be less than unity then this will imply a negative value for the estimated

b_1 in the equation (2). One can also measure the influence of technology by a slope dummy defined as $TM_1 = TM^* \log S$ in place of the intercept dummy TM in the equations (1) and (2).

The R and D behaviour may differ depending on the type of the enterprises such as, private and public, indigenous and foreign-owned, etc. Since the R and D projects of PSUs are financially supported by the department of electronics (DOE)¹ we will run a regression equation of the type $\log RD/S = a_2 + b_2 \log S + e$ PUB (3) where, PUB = 1 for the public sector units = 0, otherwise

to find out whether the R and D intensity is significantly higher in the PSUs than the private-sector units.

The imperfections in the international technology market may have different impact upon (a) indigenous enterprises and (b) subsidiaries of foreign enterprises. The RBI survey (1974) found that companies which had foreign financial collaboration were comparatively less active in setting up R and D units.² It has also been observed that the foreign collaborated companies demonstrate a longer lag in adaptation and assimilation of the imported technology [Pillai 1979]. Among different forms of technology transfer the degree of control exercised by the transferor was found to be maximum in the case of the foreign direct investment [Balasubrahmanian 1973]. So a subsidiary of a foreign multinational may face greater restrictions on the extent to which an imported technology can be adapted. It will, therefore, be interesting to find out whether the research intensities of the foreign-controlled enterprises (i.e., those with 25 per cent or more foreign equity following RBI definition) are significantly less than those of the indigenous enterprises by running a regression equation of the following type $\log RD/S = a_3 + b_3 \log S + FDI$ (4) where, FDI = 1 for foreign-controlled enterprises = 0 for indigenous enterprises

Let us now consider the second question which is concerned with the inter-temporal changes in the technological capabilities of some of the PSUs. The expenditure on technology import (direct cost of foreign collaborations) of an enterprise represents the degree of technological dependence whereas its expenditure on R and D efforts reflects its internal technological capacity. The technological capability of an enterprise is said to be increasing so long as the proportionate increase in the R and D spending exceeds that of expenditure on imported technologies. The logic is that as a firm spends more on R and D, its knowledge on technology becomes richer. Since the cost of technology transfer depends largely upon the relative bargaining strength of the buyer and the seller, with a better

technological knowledge the buyer can now be at a better position in bargaining and thereby, can bring down the cost of technology imports [Teece 1977; Lall 1980].

Following the lines suggested by Katrak (1985) we adopt a procedure for measuring the technological capability. Let 'EM' denote the expenditures on imported technologies. The 'average propensity to adapt' is RD/EM . An increase in this propensity will imply an improvement in an enterprise's technological capability. Since it is a static concept we also introduce the marginal propensity to adapt as $\partial RD/\partial EM$. Now the ratio between the marginal and average propensity to adapt ($\partial RD/\partial EM / RD/EM$) will

be the "elasticity of R and D with respect to the technology import". This elasticity is a measure of the relative change in R and D to a proportionate change in the cost of technology import. The data of RD and EM will be used to fit a regression equation of the following form to estimate the elasticity $\log RD = \alpha + \beta \log EM$ (5) Here the regression coefficient β will give an estimate of the elasticity. A value of β greater than unity will be interpreted as evidence of increasing technological capability of the enterprise. Conversely, if the estimated β is less than unity the result will be interpreted as showing increasing dependence of imported technologies.

TABLE 1. MAJOR PRODUCTS AND FOREIGN TECHNOLOGY COLLABORATION AGREEMENTS OF THREE PUBLIC SECTOR UNITS IN ELECTRONICS

Name of the Unit (Year Incorporated)	Major Products	Foreign Technology Collaboration Agreements	
		Technology Supplier	Products
Electronics Corporation of India (ECIL) (1967) (Central Public Sector Unit)	Digital computer systems	Siemens, West Germany (erstwhile)	SPC telex exchange
	Colour television receiver sets	Norsk Data, Norway	Supermini computer
	Black and White TVs	Ferranti, UK	Remote telemetry units
	Telex exchange equipment	NEC, Japan	Digital transceivers
	Nuclear power plant instrumentation	Kabelmetal Electro, West Germany (erstwhile)	Line of Sight Antennas
	Control panel, Defence equipment	Control Data Indo-Asia Co, (CDC), USA	Mainframe computers
	Two-way wireless communication sets	FAG, West Germany (former)	Microprocessor-based thickness gauges
	Passive components	Harris Ferinon, Canada	Communication system
	Printed circuit boards	Thermocoax Et Cie, France	Self-powered neutron detectors
	High power amplifier systems	RACAL, UK	V-UHF receivers
	Antennae with feed (of various sizes)	Varian, USA	400W HPA
	Bipolar/MOS large scale integrated circuits	Hitachi, Japan	Digital electronic watch models
Semiconductor Complex (SCL) (1978) (Central public sector unit)	LSI/VLSI devices	American Microsystems (AMI), USA	5 micron and 3 micron CMDS and MOS silicon gate technologies
	Bipolar/MOS large scale integrated chips (LSI/VLSI) chips (silicon chips)	Citizen Watch Co, Japan	Assembly of ECB
	Electronic circuit blocks	Rockwell International, USA	Microprocessor and peripheral devices
	Printed circuit boards	CIT Alcatel, France	LSI devices
	Radio relay communication equipment	Genelcom, a subsidiary of GEC, Canada	Extended range VHF equipment
Gujarat Communications and Electronics (GCEL), (1975) (State public sector unit)	Instrument landing system	Sony Corporation, Japan	U-MATIC Video equipment and high band VCRs
	Video Tape Recorder	Robert Bosch, West Germany (erstwhile)	Video tape recorder
		Siemens, West Germany (erstwhile)	Electronic telephone instruments
		Rohde and Schwarz, West Germany (erstwhile)	FM transmitters
		Ampex (country not available)	Digital video effects

Source: Annual Reports of GCEL, SCL and ECIL (various issues).

The regression equation of the type (5) can be run for the two central public sector units (CPSUs), namely, Electronics Corporation of India (ECIL) and Semiconductor Complex (SCL) and a state public sector unit (SPSU), namely, Gujarat Communication and Electronics (GCEL) (Table 1). Since the process of liberalisation was discernible from 1978 the time-series data on R and D and expenditures on imported technologies were collected from that year for GCEL but, for ECIL and SCL such data could be obtained from 1981 to 1990. To overcome statistical limitations arising from fewer number of observations for each unit, these data of the three units were pooled to estimate the regression of the following type where D_1 and D_2 are the two intercept dummy variables

$$\log RD = \alpha_1 + \beta_1 \log EM + \beta_2 D_1 + \beta_3 D_2 + \beta_4 D_1 \log EM + \beta_5 D_2 \log EM \quad (6)$$

where, $(D_1, D_2) = (1, 0)$ for ECIL
 $(D_1, D_2) = (0, 1)$ for SCL
and $(D_1, D_2) = (0, 0)$ for GCEL

III Data and Measurement of Variables

Empirical analysis in the framework suggested above requires two sets of data. One set of data was collected from *Compendium on In-House R and D Centres, 1990* published by the department of scientific and industrial research (DSIR) on the basis of a survey of the firms registered with it. This compendium provides quantitative data such as, R and D expenditure, sales turnover, the year of establishment of the R and D unit and also qualitative information on the basis of which it is possible to separate out technology-importers and non-importers, public sector and private sector units, foreign-controlled enterprises and indigenous enterprises.

The second set of data on the R and D expenditure, sales turnover, expenditure on imported technology were collected from the annual reports of the ECIL, SCL and GCEL. All these variables were measured at the constant prices with reference to the base year 1981-82. The items belonging to the capital account of R and D expenditure were deflated by the price index of machinery and machine tools including electrical machinery and the revenue account expenditure of R and D of a unit was deflated by the consumer price index for urban non-manual employees of that place where the unit is situated.¹ These price indices were obtained from H.L. Chandhok's (1990) 'India Data Base'. Since this source provides price-index data up to 1988-89, the price-index for the year 1989-90 was collected from the *Report of Currency and Finance* published by RBI. With regard to the sales turnover

the sales items of each unit were identified and their prices were obtained from the *Guide to Electronics Industry*, a DOE publication. In the case of the units selling more than one item, a weighted price index was constructed where the share of each item in the total sales turnover was taken as the weight. The direct cost of technology import (EM) was measured as the out-flow of foreign exchange due to the technical know-how fees, royalty and interest payment, professional consultancy fees, advances to foreign suppliers of technology and the imports of capital goods as the imported capital equipment may embody a certain kind of know-how. The price indices for these items are not available. During the period of our study, the rupee experienced a continuous depreciation against the major currencies of the world and our domestic rate of inflation was much higher than in other developed countries from which the technologies were imported. So, the time-series figures of the direct costs of technology imports were deflated by the real effective exchange rate (REER) which is a weighted average of bilateral price-deflated nominal exchange rates.⁴ A problem in searching for an empirical relationship between the import of technology and R and D is that latter activity may be undertaken a year (or more) after the former. Considering this possibility our data were further analysed and it was decided to regress the R and D expenditure of any year upon the average of the

technology expenditure of that year and a year before.

IV Empirical Results

The first question was examined by running few regression equations [discussed in Section II] and the results are reported in Table 2.

The positive signs of the technology-import dummies TM and TM_1 in equations (1) to (4) indicate that both the level of R and D expenditure and the R and D intensity were higher amongst the technology importers than the non-importers. Thus, in this sense, it seems that the imports of technology encouraged R and D as the imported technology was required to be adapted to the local conditions. Such a kind of adaptive R and D might also be undertaken in solution of problems such as breakdown of machinery, shortage of imported components, etc. However, this stimulating effect of imported technology upon R and D was limited, since the technology import dummies, at best, could reach only the 5 per cent level of significance.

In equations (1) and (3) the coefficients of $\log S$ are positive and significant at the 1 per cent level but less than unity.⁵ This indicates that the larger enterprises undertook proportionately less R and D than the smaller ones. This outcome also followed from the fact that the coefficient of $\log S$ are negative

TABLE 2 LOG-LINEAR REGRESSION EQUATIONS EXPLAINING R AND D IN ELECTRONICS SECTOR

Equations	Dependent Variable	Regressions						
		Constant	S	A	TM	TM ₁	PUB	FDI
(1)	RD	-.038015 (-.07347)	31547*** (3.7356)	.05539 (.37415)	55065* (1.8835)			
(2)	RD/S	-.038015 (-.07347)	-.68453*** (-8.1059)	.05539 (.37415)	55065* (1.8835)			
(3)	RD	.13303 (.27873)	29723*** (3.4635)			.07858** (2.0731)		
(4)	RD/S	.13303 (.27873)	-.70277*** (-8.1889)			.07858** (2.0731)		
(5)	RD/S	-.039892 (-.08191)	-.60782*** (-7.6677)				-.27558 (-.74692)	
(6)	RD/S	-.029403 (-.06020)	-.61308*** (-7.7246)					-.14961 (-.40500)
Equations	Dependent Variables	R ²						
(1)	RD	.33650						
(2)	RD/S	.55107						
(3)	RD	.34336						
(4)	RD/S	.55564						
(5)	RD/S	.52677						
(6)	RD/S	.52351						

Notes: The regressions are based on the data of 60 enterprises that undertake R and D of which 34 were importers of technology.

t-values are shown in parentheses

*** indicates significance at 1 per cent level (two-tailed test)

** indicates significance at 5 per cent level (two-tailed test)

* indicates significance at 10 per cent level (two-tailed test)

Source: See Section III.

in the equations (2), (4), (5) and (6) indicating significantly lower research-intensities in the larger enterprises. It seemed that the greater market power and the absence of competitive pressures reduced larger enterprises's incentive for R and D.

In equations (1) and (2) the coefficients of log A are positive but not statistically significant. Thus, the experience of an enterprise in R and D activities did not make any significant influence upon its R and D expenditure or its R and D intensity.

The two dummy variables were introduced in equations (5) and (6) to examine the R and D behaviour of certain types of enterprises: public and private and indigenous and foreign-owned. It can be observed from equation (5) that the research intensities did not differ significantly between the public and the private sector enterprises. One would have expected higher research-intensities for the PSUs since their R and D projects are generally financed by DOE. But, it seems that in an era of liberalisation, both the public and the private sector units prefer to import package technology which does not require much R and D activities. The equation (6) shows that the research intensities of the foreign-controlled enterprises were not significantly less than those of the indigenous enterprises. A possible explanation is that the dummy is reflecting two opposing effects: thus whereas indigenous enterprises might have greater scope for determining their own R and D efforts, they might also have relatively less assistance from their foreign suppliers in the assimilation of the imported technology.

The second question is concerned with the technological capabilities of some of the PSUs in the field of electronics. This question was examined by pooling the time-series data pertaining to the two CPSUs (i.e., ECIL and SCL) and one SPSU (i.e., GCEL) and a regression analysis was undertaken to obtain the following regression equation

$$\log RD = -.074656 + 1.1044 \log EM \\ (-1.5059) \quad (3.4289) \\ + 1.9906 D_1 + .21940 D_2 \\ (3.6882) \quad (.33309) \\ -.99699 D_1 \log EM - .41715 D_2 \log EM \\ (-2.9613) \quad (-1.1663)$$

$$R^2 = .77880 \quad \bar{R}^2 = .72614$$

Figures in brackets denote t-values.

TABLE 3: ELASTICITY COEFFICIENTS OF THREE PUBLIC SECTOR UNITS

Name of the Unit	Elasticity Coefficients	t-values
(i) GCEL	$\hat{\beta}_1 = 1.1044^{***}$	3.4289
(ii) ECIL	$\hat{\beta}_1 + \hat{\beta}_2 = .10741$	1.0954
(iii) SCL	$\hat{\beta}_1 + \hat{\beta}_2 = .68725^{***}$	4.4189

Note:*** denotes significance at 1 per cent level.

Source: Computed from the annual reports of ECIL, SCL and GCEL.

The elasticity coefficients of the three PSUs are represented in Table 3.

The regression results establish the existence of complementary relationship between R and D and technology-import expenditure for all the three PSUs, although the relationship was not statistically significant in the case of ECIL (Table 3). The elasticity coefficient exceeded unity only in the case of GCEL. So, following our definition, among the three PSUs only GCEL was able to strengthen its technological capability through its R and D efforts. Although being a state public sector unit the scale of operation of GCEL, measured in terms of average sales turnover, was much lower than the two CPSUs but its research-intensity was the highest (Table 4). GCEL also enjoyed an increase in the propensity to adapt over time, whereas it declined in the case of ECIL (Table 5). However, the propensity to adapt increased only marginally for SCL.

It can be observed from the Table 4 that GCEL was a profit-earning enterprise so apart from the financial help from DOE, it was able to generate surplus funds which could be used to back up the import of technology with indigenous R and D. It can be recalled here that the telecommunication sector was reserved for the PSUs only till mid-1980s. Thus, GCEL, under the influence of government's protective policy was able to facilitate its technological capability. On the other hand, ECIL was also a profit-earning enterprise but its growth rate of R and D expenditure was so low that it could not match with the very high growth rate of its expenditure on imported technology as a result not only its propensity to adapt declined, it also experienced an increase in the import intensity of the technology over time (Table 5). With the shift in the government's policy from 'protectionism' to 'liberalisation', ECIL which had not entered into any foreign collaboration till 1978, signed five foreign collaboration agreements in 1986 alone. It also ranked seventh among the 10 largest importers of foreign technology in the Indian public sector having a total of 15 such collaboration approvals till 1986. ECIL was engaged in

manufacturing indigenous computers during 1970s but it started assembling CKD/SKD kits imported from its foreign collaborators during 1980s. This kind of 'kit-culture' provided very little scope for undertaking any worthwhile R and D activities.⁶ The large number of foreign collaboration agreements of ECIL accounted for a very high rate of increase in its expenditures on the imported technologies which were not backed up with indigenous R and D efforts in the same intensity as a result the technological dependence of ECIL increased over time (Table 5). Moreover, the technologies imported were not the state-of-the-art. The electronics telex exchange technology from Siemens and mainframe technology from CDC when brought by ECIL were about to be phased out in the global market.⁷ It should be noted here, that GCEL did not enter the export markets whereas the two CPSUs were engaged in exporting their products. It is also possible that the CPSUs were less assisted by their foreign suppliers in the assimilation of the imported technologies as they were viewed as potential competitors in the export markets. This kind of 'oligopolistic squeezing' very often hinders the development of technological capabilities of Indian enterprises⁸ [Bagchi 1982; Alam 1985]. It should be noted from Table 5 that the R and D intensities of all the three PSUs declined over time. In this sense, PSUs are becoming less R and D oriented and the efficiency of resource utilisation (measured as the ratio of value-added to total production, [Bagchi 1986] also declined during the period of liberalisation (Table 5).

However, among the three PSUs only GCEL, even being in a state sector, has shown better performance so far as the development of technological capability is concerned. It even developed Time Division Multiple Access (TDMA) Communication system when the concept of TDMA had yet to get transformed into practical hardware and moreover, no field proven equipment of this type was available in the country. This project was, however, supported by DOE by providing GCEL with R and D funds for the design, development and

TABLE 4: SALES TURNOVER, R AND D INTENSITY, AND IMPORT INTENSITY RATIOS OF THREE PUBLIC SECTOR UNITS (1981-82 = 100 unless otherwise stated)

Name of the Unit	Sales Turnover (Rs in Lakh)	Profitability (at Current Prices)	R and D Intensity	Import Intensity of the Technology
ECIL	13,666.56	0.04	0.01	0.02
SCL	2,298.50	(-) 0.02	0.17	1.31
GCEL	701.89	0.08	0.27	0.33

Notes: (i) These are average figures calculated over the study period of each unit.

(ii) Profitability was measured as the ratio of profit after tax to the gross fixed assets.

(iii) Import intensity of the technology was measured as the ratio of the expenditures on imported technologies to the sales turnover.

(iv) SCL could not achieve break-even operations till 1987-88.

Source: Computed from the annual reports of GCEL, SCL and ECIL.

engineering of the system. In barely two years and nine months with a cost of Rs 1.5 crore the TDMA Communication System became a reality. At first, this system was successfully used by Steel Authority of India (SAIL) in its Kiriburu complex and later on, it was also supplied to the Railways, Coal India and the State Electricity Boards GCEL, also played a pivotal role in developing Pulse Code Modulation (PCM) Multiplex Equipment which was required for converting our entire communication network into a digital one. Till 1981, to meet requirements prevailing at that time, the department of telecommunication (DOT) had been importing this equipment from Japan. But seeing that there could be large requirements in the Seventh and Eighth Plans, Indian Telephone Industries (ITI), at the instance of the DOT started negotiations with a leading multinational company for acquiring foreign technology to make this equipment. Meanwhile, GCEL offered to Telecommunications Research Centre (TRC) to produce PCM Multiplex Equipment based on TRC's indigenous design and know-how. While doing so GCEL recognised that the per channel Codec design of TRC was superior to the Codec design of the multinational company. Accordingly, GCEL engineered the TRC design, and produced a batch of PCM terminals for field trials by DOT. These trials were satisfactorily completed by the end of 1983. With such excellent progress made by the GCEL TRC team the government decided that ITI could not proceed with its proposed technical collaboration with the multinational company for PCM multiplex equipment, but would, instead, also make the equipment as per the GCEL-TRC design [Parthasarathi 1992]. SCL also had its success when it was able to reach 2 micron technology in 1988, without any cost or time overrun starting from 5 micron under its technology upgradation plan.⁴

The government policy of liberalisation encouraged the induction of foreign technologies which were expected to improve our product qualities and to accelerate the growth rate of our exports. This kind of export-led-growth, apart from increasing income and employment, was also likely to ease the foreign exchange burden of our country. It will be interesting to study whether the net earnings of foreign exchange of these PSUs increased during the period of liberalisation. This can be measured with the help of 'Net Foreign Exchange Inflow Ratio' (NFIR) which is defined as

$$\text{NFIR} = \frac{\text{Exports} - (\text{Imports of goods} + \text{Imports of technologies})}{\text{Exports}}$$

The trends of NFIR for ECIL and SCL are reported in Table 5. The values of NFIR

are negative throughout the period under consideration indicating higher outflows of foreign exchange than inflows. The negative trend of NFIR did not show any declining tendency in either case, therefore, it could not be asserted that the import dependence of these CPSUs was decreasing over time.¹⁰ Thus, the fond hope behind the government's policy of liberalisation has so far shown no sign of materialisation so far as the earnings of foreign exchange are concerned. The import intensity of the electronics industry is very high¹¹ and the electronics equipment and components manufacturing units taken for this study are found to be net spenders of foreign exchange¹² so one wonders whether a country like India with a weak 'macroeconomic capability' [Bagchi and Banerjee 1986] can afford to develop new technologies on a massive scale.

V

Summary and Conclusions

The liberalisation policy of our government encouraged the import of foreign technologies by Indian enterprises. Here, we have examined whether the technological capabilities of the Indian enterprises in the field of electronics have been increasing as the imports of technologies are expected to stimulate in-house R and D efforts. This was studied first, by introducing dummy variables in a regression analysis which indicated that both the levels of R and D expenditures and the R and D intensity were higher amongst the technology importers than the non-importers. However, the stimulating effect of imported technology upon R and D was found to be limited. Then the time-series R and D data were regressed upon the data on expenditures on imported technologies of the three public sector units. Although the regression analysis established a complementary relationship between the two variables only one unit was able to increase its technological capability through its R and D efforts. However, all the three units turned out to be net spenders of foreign exchange and their import dependence did not show any

definite declining trend over time. The regression also found that the larger enterprises incurred proportionately less R and D expenditures. It was also observed that the R and D intensities did not differ significantly between the public and the private sector enterprises and between the indigenous and the foreign controlled enterprises.

The high growth rate of the electronics industry during the early 1980s could not be sustained during the late 80s [Joseph and Narayana 1993]. Moreover the factor productivities also declined over time indicating growing inefficiency in factor use. Here we have observed that the R and D intensities of all the three public sector units declined during the period under study. Although this result cannot be generalised it cannot be denied either that the Indian enterprises are becoming less R and D oriented due to the emergence of the kit culture. The government should intervene to ensure that the import is sufficiently backed up with domestic R and D so that apart from increasing the technological capability the efficiency of resource utilisation also increases which is likely to arrest the declining trend in productivity and output.

TABLE 6 TRENDS IN NFIR FOR TWO CENTRAL PUBLIC SECTOR UNITS

Year	ECIL	SCL
1980-81	(-) 400.87	
1981-82	(-) 161.66	
1982-83	(-) 74.90	
1983-84	(-) 1127.37*	(-) 423.85
1984-85	(-) 4.76	(-) 9503.00
1985-86	na	(-) 265.88
1986-87	(-) 110.28	(-) 56.98
1987-88	(-) 67.85	(-) 45.37
1988-89	(-) 133.23	(-) 171.17
1989-90	(-) 110.61	(-) 1283.50*

Notes: * To calculate NFIR the values of exports were taken to be Rs 1 lakh as the actual export earnings for these two years were nil.

SCL started its commercial production in 1983-84.

Source: Computed from the annual reports of ECIL, SCL.

TABLE 5 GROWTH RATES (COMPOUND) OF R AND D AND ITS INTENSITY, EXPENDITURE ON IMPORTED TECHNOLOGIES AND ITS INTENSITY, PROPENSITY TO ADAPT, SALES TURNOVER AND EFFICIENCY OF UTILISATION OF RESOURCES (1981-82=100)

Name of the Unit	Sales Turnover	Expenditure on Imported Technologies	R and D Expenditure	Import Intensity of the Technology	Propensity to Adapt	R and D Intensity	Efficiency of Utilisation of Resources
ECIL	21.09	54.41	4.67	27.52	(-) 32.22	(-) 13.56	(-) 2.61
SCL	27.52	17.56	18.71	(-) 2.47	0.98	(-) 29.33	(-) 1.43
GCEL	78.46	14.27	17.80	(-) 36.15	3.09	(-) 34.17	(-) 3.33

Source: Same as Table 4.

Notes

[I am indebted to Amiya K Bagchi for his guidance. I have benefited from discussions with Dipankar Coondo, Prabirjit Sarkar, Debidas Banerjee and Uttam K Bhattacharjee. Thanks are also due to Pronab K Das for computer help. I am, however, solely responsible for any remaining error.]

- 1 See Report of the Study Team on Science and Technology for Eighth Five Year Plan for Electronics Industry' in *Electronics Information and Planning* Vol 17 Nos 10-11 July-August 1990
- 2 'Evidence suggests that US multinational companies tend to concentrate their R and D activities at their headquarters in US' [Kumar 1985]
- 3 It was observed that the salaries and other benefits of the R and D staffs accounted for the largest share of the revenue expenditure of R and D
- 4 The REER takes into account both a change in the domestic rate of exchange of rupee against the foreign currencies and the domestic rate of inflation relative to our trading partners. See Pradhan (1992)
- 5 At the 1 per cent level of significance the regression coefficients lie in the expected range $b \pm 2.66 SE$ where b is the regression estimate of an independent variable and SE is its standard error. So the values of the confidence limits were 0.9084 and 54010 in equation (i) and 0.6895 and 52551 in equation (iii). In each case even the upper limit of the expected range was less than unity
- 6 The CMD of ECIL stated that with the current emphasis on profitability of the PSUs, ECIL is considering only SKD manufacturing. See *Dataquest* Vol X No 4 April 1992
- 7 See *Dataquest* (ibid)
- 8 The request for semiconductor technology by SCL was turned down by semiconductor giants like Intel and Texas Instruments not because of low royalty rates and technical fees but because they were not ready to part with the frontier technology
- 9 A micron is a tiny measure of length and the smaller the component size the larger the number of complex circuits that can be placed on a chip giving faster and better performance
- 10 The NFIR figures of SCL for the year 1989-90 was remarkably high as the customer requirements were met mainly through imports after its production facility was damaged in a devastating fire which destroyed properties worth about Rs 57 crore. See *Annual Report* of SCL for 1988-89
- 11 The import intensity of electronics industry in India is about 32 per cent as compared to around 20 per cent for all manufacturing. See Sen (1992)
- 12 According to one estimate the net outgo of foreign exchange was Rs 1250 crore during 1989-90 in the electronics sector as a whole (*The Economic Times*, New Delhi, December 8, 1990)

References

Alam, G (1985) 'India's Technology Policy and Its Influence on Technology Imports and Technology Development', *Economic and*

- Political Weekly (Special Number)* Vol XX, Nos 45, 46 and 47, November
- Bagchi, A K (1982) 'Public Sector Industry and Quest for Self Reliance in India' *Economic and Political Weekly, Annual Number* Vol XVII Nos 14, 15 and 16, April
- (1986) Foreign Collaboration in Indian Industry *Economic and Political Weekly* Vol XXI No 21 May 24
- Bagchi, A K and D Banerjee (1986) *The Impact of Microelectronics Based Technologies: The Case of India* WEPR WP 169 ILO Geneva September
- Balasubrahmanian V N (1973) *International Transfer of Technology to India* Praeger
- Blumenthal J (1979) A Note on the Relationship between Domestic Research and Development and Inputs of Technology *Economic Development and Cultural Change* Vol 27 No 2 January
- Joseph K J and D Narayana (1993) Industry and Trade Liberalisation: Performance of Motor Vehicles and Electronics Industries 1981-91 *Economic and Political Weekly (Review of Industry and Management)* Vol XXVIII Nos 8 and 9 February 20-27
- Katrak H (1985) 'Imported Technology Enterprise Size and R and D in a Newly Industrialising Country: The Indian Experience' *Oxford Bulletin of Economics and Statistics* Vol 47 No 3
- (1989) Imported Technologies and R and D in a Newly Industrialising Country - The Experience of Indian Enterprises *Journal of Development Economics* Vol 31 No 1
- Kumar N (1985) Cost of Technology Imports - The Indian Experience *Economic and Political Weekly (Review of Management)* Vol XX No 35 August
- (1987) Technology Imports and Local Research and Development in Indian Manufacturing *Developing Economics* Vol 25 No 3 September
- Lall S (1980) International Technology Market and Developing Countries

- Economic and Political Weekly, Annual Number*, Vol XV, Nos 5, 6 and 7, February
- (1983) 'Determinants of R and D in a LDC: The Indian Engineering Industry' *Economic Letters*, Vol 13, No 4
- Mani, S. (1993) 'Foreign Technology in Public Enterprises', *Journal of Indian School of Political Economy*, Vol V No 3, July-September
- Parthasarathi, A (1992) 'The Development of Technology in Electronics - Some Case Studies' *Electronics Information and Planning* Vol 19 No 9 July
- Pillai P M (1979) 'Technology Transfer, Adaptation and Assimilation' *Economic and Political Weekly (Review of Management)* November
- Pradhan H K (1992) Effective Exchange Rate of the Rupee: Export Import Bank of India *Occasional Paper* No 21 November
- Sen P (1992) Exports and Globalisation Issues for the Indian Electronics Industry *Electronics Information and Planning* Vol 20 No 3 December
- Siddharthan N S (1988) In-house R and D Imported Technology and Firm Size: Lessons from Indian Experience *Developing Economics* Vol 26 No 3 September
- Subrahmanian K K (1987) Towards Technological Self Reliance: An Assessment of Indian Strategy and Achievement in Industry in P R Brahmananda and V R Panchamukhi (eds) *The Development Process of the Indian Economy* Himalaya Publishing House Bombay
- (1991) Technological Capability under Economic Liberalism: Experience of Indian Industry in Eighties *Economic and Political Weekly (Review of Industry and Management)* Vol XXVI No 35 August 31
- Teece D S (1977) 'Technology Transfer by Multinational Firms: The Resource Cost of International Technology Transfer' *Economic Journal* Vol 87 June

New
Book
from

MD

Publishers of the
Humanities, Natural
& Social Sciences

ENVIRONMENT PROTECTION AND POLLUTION CONTROL IN THE GANGA

Edited by
P K Agrawal

The book exposes the latest global developments in the field of environment and river pollution control, with particular reference to Ganga. Based on the reports of various UN bodies, such as Ganga Action Plan, the editor has really presented a model project to clean the Ganga.

1994, 173p, maps, references, 22x14 cm
ISBN 81-85880-39-5

Rs 200.00

Send your orders and write for complete catalogue to

M D PUBLICATIONS PVT LTD
11 Darya Ganj, New Delhi-110 002
Tel 3273347, 3271378, 3286830, 3288045
Fax 91-11-3276542 Cable: INDOLOGY

PUBLISHERS
DISTRIBUTORS
EXPORTERS

Indian Software Exports: An Assessment

Pronab Sen

Until 1991-92 there was virtually no policy support for the software sector. Since then the government has taken a number of positive steps, but hesitantly. The general perception about the software industry however continues to be that it will rapidly attain international stature without any policy support.

Addressing the issue, this paper analytically examines the behaviour of software exports from India, and makes some policy prescriptions.

I

The Symptoms

THE remarkable growth of Indian software exports from a mere Rs 71 crore in 1987 to Rs 700 crore in 1993 – an increase by a factor of 10 in six years¹ – has sparked off peculiar syndrome which may have far-reaching consequences in the future. On the one hand, there are high expectations from this sector, and it is firmly believed that this is one of the few areas in which India has the potential to become a global powerhouse. On the other hand, the degree of euphoria, virtually bordering on arrogance, is such that it is apparently believed that nothing much needs to be done in terms of policy support for this sector. This syndrome has been further reinforced by studies which suggest that software exports are likely, in any case, to touch US \$ 640 million by 1996, and with a little bit of effort US \$ 1 billion is also attainable in the same time frame.² As a consequence, the focus has shifted away from the fundamentals to the marginals.

If this sounds like hyperbole, consider the following policy stances. In 1992 the government extended the tax exemption on export profits available to merchandise exporters through Section 80-HHC of the Income Tax Act to software exporters by introducing Section 80-HHE. The difference, however, was that while Section 80-HHC had currency of five years, Section 80-HHE was on an annual basis. As a result, there has been a constant uncertainty regarding the renewal of this section, and hence the expected net profit of the exporter, which has affected all software contracts which span two or more financial years. In such a situation it is almost impossible to fix a firm price for the duration of the contract.

Other than this basic difference between Sections 80-HHC and 80-HHE, the very similarity between the two sections reveals a lack of appreciation by the policy-makers of the characteristics of the software industry. While framing Section 80-HHC, it was clearly recognised that profits on exports were negligible or even negative for most merchandise, whereas substantial profits were made on domestic sales. Therefore, in order to make this instrument serve as a real export incentive, a method of "profit averaging" was devised so that exporters

could actually claim a part of their profit on domestic sales as export profits. This was achieved by multiplying the ratio of export turnover to total turnover and the total profits of the company in calculating 'export profits' for the purposes of this section. Since domestic turnover is usually computed on the ex-factory price, the export turnover was defined as the invoice value less transportation costs in order to maintain consistency.

It can be shown that this formula will overstate the export profit if two conditions are met: (a) the percentage profit margin on domestic sales is higher than on exports; and (b) transport costs form a small percentage of export turnover.³ Both these conditions are met for merchandise, where profit on exports is substantially less than profit on domestic sales and transport costs form only about 3 per cent of the invoice value. Unfortunately, both the formula and the definition of export turnover were retained while formulating Section 80-HHE, thereby substantially reducing the incentive value of this provision and indeed giving rise to a most undesirable characteristic.

The reasons for this contrary effect are first, that in the software sector profits on exports are considerably higher than on domestic sales.⁴ As a consequence, profit averaging actually leads to a part of export profits being counted as profit on domestic sales, and thereby being subject to tax. Second, to make matters worse, transport costs for the software sector have been defined to include both international telecommunication charges and the cost of sending employees abroad.⁵ These two together can account for as much as 40 per cent of the invoice value in software exports. This causes the share of exports in total turnover to be much less than actual. The net result of this *pari passu*, rather than *mutatis mutandis* application of the provisions of Section 80-HHC to 80-HHE is that not only do the software exporters have to pay tax on legitimate export earnings, but that the extent of such taxation increases as domestic sales rise. This provides a strong disincentive for software companies to address the domestic market, which in turn has serious negative long-run implications.

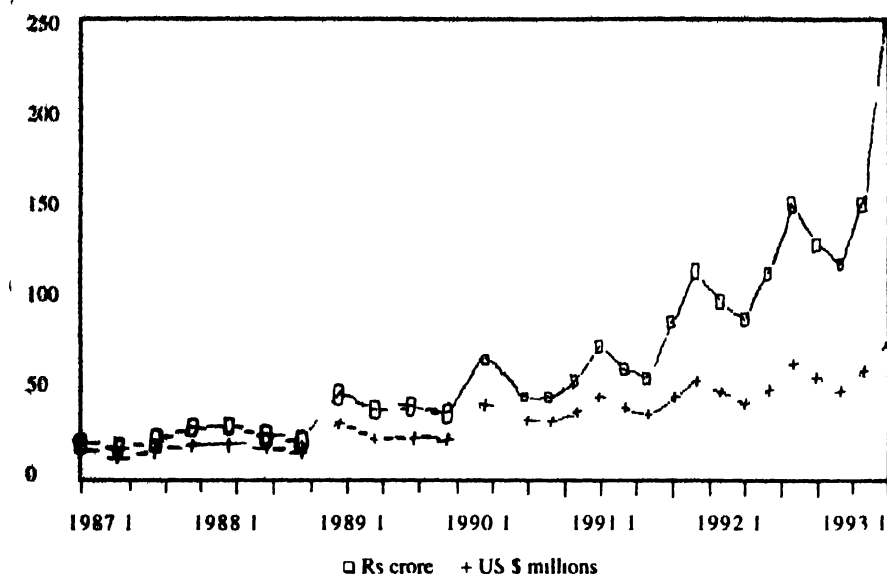
Second, Sections 10-A and 10-B of the Income Tax Act, which provide income tax relief to export processing zones (EPZs) and

100 per cent export-oriented units (EOUs), were extended to software exports from such schemes in 1993. Here again, software companies which have been in existence prior to 1993, and which form the core of the software exports of the country, have been excluded by oversight. As a result, the policy discriminated in favour of start-up companies and against established software exporters. Third, in 1992 certain specific software activities were declared to be areas of 'extreme focus' for export thrust by the ministry of commerce. In none of these identified activities India had any significant presence. Therefore, if this pronouncement was to be taken seriously, efforts at developing demonstrated competence in these fields in India would have to be taken up in a concerted manner. As yet no such plan of action exists, even on paper. These are only illustrative of the ambivalent attitudes that have characterised our approach to software exports. They can be multiplied many times over. It should not be thought, however, that the software sector has been totally neglected. In fact, the year 1991-92 marks a watershed in terms of policy support for this sector. The above cited examples are aberrations which have crept in primarily because of the lack of adequate communication and differences in perceptions that exist within the governmental system.

Until 1991-92, there was virtually no policy support at all for the software sector. Even 'benign neglect' would be too positive a phrase to use in this connection. The primary vehicle of Indian software exports – on-site software development – was pejoratively termed as 'body-shopping'⁶ and every effort was made to discourage it.⁷ There was virtually no effort at understanding why software exporters behaved the way they did. In retrospect, considerable credit has to be given to the software sector for pushing ahead despite the lack of support from the government.

Since then, however, the government has taken a number of positive steps, albeit haltingly. Even so, there continues to be a lack of appreciation of the requirements for software exports in the wider government milieu. The popular perception appears to be that India already has all the ingredients for a successful software sector, and the demands for positive policy support are

FIGURE 1 TRENDS IN SOFTWARE EXPORTS



important at best. The real issue, therefore, is that whether there is any basis for this self-satisfied sanguinity that the Indian software industry will rapidly attain international stature without any active policy support.

In order to address this issue, there is need to analytically examine the behaviour of software exports from India. The basic data is given in the Annexure. The time path of software exports in rupees and in US dollars are plotted in Figure 1. As can be seen, a substantial part of the reported growth in software exports has come about through devaluation of the rupee against the dollar particularly since 1991. The decomposition of the growth in the rupee value of software exports into the real growth measured in dollar terms and the exchange rate effect is given in Table 1.⁴

The interesting point to note about this table is that the 'real' growth rate has actually slipped during the latter half-period (1990-93), which is precisely the period in which the software sector has given rise to such strong expectations. It can also be seen that during this period, the 'real' and the 'exchange rate' effects have been more or less equal, which was certainly not true of the earlier period when the 'real' growth dominated. The differential performance in the two periods also cannot be put down to differences in the base, since the arithmetic mean of the growth rates of the two sub-periods are not significantly different from the full-period average, which would have been the case if there had been a base problem.

Casual empiricism based on this data and analysis would give rise to most disquieting conclusions. One would be tempted to infer that the software sector is starting to lose steam, despite the not inconsiderable growth rates that continue to be achieved. To make matters worse, this slowing down appears

to have taken place precisely during the period when some policy support started being provided. This simply lends further credence to the proponents of the point of view which holds that software exports do not need such support, and more rapid growth is possible if the software entrepreneurs did not mangle.

In order to examine the situation in somewhat greater detail, an econometric analysis of the trends in the dollar values of software exports becomes necessary. Given the wide variations in the quarterly exports data, simple trend equations were not appropriate. More complex equations involving both intercept and slope dummies for the different quarters had to be specified and estimated for linear, quadratic and exponential growth paths. The results of such an exercise are presented in Table 2.⁵

The results are extremely interesting. As may be seen from the table, until 1992-93, the linear trend equation is consistently superior to the exponential. This suggests that the decline in the compound growth rate indicated in Table 1 arises not so much from a downward shift in the growth path, but from the fact that a compound growth rate is an inappropriate measure of the true growth path. This is further borne out by the steady decline in the coefficient of the trend variable in the semi-log equations. On the other hand, it raises the question as to why the software exports followed a linear path in a world that tends to behave exponentially.

Since 1992-93, however, there appears to be a change, in that the semi-log trend starts dominating the linear. This seems to suggest that there is a substantial change in the behavioural attributes of the software export sector, and that the future growth may well turn out to be exponential. This possibility is reinforced by the robustness of the

estimated parameters in the equations covering the periods 1987-93 and 1987-94.

However, on the one hand, it may be pointed out that the difference between the explanatory powers of the linear and the semi-log equations are not very different, and hence one cannot be too confident about this shift to an exponential growth path. On the other hand, even if the exponential growth path were to be attained, the annual compound growth rate has dropped sharply from 44.3 per cent in 1990 to 25.8 per cent by 1994. Therefore, what is the level of software exports that can be expected in the next few years?

There is of course no real answer to the first question, since the period available is still very short. Only time will tell. But the robustness of the parameters is an encouraging sign. The importance of shifting from a linear to an exponential growth path cannot be overemphasised even for the relative short run. In order to fully appreciate the importance of such a shift, one need only consider the projected software exports over the next few years. These projections, both for the linear and the exponential growth paths, are presented in Figure 2. As can be seen, the two projections diverge quite substantially. In 1997, if an exponential growth trend is maintained, the level of software exports should be about US \$ 630 million. With linear growth however, it is unlikely to exceed US \$ 330 million.¹⁰

II The Diagnosis

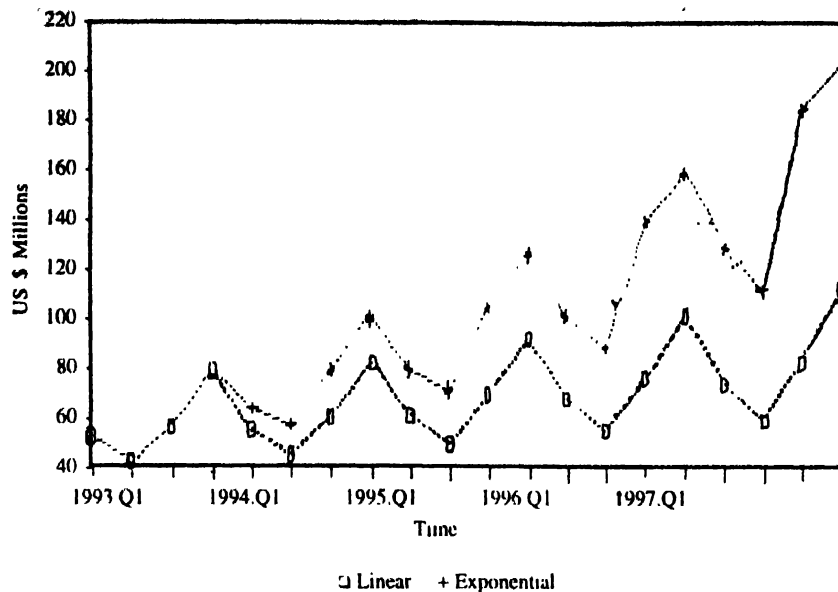
The important issues that arise from the description of the symptoms presented in the preceding section may be summarised as follows:

(1) What are the reasons for Indian software exports to have followed a linear growth path? (2) What hope is there for permanently shifting to an exponential path? The first point that needs to be realised about the software sector is that it is not physical capital intensive, but extremely intensive in human capital. As a result, the growth in this sector does not arise primarily from investment in plant and machinery, as is the case with physical products, but from two principal sources: (a) The number of persons (or man-years) engaged in this activity; (b) The productivity of the manpower in terms of revenues per person.

TABLE 1 DECOMPOSITION OF GROWTH IN SOFTWARE EXPORTS

Period	Total Growth (Per Cent)	Real Growth (Per Cent)	Exchange Rate (Per Cent)
1987 to 1993	46.4	28.0	18.4
1987 to 1990	41.2	29.1	12.1
1990 to 1993	51.8	27.5	24.3

FIGURE 2: SOFTWARE EXPORT PROJECTIONS



The exponential nature of most economic processes arises mainly from what Marx termed as 'expanded reproduction', or the process of cumulative accumulation of capital. In the software sector, unfortunately, this process has only limited applicability.¹¹ Human capital tends to follow 'simple reproduction' behaviour. The reason for this is that the generation of the right type of manpower does not come about through the operation of normal economic forces, but as a result of deliberate decisions taken by the educational system. This is probably at the root of the linearity of the Indian software experience.

Although the Indian educational system as a whole has expanded quite substantially, there is a bottleneck at the institutions which are capable of producing software professionals of international standard for the kinds of jobs that are being undertaken at present. The available data suggest that there has been no expansion in the number of graduates coming out of these institutions per year for the past 10 years or more. This is a linear process.

Moreover, the Indian educational system has been most unresponsive to the educational and training needs of the economy. Although the structure of the Indian economy has changed quite dramatically in the last two decades or more, the changing composition of skill requirements has had very little effect on both the proportion of students in various disciplines and the curricula in the educational and training establishments. The net result is a growing imbalance between the demand and supply of different skills. The problem is particularly acute for sectors which are new and growing rapidly - like software. This strong auto-regressiveness of the educational system is probably the single-

most important cause of the observed linearity.

However, this is only part of the explanation. The failure of the Indian system is of a wider dimension. Despite the linearity in appropriate human capital formation, sustained exponential growth could still have been recorded through two methods: (a) Addressing more intensively those specific segments of the international software market for which trained manpower availability would not be a binding constraint in the foreseeable future. (b) Increasing the productivity of the scarce existing manpower by moving progressively to higher value activities. The fact that neither of these happened in any significant way calls for an explanation. The software sector can be divided into five

major activities in declining order of complexity and skill requirements: (1) Project management, (2) Systems analysis and design, (3) Software maintenance and support, (4) Writing of code, and (5) Data entry. As things stand, the Indian software sector has been and continues to be concentrated in the second and the fourth activities with a heavy predominance of the fourth.

Data entry for the international market is virtually non-existent despite the fact that this is the one area where the resource endowment of the country is the best. The primary reason why no headway has been made in this area is the lack of adequate data communication facilities in the country which causes long time lags between the receipt of documents and their supply in machine readable form. Also, correction of data entry errors, which can never be entirely eliminated, becomes more time-consuming and cumbersome. This has inhibited foreign clients from using India as a base for their data-entry needs.¹² This is a pity since the data-entry activity, though low value in nature, is the one area in which manpower resources would not be a constraint, at least in the foreseeable future.

The situation with software maintenance and support is similar perhaps even worse since this is the fastest growing segment of the international software market. At present India has practically no presence in this area, despite its inherent comparative advantage. The primary culprit for this state of affairs is again the lack of adequate telecommunication facilities. This lack is particularly onerous in this sphere since software maintenance requires remote logging as a minimum precondition and customers insist upon the control that is achieved by on-line access.

TABLE 2: TREND EQUATIONS FOR SOFTWARE EXPORTS

	1987-1990		1987-1991		1987-1992		1987-1993		1987-1994	
	Linear	Exponential	Linear	Exponential	Linear	Exponential	Linear	Exponential	Linear	Exponential
Constant (c)	6.496 (4.30)	2.440 (39.31)	9.469 (6.87)	2.620 (26.30)	8.482 (5.70)	2.504 (36.70)	7.076 (4.74)	2.720 (42.05)	5.968 (3.81)	2.720 (46.2)
Trend (t)	2.440 (12.60)	0.096 (11.35)	2.008 (12.65)	0.071 (8.98)	2.106 (14.95)	0.077 (14.02)	2.250 (18.77)	0.060 (17.76)	2.416 (22.39)	0.060 (21.2)
Quarter 1 (Q1)	5.234 (2.48)	-	-	-0.153 (-1.07)	-	-	-	-0.302 (-5.03)	-	-0.237 (-5.4)
Quarter 2 (Q2)	-	-0.362 (-5.02)	-	-0.431 (-4.91)	-	-0.237 (-1.82)	-	-0.479 (-7.66)	-	-0.479 (8.8)
Quarter 3 (Q3)	3.008 (1.14)	-	-3.473 (-1.15)	-0.458 (-5.29)	-5.152 (-1.61)	-0.383 (-5.23)	-4.844 (-1.53)	-0.572 (-4.99)	-5.252 (-1.63)	-0.572 (-5.4)
t*Q1	-1.638 (-6.22)	-0.042 (-4.97)	-0.882 (-5.91)	-0.018 (-1.41)	-0.735 (-5.49)	-0.023 (-4.21)	-0.656 (-5.72)	-	-0.761 (-6.63)	-
t*Q2	-1.057 (-6.05)	-	-1.091 (-6.36)	-	-1.117 (-7.46)	-0.018 (-1.62)	-1.110 (-8.81)	-	-1.143 (-10.29)	-
t*Q3	-1.788 (-5.23)	-0.066 (-6.90)	-0.737 (-2.36)	-	-0.455 (-1.69)	-	-0.467 (-2.08)	0.013 (1.84)	-0.476 (-2.40)	0.013 (2.0)
R-Bar-Squared	0.9495	0.9263	0.9236	0.9094	0.9359	0.9317	0.9517	0.9576	0.9597	0.96
DW-Statistic	0.9892	1.7329	2.7800	2.6181	2.7412	2.7780	2.7236	2.7785	1.1734	2.7

Note: The t-statistics are shown in brackets.

The lack of high-speed data communication facilities has ramifications which go well beyond the restrictions it placed on the data-entry and software maintenance activities. The preponderance of 'on-site' software development in total software exports can also be traced largely to this factor.¹³ Indian companies simply had no option but to take recourse to this method of carrying out business. The end result was that not only did it increase the costs to the software companies, it placed severe restrictions on the nature and type of jobs that could be undertaken. Since it was clearly not feasible for any single company to send out large teams of software professionals for any single client, Indian software firms were limited to carrying out relatively small jobs acting as sub-contractors in a large project.

What was much worse, however, was that it led to a gross underutilisation of talent. Since there was a restriction on the number of people who could be sent out, Indian software engineers not only did systems analysis and design, they also had to write the code. The latter activity is relatively more time-consuming, but requires much lower levels of skill. In most other countries, software engineers almost never write code. As a result of this pattern, Indian professionals have had to work well below their capabilities. Consequently, although the average salary of an Indian software professional is only about 15 per cent of an American counterpart, his productivity is probably no more than 30 per cent. Therefore, the real cost advantage enjoyed by India is not that large once this under-utilisation of talent is taken into account.

The logical solution to this problem would be to have the software engineer doing only systems analysis and design, and employ lower skilled personnel to do coding, at least for offshore jobs. This will no doubt happen in due course of time as offshore work starts to grow, which in turn will require the datacom facilities to be upgraded quite substantially. It will also require much higher degree of project management skills – which is virtually absent at the moment.

Perhaps the recent tentative move towards exponentiality in software exports is due at least in part to the fact that the share of offshore work in total software exports has gone up to almost 30 per cent in the past three years after being stagnant at less than 10 per cent for the previous decade. On the other hand, the same phenomenon can be cited for arguing that some of the recent growth in software exports is only window dressing. The argument is that typically in on-site jobs, the costs incurred at the customer's location were borne by the customer and did not get reflected in the gross foreign exchange earnings of the exporter. In the case of offshore jobs, however, costs of hardware, datacommuni-

cation and even travel are built into the gross export value. As a result, the difference in gross earnings between offshore jobs and on-site jobs tends to be very high, although the difference in net values is probably considerably lower.¹⁴

On the whole, however, the diagnosis is that the Indian software sector has suffered from both a limitation in the availability of skilled personnel and stagnant productivity. Some of the reasons for this have been enumerated in the above discussion, but there are many others which also have had a role to play. It is useful to discuss these at some length, since they point to a larger systemic failure and therefore highlight the need for much greater degree of co-ordination than exists at present.

First, the Indian educational system is completely outdated in the sense that the both computer literacy and algorithmic or modelling skills are virtually untaught except in the engineering colleges and certain pure science disciplines. In actuality, software development does not really require engineers, it only needs certain mathematical skills. As a matter of fact, professionals from non-engineering disciplines can contribute more to software exports, provided they are given the requisite orientation in their basic undergraduate education.¹⁵ At present there is a programme to inculcate computer literacy in schools, but that will take another five years or so to fructify. Unfortunately there is no such programme in colleges. This needs to be corrected urgently, not only for the software sector, but for most modern industrial/service activities.

Second, the telecommunication system in India is still very voice-oriented, and there is a total lack of appreciation of the role and importance of datacom. What is worse is that although high-speed datacom facilities are becoming available to the rest of the world, intra-country connectivity is still quite distant. This has two major ill-effects. First, most software professionals, including those from engineering backgrounds, receive practically zero exposure to datacom-based work methods during their formal education. Most of these skills have to be taught on-the-job by the employers. If domestic datacom connectivity is not available, the learning curve is perforce based on the relatively high cost international facility, which can only be used sparingly. This restricts the spread of such skills. Secondly, the hardware platform base of the country cannot be used effectively by time-sharing. While this may not be a serious problem for large software companies, which have enough work on hand to fully utilise their hardware base, it is extremely detrimental to the smaller companies. The ill-effects are further compounded by the relatively high cost of hardware in India vis-a-vis the competitor countries.

Third, the domestic software market has been limited not only by the extremely high cost of hardware, but also by an unwillingness to pay for software. In fact, most major users in India tend to rely heavily on in-house EDP divisions/cells rather than on commercially developed software. The government is the biggest culprit in this respect. There is of course good reason for such behaviour. For most major users, it is cheaper to hire software personnel directly rather than bear the costs of the overheads of commercial software companies, which can be as large as two-and-a-half times the salary bill. This arises primarily from the relatively low salaries that are paid in India. In other countries, with much higher salaries, such behaviour is not optimal. As a consequence of this tendency, Indian software houses have very little exposure in carrying out large jobs which leads to both a lack of project management experience and a lack of track-record.

This tendency on the part of major users to rely on in-house software development has certain other dimensions which need to be noted. First, the existence of such units leads to a reduction in the trained manpower available to the commercial software sector, which simply aggravates the basic shortage that exists. Second, since most of these units are treated as providing service or staff functions, the software capabilities that are developed are rarely used to the extent possible. Thus the considerable project management and systems design skills that are generated tend to be wastefully used. Finally, since the 'make or buy' option is biased in favour of the former for the large users, the residual domestic demand is restricted to fairly small or intermittent users who cannot afford to pay anywhere near international rates. As a result, the price received by software houses on domestic sales is considerably lower than what they receive on exports.

Fourth, the software sector itself is weak in many respects. A dominant characteristic of this sector is that it has grown not through consolidation, but through fission. As a result, there is neither size nor specialisation. Further, because of the relatively small size of the average software house in India, there is a lack of standards and inadequate use of software engineering tools, which affects the perceived quality of the product and thereby leads to an unwillingness to pay premium prices by the customers. To make matters worse, strategic alliances and networking between Indian software companies to leverage their respective strengths is completely lacking.¹⁶

There is an interesting, and very damaging, side-effect to this lack of intra-industry alliances. It has been noticed that most Indian software companies claim to be able to carry out virtually any software development work. In an international market which is very aware

of the importance of specialisation and core competencies, such claims are not only treated with scepticism, but in fact lead to a lack of credibility in and negative perception of the entire industry. The long-run damage of such loss of credibility can be immense.

Fifth, there is also a problem that arises out of the exposure that the average Indian has to international conditions. Certain types of software activities, such as telecommunications, transaction automation, smart cards, etc. are simply not addressed since the Indian software developer has not been exposed to these in any meaningful way. On the other hand, activities such as user interfaces are culturally specific, and no meaningful developments can take place until the Indian developer is fully sensitised to such issues. This kind of exposure does not come about spontaneously. Either there has to be an extended period over which software professionals need to live in the target countries,¹⁷ or such applications should be introduced in India with the minimum of time-lag.

The long and short of it is that the Indian software sector faced and continues to face formidable hurdles in doing business, and considerable credit has to go to it for having achieved what it has. More importantly, it should be clear that although some of the problems are internal to the industry, most are outside its sphere of control.

III The Prescription

Having defined the nature of the problems being encountered by the software industry in India, the issue remains as to how to take this sector out of its linear trend and place it on an exponential growth path. Clearly, the strategy will have to encompass both the numbers and the productivity issues. A few suggestions arising from the discussion given above may be made:

(1) The need to reorient and galvanise the educational system cannot be overstated. Efforts like the department of electronics accreditation scheme (DOE-ACC) for introducing minimum standards to private software training institutes, or the project IMPACT of the DOE for strengthening the electronics curricula in the leading engineering institutions, only address the problem at the margin. More fundamental changes are called for. It is suggested that a crash programme in computer literacy and software methodologies be introduced at the college level. Ideally, the curriculum of various disciplines such as commerce, economics, sociology, and of course the hard sciences, should be changed to give greater focus to generating modelling and algorithm development skills. This would probably be much more efficient than expanding the engineering colleges.

(2) The expansion in the international high-speed datacom facilities that has been brought about and catalysed by the department of electronics (DOE) through the satellite earthstations of the software technology park (India) (STPI) and the 'time division multiple access' (TDMA) radio-links of Satcomm (India), is only a drop in the ocean.¹⁸ This trend needs to be carried forward much further. The DOE facilities are limited by the licences that have been granted by the department of telecommunications (DOT), which restrict their operation to particular geographic areas and to specific types of customers.¹⁹ The bulk of the expansion will, therefore, necessarily have to be carried out by the DOT/VSNL, which bear the principal responsibility for telecommunications in India.

While planning for the expansion of the high-speed datacom network, it should be remembered that software exporters are not the only users of such links. Almost all commercial agencies which have international transactions require such facilities.²⁰ Therefore, the minimum necessary expansion of the facilities will have to be orders of magnitude larger than the specific requirements of the software export sector. Unless this is done consciously and expeditiously, the infrastructure will get rapidly overloaded and software companies will be forced to go back to on-site work as the principal vehicle of software exports.²¹

(3) International connectivity apart, the general development of the telecommunications infrastructure in the country is of the highest importance, particularly with regard to intra-country networks. The role of domestic high-speed connectivity in providing a low-cost training ground for telecom-based software development methodologies and in leveraging the hardware base has already been mentioned. There is a further dimension. The real benefits from computerisation are realised fully only when computers get networked. This is the international experience. Therefore, if intra-country connectivity of reasonable cost and quality is made available, the spread of information technology is bound to go up substantially in India.²² This will create a domestic demand base for software, and enable Indian software companies to establish their credibility and track-record for addressing the international markets.

(4) The importance of enabling Indian software companies to establish track-records needs to be re-emphasised. This is one of the major stumbling-blocks in entering the international markets. In this regard the government has an important role to play. It so happens that at present the government is the single largest consumer of software in the country, but it actually takes very little from the commercial software sector. This may make short-run financial sense, but the country loses out on the positive externalities

that are possible. The government should therefore start contracting out its software requirements to commercial developers rather than trying to do it all inhouse.

(5) In addition, the government needs to provide direction to the organisations under its control. In particular, certain public sector undertakings (PSUs) which have strong software capabilities need to be encouraged to hive these off as stand-alone subsidiaries. Fortunately, this is already happening to some extent, even without government intervention. But more needs to be done. Once PSUs start this trend, it is hoped that the private sector companies which have similar capabilities will follow suit.²³

(6) The STPs were established *inter alia* to encourage synergy between small software companies and to provide common marketing facilities. This has not taken place to any great extent yet, primarily due to the existing preoccupation with providing the basic infrastructural facilities to the software companies coming under their charge. In the long-run, however, this is probably the most important function that the STPs can perform given the fissiparous and antagonistic tendencies of the Indian software companies. It needs to be carried forward vigorously. (7) Given the large number of software companies in India and their tendency to claim expertise in practically all types of software, there is a need to establish a mechanism by which a potential customer can get unbiased expert advice about the capabilities of the various contending suppliers.²⁴ Ideally this role should have been played by the concerned industry association, which has apparently abrogated its responsibility. As an initial effort in this direction, the DOE has established the Software Services Support and Education Centre (SSE). Among the various services that this centre is supposed to provide, capability appraisal and advice is one of the most important. For this activity to be successful, however, co-operation of the industry is essential. Whether this co-operation will be forthcoming, or will require a certain degree of government coercion, remains to be seen.

(8) Finally, in order to overcome the effects of exposure and cultural dysjunction, every effort needs to be made to introduce the latest software technologies and applications in India. This too will not happen spontaneously. Deliberate efforts will have to be made. The DOE has recently sponsored a Centre for the Diffusion of Information Technology (C-DIT), which is meant to focus on these issues. Until this process is fully under way, however, on-site software development and body-shopping will remain the principal vehicles for acculturation of Indian software professionals, and it should be taken that unnecessary hurdles are not placed in the way of these activities.

ANNEXURE: EXPORTS OF SOFTWARE FROM INDIA

Year	Quarter	Rs Crore		Ex Rate (Rs/\$)	\$ Mills		
		Cal Year	Fin Year		Quarter	Cal Year	Fin Year
1987	1	16		13	12.08		
	2	14		13.4	10.22		
	3	18		13.8	12.68		
	4	24	71	14.4	16.39	51.37	
1988	1	24		14.8	15.95		55.2
	2	20	78	15.1	13.18		
	3	18		15.4	11.62		
	4	40	101	15.6	25.38	66.13	
1989	1	32		16.0	19.88		70.0
	2	34	109	16.3	21.10		
	3	30		16.6	17.89		
	4	61	157	16.9	36.15	95.02	
1990	1	37		17.1	21.46		96.6
	2	38	162	17.7	21.47		
	3	50		18.2	27.53		
	4	75	200	18.8	40.00	110.46	
1991	1	59		19.5	30.15		119.1
	2	53	222	20.5	25.90		
	3	91		24.0	37.75		
	4	128	330	25.0	51.00	144.81	
1992	1	104		25.0	41.76		156.4
	2	94	376	28.0	33.46		
	3	126		28	45.00		
	4	176	500	28	62.82	183.05	
1993	1	146		28	52.14		193.0
	2	131	542	31.3	41.85		
	3	176		31.3	56.23		
	4	247	700	31.3	78.91	229.14	

Source: DBID, Department of Electronics, Government of India.

Notes

This paper reflects the personal views of the author, and not those of the government of India.]

† Implying an average annual growth rate of above 46 per cent.

2 These figures have been projected in a study 'India's Software and Services Export Potential and Strategies' prepared by Maxi/Micro Inc for the department of electronics, government of India in 1992.

3 Let: Pd = domestic price (ex-factory price)
Pe = export price (invoice value)

md = profit margin on domestic sales

mc = profit margin on exports

t = transport cost in export price

Then it can be shown that the 'calculated' export profit is greater than the actual (mc) if:

$$\frac{md}{Pd} > \frac{mc}{(Pe - t)}$$

4 Reasons for export profits being higher than those on domestic sales are enumerated later in this paper.

5 Technically and conceptually there is nothing wrong in this definition, providing that some segregation is made for the marketing component of such expenditures and corresponding adjustments are made for domestic sales also. But neither are done.

6 There is in fact a real conceptual difference between 'on-site development' and 'body-shopping' which seems to have been totally missed by the Indian critics. The former refers to sending software developers to work at the client's premises by an Indian company for a specific job, whereas the latter implies that individual software professionals are found for employment by foreign companies.

7 This was despite the fact that the 1986 Software Policy clearly identified 'on-site services' as an integral and important part of software activities.

8 It may be noted that the growth rates have been computed as compound annual rates on a point-to-point basis. The "total" growth rate is defined as the growth in rupee terms, whereas the "real" is in terms of the dollar values. The

exchange rate effect captures the residual and therefore includes not only the pure exchange rate effect, but also the interactive term

9 The quadratic trend equations uniformly performed less well than the linear and the exponential, and hence have not been reported.

10 It is interesting to note that the projection based on the log-linear equation (US \$ 630 million) is almost the same as that projected by the study cited in note 3 (US \$ 640 million) as the base-line or 'business as usual' scenario. This should come as no surprise, since the latter was based on a forced compound growth process. What is important in this context is that the projection calculated in this paper requires substantial changes which would move the industry permanently on an exponential trajectory. This is by no means a 'business as usual' outcome.

11 Productivity enhancement tools in software development are a case in point, but these have come into popular use only recently and therefore have not yet had a substantial impact.

12 The beneficiaries from this lacuna have been countries like Jamaica, Philippines, Israel and even Ireland, which today dominate this activity. China too is starting to make headway in this direction.

13 The other reason being the need to establish a credible track record, which could probably not be done in any other way. This factor, however, should have diminished over time.

14 The introduction of Section 80-HHE of the Income Tax Act probably has contributed to showing higher gross export values for reasons discussed earlier in this paper.

15 In the initial years, many software companies in fact had to draw upon large numbers of non-engineering graduates for their workforce, primarily because engineering graduates had more attractive options. Unfortunately in most cases a considerable amount of training had to be given, which raised the costs to the company quite substantially. Even today, small and start-up companies, which cannot offer emoluments at par with the larger companies, have to rely on such recruits.

16 This sort of networking has become commonplace in the garments industry, which is also characterised by small firms. The lack of networking among software firms has sometimes been put down to ego problems of the technocrat-entrepreneurs in this sector.

17 This carries the attendant risk of the individual not returning to India, i.e., "brain-drain".

18 On paper, the department of telecommunications (DOT) and the Videsh Sanchar Nigam (VSNL) have been prepared to offer high-speed datacom links for many years. However, until as late as 1990, only three channels of 64 Kbps band-width had actually been provided by these agencies in the whole country. One of the primary reasons for this pathetically low level of connections was the high rates that were being charged. At that time, a 64 Kbps link from Delhi would cost about Rs 35 lakh (approximately US \$ 1,80,000) per annum for the half-circuit, as compared to the international rate of about US \$ 84,000 per annum. The other reason was the unsuitability of much of the DOT network for wide band-width data-grade traffic and the distinct unwillingness of the DOT to upgrade the circuits on a priority basis.

With the advent of the STPI earth stations and the use of radio links to solve the 'last mile' problem, the DOE was able to provide reliable high-speed datacom links at relatively low rates like Rs 14.5 lakh (US \$ 60,500) per annum for 64 kbps. In response to this initiative, datacom charges were brought down dramatically by DOT/VSNL to Rs 16.5 lakh (about US \$ 68,000). In addition, the attitude of these agencies towards datacom become more positive, albeit only marginally. As a consequence, the number of 64 Kbps links today has gone up dramatically to more than 200, of which about 90 are from the DOE-sponsored agencies.

19 At present the DOE facilities cover only eight cities (Delhi, Bombay, Madras, Bangalore, Hyderabad, Thiruvananthapuram, Bhubaneswar and Gandhinagar). In addition, the licences restrict provision of the service only to 100 per cent export-oriented software units operating out of the EOU, EPZ or the STP schemes. The bulk of Indian software exports, however, are from DTA units, usually operating under the Export Promotion Capital Goods (EPCG) scheme. These perforce have to rely on DOT/VSNL.

20 In fact the garments and textiles industries, along with financial institutions, are some of the heaviest users of high-speed datacom internationally.

21 It is expected that as the Indian economy liberalises further, many industrial and services sectors will be forced to adopt information technology tools for competing effectively. This will place considerable demands on the telecom infrastructure.

22 The DOT does provide some very limited domestic networking through its I-Net and RABMN networks. It has also recently permitted private sector participation in such activities. However, most of these networks are of relatively low speed and are suitable only for non-real time applications such as e-mail, and not for high-speed applications.

23 Steel Authority of India (SAIL) and Hindustan Aeronautics (HAL), two major PSUs, have set up subsidiaries for software development, particularly for export. Some leading private companies are also in the process of doing the same.

24 This would be a software industry equivalent of the credit rating agencies such as CRISIL and ICRA.

Public, Joint and Private Sectors in Indian Industry

Evaluating Relative Performance Differences

Sumit K Majumdar

In this paper the author evaluates relative performance differences between the government-owned, joint sector and private sectors of Indian industry. Comparative efficiency parameters are estimated for the period 1973-74 to 1988-89 using data generated by the Annual Survey of Industries (ASI) which relate to the organised sector of manufacturing industry. The results establish that, in aggregate, enterprises owned by the central government and the governments of various states in India, while accounting for a major chunk of capital investment, are systematically only two-thirds as efficient as private sector enterprises, while joint sector enterprises are also less efficient than those in the private sector.

Results of the data analyses reveal that the assumptions of economic theory, positing higher efficiency levels for the private sector, cannot be disproved in the Indian context, and the results also contradict extant evidence which have found no performance differences between government-owned and private firms in India. The paper also discusses certain features unique to the political environment of India as a result of which the noted efficiency differences arise. However, the data also show that reforms that have been put in place in the 1980s towards improving government-owned enterprise performance have had a systematic and significant impact in leading to inter-temporal efficiency gains, particularly in enterprises owned by the central government.

I

Introduction

STATEMENTS of disquiet about the performance of the government-owned sector of Indian industry are common-place, and major concerns have been expressed both by writers who have been senior policy-makers [Bhoothalingam 1993; Jalan 1991; Marathe 1989] and by academics [Bardhan 1984; Bhagwati 1993]. Yet, the extant comparative evidence that exists [Bhaya 1990; Jha and Sahni 1992; Ramaswamy and Renforth 1994] points to no significant differences in the performance of private versus state-owned firms. What is the true picture? The demise of command-style economies is already being attributed to behavioural issues that arise when government is the primary owner of enterprises [Roemer 1993]. Based on this premise, major reforms are taking place in most erstwhile command economies, and there is an explicit acknowledgement that private ownership will yield greater efficiencies and breed industrial success. If the Indian government-owned sector is, indeed, as efficient as the private sector, then the large amount of effort being currently devoted to privatisation and reforms is of no avail, since the efficiency gains are unlikely to be material. Conversely, the authors noted above may have substantive reasons for expressions of their disquiet, and contemporary empirical research could well be flawed. The resolution of such an important conundrum, then, has to be based on facts and evidence, and this paper reports the results of a study evaluating comparative efficiency patterns among segments of Indian

industry owned by different categories of investors.

In India contributors to the equity capital of enterprises include the central government, governments of the various states in the Indian union, private investors and governments jointly, and private investors alone. The primary way to distinguish between ownership categories is to classify them as the state-owned (public) and the private sectors. The term state-owned is used in the Indian context to include enterprises owned both by the central government and by the governments of the various states that form part of the Indian union. The latter are called state government-owned enterprises. In subsequent empirical analysis, central government-owned and state government-owned enterprises' data are separated for efficiency estimation purposes. Though the term enterprises is used throughout the paper, analysis is carried out using aggregate data, as described in a later section of the paper.

Comparative efficiency assessment is also important for another reason. Research shows that the evolution of modern industry, the capabilities developed within industry, and the efficiency with which these capabilities have been utilised have been a major force in shaping the growth and economic strength of modern nations [Chandler 1993]. The state-owned sector accounts for a substantial part of employment and capital investment in many developed as well as developing nations. Therefore, understanding whether the state-owned sector performs better or worse than private enterprises, in circumstances where the state-owned sector is a major player in the industrial arena, is

relevant in shedding light on whether national progress is being propelled forward, being sustained or impeded.

It is argued that the comparative assessment of state-owned enterprises with other types of enterprises is not feasible because profitability review of state-owned enterprises ignores the socio-economic objectives associated with state-owned enterprises [Bhaya 1990]. Yet, for a fundamental reason, comparative efficiency analysis matters. Industrial progress is determined not only by the rate of expansion of resources employed, but by the way resources have been utilised and efficiency in resource utilisation is well-acknowledged to be more critical to economic welfare than allocative efficiencies.

The Indian experience with the state-owned sector provides a rich backdrop for assessing comparative efficiency. In terms of magnitude, the state-owned sector constitutes a large proportion of industrial activity, and for the first four decades since independence the Indian economy has seen an ever increasing role played by state-owned enterprises. Jalan (1991) notes that the total investments in Indian central government owned enterprises was Rs 1,82,000 crore in 1990, made up as fixed capital Rs 82,000 crore, working capital, Rs 76,000 crore and sundry investments, Rs 11,000 crore and the deficit financed by the owners, the government of India, Rs 13,000 crore. The figures excluded the assets of enterprises in the banking and insurance sectors, as well as those of departmental undertakings such as railways, posts and a large portion of the telecommunications network.

Table I gives an indication of the increasing role of the state-owned sector in India's economy. It shows the composition of employment, productive capital (including fixed and working capital) and value added between the state-owned sector (owned by the central government and various state governments), the joint sector and the private sector for six recent time-periods: 1973-74, 1976-77, 1979-80, 1982-83, 1985-86 and 1988-89.

With respect to employment, the share of the state-owned and the joint sectors has risen, in total, from 27 per cent in 1973-74 to 37 per cent in 1988-89. With respect to productive capital invested, the share of the state-owned and joint sectors was over half, at 58 per cent, in 1973-74. By 1979-80, this share had risen to 68 per cent. Though fluctuations have occurred, in 1988-89 the share remained at 66 per cent, implying that two-thirds of the capital invested in Indian industry is owned by the state-owned and joint sectors. Marathe (1989) also notes how there were less than five central government-owned enterprises in 1950-51. Ten years later there were 48. By 1971-72 there were over a 100 such enterprises and by 1980-81 the number has increased to 187. Currently, there are almost 250 such enterprises.

The paper evolves as follows. In Section II theory and evidence with respect to performance assessment are discussed. Thereafter, in Section III the empirical analyses are described. Data and estimation issues connected with the paper are discussed. The analysis is based on a comparison of efficiency patterns for 16 time-periods between 1973-74 and 1988-89, which is the last year for which data have been released by the Central Statistical Organisation of the government of India, for four sectors of Indian industry in respect of which data have been reported by ownership type. These are: the central government-owned sector; the state government-owned sector; the joint sector; and the private sector. Data are collected for factories belonging to firms in each of these sectors, and the factory-level data are aggregated for reporting purposes annually. The data-reporting and collection is carried out under the framework of the Indian Collection of Statistics Act of 1953 by the Department of Statistics in the Ministry of Planning. Section IV discusses the results that are obtained from the empirical analyses, and Section V concludes the paper.

II

Theory

Arguments advanced for the existence of performance differences between private and government-owned enterprises are as follows. To the extent that ownership composition varies, principal-agent issues arise [Putterman 1993]. Property-rights, which are rights over the enjoyment and

disposal of assets, are attenuated in government-owned enterprises because a market for corporate control is absent. Capitalisation of the future consequences of undertaking specific activities into current share prices is inhibited because there is no public trading of government company shares, leading to a reduction in owners' incentives to monitor managers, and the exit option that can be exercised where there is a market for corporate control is, therefore, not viable. Consequently, there is a lack of capital market discipline to which state-owned enterprise agent-managers can be subjected to by owner-principals.

Next, an issue arises with respect to the fuzziness of owners' identity. With many owner-principals there are incentives to free-ride because any owner bearing the costs of monitoring has to share them with others [Ben-Ner, Montias and Neuberger 1993]. The ownership of state-owned enterprises is vested in individual government ministries and departments, which in the case is the owner on behalf of the Indian union headed by the president of India. Theoretically, therefore, this attribute ought to ensure superior performance, compared to the private sector, since ownership is not diffused among many owners but there is only one owner who can exercise strong control. However, the government department is, itself, an agency for citizens who are the *de jure* owners of state-owned enterprises. This means that the control of government-owned enterprises, being undertaken by civil servants, is vested in persons who are themselves agents monitoring other agents, and have no incentives for carrying out their tasks.

The consequences are as follows. As a collection of many principals, citizens face severe agency problems, and in a democracy neither have the incentives, nor can they find it easy to control state-owned industrial enterprise managers. Individually they cannot arrange a private portfolio of state-funded enterprises, to internalise the benefits of information acquired from having undertaken monitoring activities. Then, the very diffuseness of public ownership implies that citizens acting individually have small probabilities in influencing outcomes or expressing voice. As a result, state-owned enterprises effectively become proprietary organisations owned *de facto* by civil servants or politicians, while managers in such

organisations know that they are free of both market discipline or sanctions from the ultimate principals.

With respect to the issue of public versus private sector performance, Vickers and Yarrow (1988) have argued that it is primarily variations in the nature of competitive regimes faced that determine performance differentials between privately- and publicly-owned firms. The argument is that forces of competition have a direct impact on the cash-flows of enterprises. Given equally competitive conditions, private and public sector firms face similar potential to lose or make money. Since private sector managerial rent-seeking, capitalistic behaviour or the exploitation of public sector firms' profits for private political gains are going to be possible only when there are adequate cash-flows, the greater the threat that forces of competition will lead to the dissipation of such potential rents, the better firms' performance is likely to be and competition is supposed to be the great leveller of performance between private and public firms.

III

Evidence

There is some evidence which finds that public and private firms facing similar competitive environments do not display any efficiency differences [Caves and

TABLE 2: EFFICIENCY SCORES FOR FOUR SECTORS OF INDIAN INDUSTRY, 1973-74 TO 1988-89

	Central Government Sector	State Government Sector	Joint Sector	Private Sector
1973-74	0.596	0.656	1.000	0.908
1974-75	0.746	0.474	1.000	1.000
1975-76	0.597	0.676	0.922	0.866
1976-77	0.613	0.256	0.815	0.952
1977-78	0.544	0.582	0.912	0.959
1978-79	0.483	0.726	0.888	1.000
1979-80	0.466	0.498	0.757	1.000
1980-81	0.474	0.447	0.731	1.000
1981-82	0.608	0.579	0.857	0.988
1982-83	0.671	0.620	0.888	0.952
1983-84	0.525	0.762	0.954	1.000
1984-85	0.555	0.657	1.000	1.000
1985-86	0.879	0.892	0.925	1.000
1986-87	0.819	0.976	0.984	0.998
1987-88	0.951	0.618	0.962	0.969
1988-89	1.000	0.787	1.000	1.000

TABLE 1: COMPOSITION OF EMPLOYMENT AND CAPITAL IN INDIAN INDUSTRIAL SECTOR - TRENDS OVER TIME

Year	Sectoral Composition of Employment		Sectoral Composition of Capital Employed	
	Private Sector	State Sector	Private Sector	State Sector
1973-74	.73	.27	.42	.58
1976-77	.70	.30	.36	.64
1979-80	.68	.32	.32	.68
1982-83	.66	.34	.32	.68
1985-86	.63	.37	.37	.63
1988-89	.61	.39	.34	.66

Christiansen 1980], or that given sufficient competition between private and public producers, and no discriminating regulations, unit cost differences are insignificant [Borchering, Pommerehne and Schneider 1982]. The competitive forces approach also explicitly assumes the absence of soft-budget constraints, which as Jalan (1991) has argued leads to attempts to keep public enterprises for which euthanasia is the only solution operating with a variety of life-support systems. Hence, in spite of similarities in competitive conditions, the composition of the specific institutional environments that private sector or public sector firms are faced with may affect performance.

For example, there is the reality of the political environment surrounding government-owned enterprises. While citizens may have little say in the functioning of government-owned firms, government decision-making is surrounded by a constellation of interests forming specialised coalitions interested in government-enterprise operations. These actors include politicians, unions, trade associations and consumer groups who can pressurise bureaucrats into directing government-owned bodies into acting in manners consistent with their own special interests. While the distributional consequences of such pulls and pressures may often be positive, their impact on efficiency is likely to be negative because such factors do tend to make the management process in government-owned enterprises complex and unfocused.

There is a large empirical literature evaluating the relative performance of the public versus the private sector. Boardman and Vining (1989) evaluate 54 studies, of which six find the public sector to be more efficient, 16 find no performance differences between the two sectors, while 32 find that the private sector is more efficient. Many of these studies have compared firms undertaking specific activities, such as running airlines, supplying water or supplying refuse collection services. However, comparatively few studies have compared efficiency patterns among different ownership segments of the industrial sector as a whole for a specific country.

There are some exceptions. Boardman and Vining (1989), in a comprehensive study, evaluate the performance of 500 of the world's largest corporations outside the US for the year 1983. The companies they evaluate operate in the mining and manufacturing sectors, and belong to several nationalities. They find that, controlling for a variety of factors, joint and state-owned enterprises perform worse than similar private enterprises. In terms of their key performance indicators, joint enterprises are no different from state-owned enterprises, but relatively worse performers compared to the private sector firms.

With respect to India, three studies exist. These have used a variety of methodologies, data and performance benchmarks. Bhaya (1990) uses Annual Survey of Industries (ASI) data for the years 1981-82 to 1985-86. Calculating simple ratios of net value added to fixed capital, working capital and inventory, but ignoring human capital utilisation, he believes it is safe to conclude that public sector management efficiency is in no way inferior to that of the private sector, but the sector does perform worse with respect to its return on investment.

Jha and Sahni (1992) use ASI data for the years 1960-61 to 1982-83 for four industries: cement, cotton textiles, electricity and iron and steel. The latter two industries, they claim, are primarily in the public sector, while the first two are owned predominantly by private interests. The authors find no evidence of allocative inefficiencies in general, and each of them are relatively as efficient as one another. Ramaswamy and Renforth (1994) use 1988-89 to 1992-93 accounting data for a non-randomly chosen and matched sample of 55 firms each from the private and public sectors. Using the same measures as Bhaya (1990), they conclude that managerial efficiency differences do not exist between the two sectors, though public sector firms are again found to be less profitable.

These studies contradict theory and belief with respect to public sector performance in the Indian context. However, each study suffers from biases which call their results

into question. Bhaya (1990) uses very simplistic techniques, a very narrow time window, and eye-balling procedures as analytical methodology to reach his conclusions. Jha and Sahni (1992) are more rigorous in their empirical approach, but unfortunately restrict their study to four sectors only. They also evaluate allocative efficiency, and no conclusions with respect to technical or managerial or technical efficiency can be made based on their study. Ramaswamy and Renforth (1994) also have a narrow time-window, their study suffers from the same methodological shortcomings as the one by Bhaya (1990), and also from maximum sample-selection bias. They non-randomly choose 55 firms each from the total population of firms comprising the private and public sectors, and, given the wide heterogeneity of private sector firms in India, it is easy to choose a number of private sector firms which are similar to their public sector counterparts in efficiency characteristics.

IV Empirical Analyses

DATA AND CONTEXT

To calculate comparative efficiency patterns over the period 1973-74 to 1988-89, data generated by the Annual Survey of Industries (ASI) in India are used. The ASI data relate to the organised sector of manufacturing industry and have seen prior

TABLE 3. DESCRIPTIVE STATISTICS FOR EFFICIENCY SCORES, 1973 TO 1988

Parameter	Central Government Sector	State Government Sector	Joint Sector	Private Sector
Mean	0.658	0.638	0.912	0.975
Standard deviation	0.171	0.176	0.086	0.039
Coefficient of variation	0.260	0.275	0.094	0.045
Maximum	1.000	0.976	1.000	1.000
75 percentile	0.782	0.744	0.992	1.000
Median	0.602	0.638	0.924	0.999
25 percentile	0.534	0.538	0.872	0.956
Minimum	0.466	0.256	0.731	0.866
Range	0.534	0.720	0.269	0.134
Inter-quartile deviation	0.248	0.205	0.120	0.044

TABLE 4: NON-PARAMETRIC TEST RESULTS COMPARING PAIRWISE EFFICIENCY SCORES AMONG THE DIFFERENT SECTORS
Period 1973 to 1988 (Overall Period)

	State Government Sector	Joint Sector	Private Sector
Central government sector	0.00 (0.96)	3.41 (0.00)	3.41 (0.00)
State government sector		3.52 (0.00)	3.52 (0.00)
Joint sector			2.27 (0.02)

Note: The test compares whether the row efficiency score is significantly less than the column efficiency score. The upper number in each cell is the Wilcoxon test z value. The lower number, in parentheses, is the p value.

the [Ahluwalia 1991]. The factory sector summary is used as the data-source for this study. From the data set, labour and capital inputs as well as output measures can be identified.

The advantage of using this data is that information for the entire Indian industry is available. This includes information on firms owned by the governments of the various states in the Indian union which are also substantial players in the industrial arena, and whose performance has never been empirically analysed. The characteristic of this particular data-base is that data are aggregate because of the reporting policies of the department of statistics of the government of India. However, the aggregation issue is unavoidable since information on a key variable, that of firm-level employment, is just not available for private sector firms. Hence, any comparative study of efficiency has to use a data-base such as this. Aggregate data also helps avoid any sample-selection biases, since data on the entire industrial population is considered for comparative efficiency assessment purposes.

Since 1956, every conceivable sub-sector of Indian industry has seen their presence. Apart from defence firms, traditionally in the public domain, generation of atomic and non-atomic power, manufacture of aircraft, heavy machinery, and equipment for rail and sea transport are among activities carried out exclusively by state-owned firms. At present, state-owned firms also manufacture products such as aluminium and non-ferrous metals, chemical intermediates, iron and steel, drugs and fertilisers, and are involved in diverse activities such as construction, engineering consultancy, farming, handicrafts retailing, shipping, coal mining, oil refining, commodity trading, and software consultancy. State-owned firms operate in many consumer-goods industries such as condoms, hotels, handicraft retailing, food products, televisions and consumer electronics where competition among players is very high, and in general are subject to the same institutional and regulatory forces that private firms have to face with regard to day-to-day operations. Data for firms undertaking these activities are included within the data that are analysed.

Three inputs and one output are used in the computation of an efficiency index for each observation. The inputs are rupee values of fixed and working capital, and the actual number of staff employed. The output variable is net value added, expressed in terms of rupees which is a standard measure of firm-level output [Jackson and Palmer 1988]. In the contemporary literature on efficiency measurement both value added and gross output are concomitantly used to measure output. However, Griliches and Ingstad (1971) advance arguments in favour of using value added because it facilitates

comparison of results for firms which may be heterogeneous in material consumption. Second, inclusion of material as an input may lead to the problem that all variation in efficiency may be captured by materials consumption, thus obscuring the role of physical and human capital utilisation.

A further choice arises between the use of either gross or net value added as the output measure. Denison (1974) makes a case for the use of net value added on theoretical grounds by arguing that, since gross value added includes a measure of capital consumption, there is no rationale as to why capital consumption ought to be maximised rather than minimised. Nevertheless, value added captures hybrid aspects of firms' activities, as Diewert (1978) has noted. First, it captures a production relationship between primary factors and output. This relationship is based on managements' capabilities. Second, it also captures a profit-generating relationship between firm-specific capital and firms' output, which, while also dependent on endogenous management capabilities, is highly dependent on exogenous demand and supply conditions, since these conditions determine the prices a firm is able to charge for its outputs. In the context of state-owned firms in developing countries, administered price regimes may be in operation, and governments use state-owned firms to operate as indirect tax collectors [Reddy 1990]. In the case of India, this is particularly true for state-owned oil firms. Thus, there may be

a large element of windfall price-gains captured in the value added measure for each firm.

To create value necessitates acquisition and configuration of capabilities, which are encapsulated in physical, liquid and human capital. Capital inputs, both physical and working capital, are also expressed in crores of rupees. Human capital inputs are expressed in thousands of employees. To deflate variables expressed in rupees the wholesale price index is used; the capital inputs and the output values are then expressed in constant rupees.

Capital inputs can be book-values of physical capital given in ASI data, however, in measuring capital input, the use of undeflated amounts lead to inaccuracies. The book value series is deflated by price index. The weakness of the approach is that it does not take into account assets of different vintage bought at different points of time. Conversely, major lacunae of the perpetual inventory method, which can take into account the different-vintage issue, are the two key arbitrary assumptions, for some base year of an amount as beginning capital stock, and an annual rate of capital consumption. Therefore, efficiency parameters obtained by different researchers can vary amongst themselves, because each researcher may choose to base analysis on idiosyncratic assumptions as to the base capital values and rate of capital consumption.

The ASI data reported by individual enterprises are collected at the factory level.

TABLE 5. NON-PARAMETRIC TEST RESULTS COMPARING PAIRWISE EFFICIENCY SCORES AMONG DIFFERENT SECTORS
Period: 1973 to 1980 (Period 1)

	State Government Sector	Joint Sector	Private Sector
Central government sector	0.00 (1.00)	2.52 (0.01)	2.52 (0.01)
State government sector		2.52 (0.01)	2.52 (0.01)
Joint sector			1.75 (0.08)

Note: The test compares whether the row efficiency score is significantly less than the column efficiency score. The upper number in each cell is the Wilcoxon test *z* value. The lower number, in parentheses, is the *p* value.

TABLE 6. NON-PARAMETRIC TEST RESULTS COMPARING PAIRWISE EFFICIENCY SCORES AMONG THE DIFFERENT SECTORS
Period: 1981 to 1988 (Period 2)

	State Government Sector	Joint Sector	Private Sector
Central government sector	0.14 (0.88)	2.10 (0.04)	2.19 (0.03)
State government sector		1.68 (0.09)	2.38 (0.01)
Joint sector			2.52 (0.01)

Note: The test compares whether the row efficiency score is significantly less than the column efficiency score. The upper number in each cell is the Wilcoxon test *z* value. The lower number, in parentheses, is the *p* value.

For public reporting purposes, data classified by ownership category are released only in aggregate. Thus, for every year there are four observations with respect to output and inputs, given the existence of four ownership categories. However, time-series observations for each ownership category are available for each year between the period 1973-74 to 1988-89; thus, for each category there are 16 available observations. Pooling data by ownership category and time yields 64 observations to be used for comparative efficiency assessment. The ASI coverage and almost two decades of time-series data yields rich information on the entire population of enterprises that make up the organised industrial sector of India. The ASI has been carried out since 1959, and is the principal source of industrial statistics in India. The ASI extends to every part of the country, except some industrially-marginal states, and covers all factories registered under the Indian Factories Act of 1948. Essentially, all factories employing more than 10 workers and using power, or more than 20 workers and not using power have to report data. However, the ASI was not carried out for 1972-73, and data prior to that year is not available in collated form by ownership category.

The analyses involve calculating and comparing efficiency for the 16 years between 1973-74 and 1988-89. For each year and each ownership category an efficiency score is calculated, and to statistically assess performance differences between various ownership categories, the scores for each category are averaged for the 16-year period. Second, an issue is, have there been efficiency gains over time? Fundamental economic liberalisation started in India in 1991. However, there were two spells of liberalisation, one starting after 1980 when the prime minister Indira Gandhi commenced reforms, which her successor Rajiv Gandhi continued from 1985 onwards [Ahluwalia 1991; Bhagwati 1993]. To test whether these had any impact, the growth rates in efficiency scores obtained for each ownership category are calculated.

EFFICIENCY ESTIMATION

Data envelopment analysis (DEA) is used to calculate firm-level efficiency and measure slack in the utilisation of various resources. Charnes, Cooper and Rhodes (1978) (CCR) develop, and Banker, Charnes and Cooper (1984) (BCC) extend, the efficiency measure developed by Farrell (1957) using a fractional mathematical programme, where the ratio of weighted outputs to weighted inputs of each observation in the data-set is maximised. This approach proceeds by constructing efficiency scores for a number of obser-

vations. For each observation a single efficiency statistic, which is a ratio measure of performance as to how efficient each observation is in converting a set of inputs jointly and simultaneously into a set of outputs, is calculated.

There is now a large literature on DEA. See Majumdar (1994) for operational details and application in the Indian context, and Seiford and Thrall (1990) for technical details of efficiency estimation using DEA and exposition of details of the various models possible within the DEA framework. In extending the original model developed by Charnes, Cooper and Rhodes (1978) (CCR, Banker, Charnes and Cooper (1984) (BCC) show that the CCR efficiency score can be broken up into measures of scale and pure technical efficiency. This is achieved by assuming that variable returns to scale exist for firms and by adding a variable in the LP so that hyperplanes for each observation do not pass through the origin, unlike in the CCR model where all hyperplanes go through the origin because constant returns to scale are assumed. In the constraint set for the linear programming model, this variable is kept unconstrained in that it can take on values which are either negative (increasing returns to scale exist), or 0 (constant returns to scale exist) or positive (decreasing returns to scale exist) for each observation.

In empirical analysis using DEA each firm that is rated as efficient is used to define an efficiency frontier, and firms not so efficient are evaluated by comparison with hypothetical firm that is on the frontier, and which has the same output or input mix as the firm being compared. Then, the efficiency of the firm being compared is the ratio of the actual output levels to that of the hypothetical firm. For purposes of analysing managerial performance, the output of a DEA programme provides a key

aid. The relative efficiency measure gives an indication of how well each firm is performing relative to its potential. Since the best firms have to score 1, on a scale of 0 to 1, the difference in scores gives management policy-makers an idea of the scope of improvement possible.

Within the DEA model two behavioural approaches can be factored in. A first assumption is that each firm conserves inputs; then, the algorithm evaluates minimal use of various inputs, with outputs generated kept constant. This is the input-conserving orientation. A second assumption is that each firm augments outputs; given a finite stock of inputs available, the firm seeks to maximise outputs that can be generated with these. The DEA procedure takes each observation's idiosyncracies into account in the computation of its relative efficiency score. The weights that are used for each observation are implicit internal valuation schemes which are empirically determined by the algorithm, and varies from observation to observation. This is based on a determination of which of the inputs a particular observation is particularly adept at in utilising, or which of the outputs it is particularly adept at in generating, based on data. By assigning high weights to those inputs and output variables which an observation seems to be more adept at in utilising, or in generating, and low weights to others, the algorithm attempts to maximise the observed performance of each observation in light of its particular revealed capabilities.

To compute efficiencies and slack in resource usage, the BCC algorithm is used. One key output - value of gross output, is used. A better measure of output in efficiency studies is net value added. However, the objective of this empirical exercise is to specifically evaluate excesses in input utilisation and shortfalls in output genera-

TABLE 7. SECTORAL PERCENTAGE GROWTH RATES IN EFFICIENCY OVER TIME

	Central Government Sector	State Government Sector	Joint Sector	Private Sector
Overall Period 1973 to 1988				
b (growth rate)	2.00 (2.04)*	3.45 (2.25)*	-0.10 (0.21)	0.47 (2.41)*
c (acceleration trend)	1.20 (4.97)*	0.29 (0.80)	0.29 (2.59)*	-0.07 (1.38)
Period 1: 1973 to 1980				
b (growth rate)	-9.10 (2.98)*	-1.67 (0.28)	-4.27 (4.25)*	1.33 (1.70)*
c (acceleration trend)	-0.62 (0.41)	0.96 (0.32)	-0.23 (0.46)	0.12 (0.32)
Period 2: 1981 to 1988				
b (growth rate)	10.78 (3.92)*	3.78 (1.46)	0.72 (0.58)	0.20 (0.63)
c (acceleration trend)	1.49 (1.08)	-1.72 (1.36)	0.02 (0.03)	-0.01 (0.60)

* significant at $p < .10$ at minimum.

Note: Absolute t-statistics in parentheses

tion, rather than measures of relative efficiency. There are a heterogeneous group of firms in the sample, among which the creation of output can be affected by several considerations. However, to generate output necessitates acquisition of firm-level capabilities which are encapsulated in physical capital, working capital and human capital. Therefore, three inputs are used: total fixed assets, working capital and number of employees. Firms which have a trading orientation are likely to have relatively greater working capital and manpower components, compared to manufacturing firms which have a high fixed capital component. These inputs can be combined in idiosyncratically different ways to create output. DEA measures how these input combinations are used by different state-owned units.

EFFICIENCY GROWTH RATES

To calculate efficiency growth rates, an exponential efficiency-time relation is initially specified, as follows:

$$Et = x(1+r)^t \mu t \quad (1)$$

which can be linearised as follows:

$$\ln Et = a + bt + ut \quad (2)$$

where Et = an efficiency ratio generated by the DEA programme for each sector and time-period

t = time in discrete years ($t = 1, \dots, 16$)

$a = \ln x = a \text{ constant}$

r = annual compound growth rate

$b = \ln(1+r)$

$ut = \ln \mu t \sim \text{IND}(0, \sigma^2)$

The exponential form is chosen for the following reason. If progress is assumed to be dynamic, then efficiency in a given year is more likely to be at least a constant percentage of efficiency in the previous year and not a constantly diminishing percentage of it. The coefficient on time, b , is the continuous rate of growth, but given the range of values it closely approximates the annual compound growth rate, and the estimates of b are taken as the growth rates. A basic problem which arises in the fitting of equation (2) to the full time-series data is that the growth rate in a given period can differ from the growth rates of efficiency in the various sub-periods. The estimated growth rates in efficiency in each period can be higher or lower than that of the entire period, depending on the nature of policy regimes in place. Thus, sub-period growth rates in efficiency are estimated for the years: 1973-80 and 1981-88 separately.

The variations in growth rates shown by estimates of equation (1) raises an issue as to whether these rates are constant. Efficiency growth rates can accelerate or decelerate. To incorporate such possibilities and evaluate the rate of change in efficiency for the full period as well as for the two sub-periods, a log-quadratic equation is estimated, as follows:

$$\ln Et = a + bt + ct^2 + ut \quad (3)$$

A significantly positive value of c indicates an acceleration in the growth rate of efficiency; a significantly negative value indicates deceleration.

The inclusion of time squares on the right-hand side in (3) introduces a multicollinearity problem. This is solved by normalising time in mean deviation form. That is, it is set to zero on the mid-point of the time series. This procedure is followed for the full series as well as for each of the two sub-periods. This normalisation makes time and its square orthogonal. The normalisation of time only affects b . The estimate of c and its standard error are invariant with respect to the normalisation. In the log-quadratic estimation, the value of b is the same as in the log-linear model. The standard error of b is the measure of instability of the growth rate of efficiency. If it is assumed that the log-quadratic form is a better estimator of the true trends in the growth rate of efficiency, the instability measure of b is also improved, since systematic specification errors are cleansed from the data.

V

Results

COMPARATIVE EFFICIENCY PATTERNS

The BCC DEA algorithm, which makes no assumptions as to the returns to scale characteristics of the different observations, is used to calculate relative efficiency scores. The detailed scores for each ownership category by each year are given in Table 2. The descriptive statistics of the scores are given in Table 3, and form the basis of the subsequent discussion.

The sectors of Indian industry owned by the central government and the governments of the various Indian states have average efficiency scores of 0.658 and 0.638, on a scale of 0 to 1, respectively, for the period between 1973-74 and 1988-89. Comparatively, the sector of Indian industry owned jointly by a combination of government and private owners has a score of 0.912. The privately-owned segment of Indian industry has a score of 0.975 for the same period. It is reiterated that these are comparative scores only. If data for later years are used, the resultant average scores may very well change. If a sector, say the joint enterprise sector, is dropped from the computations, again the relative scores may very well change.

Prima facie, the results reveal that government-owned firms are less efficient than firms in the joint or the private sector. The data also reveal that in the Indian context joint sector firms are more efficient than government-owned firms, but less efficient than those in the private sector, while the private sector is comparatively the most

efficient sector of Indian industry. The variation in the patterns of DEA-derived scores are also of interest. The central and state government sectors have considerably higher variation in their efficiency scores as compared to the joint and private sectors. The standard deviation (coefficient of variation) of the scores are 0.171 (0.260) and 0.176 (0.275) respectively, compared to standard deviations (and coefficients of variations) of 0.086 (0.094) and 0.039 (0.045) for the joint and private sectors.

Data on the maximum, 75th percentile, median, 25th percentile and minimum scores are given, and the range and the inter-quartile deviations for the four sectors reveal the existence of considerable variation in the scores for the central and state governments-owned portions of Indian industry. While the joint sector scores do not vary as much as those for the government sectors, they do vary more than the scores for the private sectors. The data shows that the range and inter-quartile deviation of the score for the joint sector, at 0.269 and 0.120 respectively, are higher than those of the private sector which are 0.134 and 0.044.

The greater variation noted in the scores for the government-owned sectors has a key implication. While the average efficiency of the government-owned sector is lower than that of the joint or private sectors, the scores have fluctuated considerably, suggesting that performance of state-owned enterprises has been relatively volatile. A glance at Table 3 reveals that the efficiency scores for the central government-owned sector was around the 0.5 mark during much of the 70s and early 80s, but rose considerably after 1985-86. It is feasible that after the installation of Rajiv Gandhi's government in late 1984 the liberalisation that was undertaken had some impact, and this shows up in the higher scores for the last four years in the present data-set. Comparatively, the portion of Indian industry owned by the state governments, *prima facie*, shows no discernible pattern in its efficiency scores for the 16 years studied.

Table 4 presents the results of a statistical test carried out to evaluate whether the average efficiency score for each ownership category differ significantly from each other. The non-parametric procedure carried out is the one suggested by Wilcoxon (1945).

As shown in Table 4, statistically there is no difference between the efficiency of central government-owned sector and that part of Indian industry owned by the various state governments, and the Wilcoxon z statistic comparing differences in average scores is almost negligible (with a p value almost unity at 0.96). The central government-owned sector is statistically highly inefficient than both the joint sector and the private sector (with the associated p values being 0.00). Similarly, the sector owned by the state governments is also statistically

less efficient than either the joint or the private sectors (again *p* values are 0.000). Finally, the joint sector is also significantly less efficient than the private sector. However, while the efficiency difference is statistically significant, the significance is not as strong (the *p* value is 0.02) as it was with respect to efficiency differences between the central or state-government-owned sectors and the joint or private sectors.

It has been remarked that in the post-1980 period industrial reforms started taking place in India. Differences in scores for each ownership category are separately tested for the years 1973 to 1980 and 1981 to 1988 respectively to identify if the pattern of differences noted for the overall period stay the same in two sub-periods, one of which is pre-reforms and the other post-reforms. The results are given in Table 5 and 6.

The test results establish that for both periods, 1973 to 1980 and 1981 to 1988, the private sector is more efficient than any other sector. The joint sector is more efficient than the government-owned sectors, while being less efficient than the private sector. The government-owned sectors are made up of the central government-owned and state government-owned enterprises, and between themselves there are no performance differences in either of the two sub-periods.

EFFICIENCY GROWTH RATES

The results point out that the private sector is more efficient in the Indian context, for the period studied as a whole as well for two sub-periods. Growth rates estimation help establish whether there is timewise increase in sectoral efficiency patterns. Estimates are in Table 7. In the period 1973 to 1988, central government enterprises' efficiency has grown at the rate of 2 per cent and the efficiency of those owned by state-governments at 3.45 per cent per annum, respectively. Both trends are significant; however, an accelerative pattern is noted for the central government-owned sector. Joint sector efficiency has not risen or fallen significantly, while that of the private sector has grown at a rate of 0.47 per cent per annum, a trend which is significant. A review of the results for the two separate time-periods reveals interesting dynamics at work. For the period 1973 to 1980, efficiency declined at the rate of 9.1 per cent per annum, 1.67 per cent per annum and 4.27 per cent per annum for the central government-owned, state governments-owned and joint-sector enterprises, the trends being significant for the central government-owned and the joint sectors. Private sector efficiency rose at the rate of 1.33 per cent per annum. Between 1981 and 1988, central and state-government-owned enterprises' efficiency rose at the rate of 10.78 and 3.78 per cent per annum respectively, while the joint sector and private

sector efficiency rose at 0.72 and 0.20 per cent per annum respectively.

There are several reasons for the rising trends in the efficiency of the central government-owned sector. From the early 1980s, several industrial-sector reforms were commenced, and the public sector was made the target of policy-makers' attention. In the mid-1980s, a committee headed by Arjun Sengupta, now member-secretary of the Planning Commission and then economic adviser in the prime minister's office, recommended several far-reaching changes in public sector management and control practices. These were being implemented, albeit slowly, over the latter part of the 1980s and the improvements in efficiency bear out that they have had some impact in making the public sector more efficient than it had been, relative to its own base.

VI

Discussion of Results

The state-owned and the joint sectors account for two-thirds of contemporary capital investment in India, but are significantly inefficient compared to the private sector. If there has been a retrogression in India's industrial capabilities up to the 1980s, as authors (Ahluwalia 1991; Bhagwati 1993) have suggested, then the analyses carried out suggest that the government-owned sector must bear a great deal of the blame. The joint sector, however, is significantly efficient compared to the state-owned sector, and in India is an important player in the industrial arena. The joint sector consists principally of petroleum firms. Their performance helps to redress the situation towards ensuring the efficient use of public resources.

The results obtained have several implications from the point of view of theory. Recollect that the DEA score calculated using the BCC algorithm is a precise measure of efficiency for each observation. In comparison with the private sector, which is almost fully-efficient in a relative sense, because the average score is 0.975 on a scale of 0 to 1, government-owned firms are just about two-thirds as efficient, and these efficiency differences are strongly significant. Ownership does strongly matter in influencing industrial performance in the Indian context.

Efficient resource utilisation helps generate surpluses, which can be reinvested towards the creation of further resources. Hence, improvements in efficiency have an impact on the future productive capabilities of nations by providing higher levels of re-investible surplus. For example, Jones (1991) indicates that a 5 per cent increase in the efficiency of state-owned enterprises, without any changes in prices or investment, would result in freeing resources of about 5 per cent of GDP in Egypt, or reduce 50 per cent of

direct taxes in Pakistan, or fund a 150 per cent increase in government expenditures on education, health, culture and science in China. The release of a similar quantity of resources can transform Indian industrial performance.

There are some possible explanations as to why state-owned entities show lower efficiency. They have been prey to inappropriate location and technology choice decisions, irrational product mixes, and imposed marketing arrangements. These decisions have been made for political considerations, and have not been based on economic criteria [Bardhan 1984; Bhagwati 1993]. As a result, few choices and incentives are given to managers to maximise economic residue, and neither are they accountable for attaining efficiency because ambiguous and non-economic objectives have driven decision-making. For example, in the Indian context these socio-economic objectives include the promotion of income and wealth redistribution, creation of employment, promotion of regions, promotion of import substitution, and being "model employers" [Marathe 1989]. Also, in the Indian context state-owned enterprises have been used to implement government policy with regard to stabilising commodity trade, or in making transfer payments to various specific sections of the community [Jalan 1991].

However, other key reasons as to why government-owned enterprises are likely to be less efficient relate to the type of monitoring managers in these enterprises are subject to. In the Indian context, government-owned enterprises are subject to the detailed oversight of the parent departments, as well as legislative oversight by committees on public undertakings of the central and states' legislatures. Therefore the issue of ownership diffuseness is not a problem. Yet, enforcement of legislative committee findings does not take place [Chaudhuri 1994; Marathe 1989], and the disciplining hand of the capital market is also absent. Consequently, attaining efficiency is not a primary managerial motivation in the government-owned sector.

Second, the identity of owners is a factor arising from which government-owned enterprise managers tend to become agent without principals. Controlling-department bureaucrats, then, become *de facto* owners of such government enterprises. However, a major phenomenon to emerge in India is that of state-legitimised rent-seeking which has an extremely enervating effect on efficiency [Bardhan 1984]. For example, often the creation of government-owned enterprises has been driven not by ideological or pragmatic reasons, but to create extraneous opportunities for senior civil servants or politicians [Chaudhuri 1994].

For example, Marathe (1989:184) quotes B K Nehru, a former ambassador of India

to the US, who has also held several key appointments in economic spheres. "It is simply that it has become common practice for public sector enterprises, particularly in the states, to be made into mechanisms to provide powerful politicians, who cannot be accommodated as ministers, with salaries, perquisites, patronage and opportunities to make money through corruption." Bardhan (1984:69-70) also writes "Senior appointments in the public sector are sometimes made more on the basis of political patronage than of merit (leading often to low morale in the ranks of the technocracy in the enterprises). Headships of public sector units, particularly under the state governments, are indiscriminately used as political sinecures. Efficient managers who fail to satisfy the minister's political clients are often arbitrarily transferred". The impact of such a phenomenon is to create a cadre of managers in the public sector who are agents without principles!

Some authors [Vickers and Yarrow 1988] have argued that, given differences in ownership structures, the nature of competitive conditions faced is a key factor in eliminating efficiency differences between enterprises. The data, however, do establish that given similar competitive playing fields, institutional influences felt by the owners does matter in impacting performance in India. Such evidence is contrary to what has been established in the west [Caves and Christiansen 1980; Borchering, Pommerchne and Schneider 1982]. The fact that the public sector, in much part, consists of a number of private sector enterprises which ought to have been eliminated from the industrial landscape of India by selection pressures from the environment, is an indication of the policy malaises which leads the public sector to be appallingly inefficient.

However, public sector management reforms, which were started in the 1980s and continue to this day, have also had a major impact, as shown by the significantly increasing trend in efficiency of the government-owned sector in the 1981 to 1988 period. Therefore, in the Indian case it is not only necessary to continue with the major liberalisation to encourage industrial growth, but also to undertake speedy restructuring of public sector management and control practices so as to continue the realisation of efficiency gains.

A key limitation of this study has to be discussed. It is with respect to the data used. While it can be concluded in the aggregate that government-owned firms consume a greater quantity of inputs, relative to private firms, in generating value added, finer analysis has not been possible. Within the data for each sector, say the central government-owned sector or the private sector, are contained information on firms belonging to several different types of

industries. Data of finer granularity may reveal the specific industries in which state-owned firms excel at, or are particularly inefficient in. However, while key micro-level information may be available for one sector, such information is not generally available for other sectors. Therefore, comparative efficiency assessment has been feasible at an aggregate level of analysis.

VII Conclusion

In this paper efficiency differences between government-owned, joint sector and private sector enterprises in India were evaluated. Using data for the entire Indian industrial sector, enterprises owned by the central government and the governments of various states are found to be systematically less efficient than either joint or private sector enterprises, while joint sector enterprises are less efficient than those in the private sector. The analyses show that assumptions of theory, positing higher performance for the private sector, cannot be disproved in the Indian context, and contradict all extant evidence [Bhaya 1990; Jha and Sahni 1992; Ramaswamy and Renforth 1994], which have found no sectoral performance differences. Government-owned enterprises are key players in the industrial arena and the results obtained provide indication that they may, in major part, be responsible for India's lack-lustre industrial performance.

References

- Ahluwalia, I J (1991) *Productivity and Growth in Indian Manufacturing*. New Delhi, Oxford University Press.
- Banker, R D, A Charnes and W W Cooper (1984): 'Some Models for Estimating Technical and Scale Efficiencies in Data Envelopment Analysis', *Management Science*, 30 9: 1078-92.
- Bardhan, P K (1984) *The Political Economy of Development in India*. Oxford, Basil Blackwell.
- Ben-Ner, A, J M Montias, and A Neuberger (1993) 'Basic Issues in Organisations: A Comparative Perspective', *Journal of Comparative Economics*, 17: 207-42.
- Bhagwati, J N (1993) *Indian Transition: Freeing the Economy*. Oxford, Clarendon Press.
- Bhaya, H (1990) 'Management Efficiency in the Private and Public Sectors in India' in J Heath (ed), *Public Enterprise at the Crossroads*, 228-40. London, Routledge.
- Bhoothalingam, S (1993): *Reflections on an Era: Memoirs of a Civil Servant*. Madras, Affiliated East-West Publishers.
- Boardman, A E and A R Vining (1989): 'Ownership and Performance in Competitive Environments: A Comparison of the Performance of Private, Mixed, and State-Owned Enterprises', *Journal of Law and Economics*, 32 1-33.
- Borchering, T E, W W Pommerchne and F Schneider (1982): 'Comparing the Efficiency of Private and Public Production: A Survey of the Evidence from Five Federal

- States', *Zeitschrift für Nationalökonomie*, Supplement 2, 127-56.
- Caves, D W and L R Christiansen (1980): 'The Relative Efficiency of Public and Private Firms in a Competitive Environment. The Case of Canadian Railroads', *Journal of Political Economy*, 88: 958-76.
- Chaudhuri, S (1994): 'Public Enterprises and Private Purposes', *Economic and Political Weekly*, May, 29.22, 1338-47.
- Chandler, A D (1993): 'Organisational Capabilities and Industrial Restructuring: A Historical Analysis', *Journal of Comparative Economics*, 17: 309-37.
- Charnes, A, W W Cooper and E Rhodes (1978): 'Measuring the Efficiency of Decision Making Units', *European Journal of Operations Research*, 2.6: 429-44.
- Diewert, E (1978) 'Hicks' Aggregation Theorem and the Existence of a Real Value Added Function' in M Fuss and D McFadden (eds), *Production Economics: A Dual Approach to Theory and Applications*, Amsterdam, North-Holland.
- Griliches, Z and V Ringstad (1971) *Economics of Scale and the Form of the Production Function*. Amsterdam, North-Holland.
- Jackson, P M and A J Palmer (1988) 'The Economics of Internal Organisation: The Efficiency of Parastatals in Less Developed Countries' in P Cook and C Kirkpatrick (eds), *Privatisation in Less Developed Countries*, 195-216. New York, St Martin's Press.
- Jalan, B (1991). *India's Economic Crisis: The Way Ahead*. New Delhi, Oxford University Press.
- Jha, R and B S Sahni (1992) 'Measures of Efficiency in Private and Public Sector Industries. The Case of India', *Annals of Public and Cooperative Economics*, 63 3: 489-95.
- Jones, L P (1991) 'Performance Evaluation for State Owned Enterprises' in R Ramamurti and R Vernon (eds), *Privatisation and Control of State Owned Enterprise*, 179-205. Washington, DC, The World Bank.
- Majumdar, S K (1994) 'Assessing Firms' Capabilities: Theory and Measurement', *Economic and Political Weekly*, 29, 22, M-83-M-89.
- Marathe, S S (1989) *Regulation and Development*. New Delhi, Sage Publications.
- Putterman, L (1993): 'Ownership and the Nature of the Firm', *Journal of Comparative Economics*, 17: 243-63.
- Ramaswamy, K and W Renforth (1994). 'Evaluating the Performance of State Owned Enterprises and Privately Owned Firms: The Indian Experiences', *Academy of Management Proceedings*, 297-301.
- Reddy, Y V (1990): 'Liberalisation and Privatisation of Public Enterprise in India' in J Heath (ed), *Public Enterprise at the Crossroads*, 98-109. London, Routledge.
- Roemer, J E (1993): *A Future for Socialism*. Cambridge, Ma, Harvard University Press.
- Seiford, L M and R M Thrall (1990): 'Recent Developments in DEA: The Mathematical Programming Approach to Frontier Analysis', *Journal of Econometrics*, 46: 7-38.
- Vickers, J and G Yarrow (1988): *Privatisation: An Economic Analysis*. Cambridge, MA, The MIT Press.
- Wilcoxon, F (1945) 'Individual Comparison by Ranking Methods', *Biometrika*, 1, 80-83.

Refocusing India's Competitive Advantage in a Borderless World

Challenges to Corporate Sector

S L Rao

In the new borderless world we are moving towards, we must aim to raise the competitive advantage of all sectors in the nation. This requires a different set of government policies, but industry and individual companies have also a great deal to do to improve their own competitive advantage, ranging from actions to raise productivity, brand building, emphasis on R and D as well as changes in attitude to the centrality of the customer and focusing on manufacturing as a discipline.

WE must define the terms that we are using in these discussions. By India being in 'a borderless world', is presumably meant that the import tariffs are at or are near the levels in other countries; that both imports and exports are relatively easy and not subject to constraints; that there is easy flow of money across borders; that direct and institutional investments also flow easily into and from the country, and that India is a player in the 'inter-linked economy (ILE)' with a great deal of intra-firm trade. In this sense, India is still far from being borderless with the world. But we are today much closer to it than we were before, and over the next few years we will get even closer since we are committed to bring down our import tariffs so that the maximum rate does not exceed 30 per cent (vs 65 per cent), and to move to full capital account convertibility in a few years. Our present maximum tariffs are higher than in almost any other country in the world, there is a trickle in relation to other countries, of foreign direct and institutional investments, though far more than it was until three years ago; overseas companies are beginning to buy whole or divisions of companies in India; Indian companies are looking at investments overseas and accessing overseas capital markets; there is a partial capital account convertibility since institutional investors can bring in and take out their money without any difficulty. We are no longer insulated from the world. For example, for the first time, a few weeks ago, Indian stock market prices fell with those of other markets in the world in response to a rise in US interest rates.

COMPARATIVE ADVANTAGE

The other concept is that of competitive advantage which can be traced to the writings of Michael E Porter. This is a refinement of the concept of comparative advantage. Economists have for a long time used the concept of comparative advantage to argue for more international trade. The idea of comparative advantage is that different countries have different endowments of the

principal factors of production, namely, land, labour, natural resources and capital; and that these different endowments give them different levels of advantages in the supply of products and services. International trade allows a nation to raise its productivity. It does so by eliminating the need for producing some goods and services and by concentrating on those in which it has superior endowments. Porter argues that this formulation does not take account of consumer preferences. Consumer preferences can be influenced so that companies are able to develop segments of markets and brand identities. Such market segmentation and brand development can give the company that succeeds, superior advantages compared to other manufacturers. Further, governments themselves can improve factor advantages through various schemes of subsidies, incentives, special depreciation allowances, cheap export finances, cheap land, low interest costs, undervalued foreign exchange rates, etc.

In past years, Japan and Korea have successfully used both routes to improve their comparative advantages. India tried the government route and in the process so over-regulated industry and trade that the results were quite contrary. With the new GATT Agreement and WTO, governments will find it much more difficult to artificially improve factor advantages.

DISTORTIONS OF COMPARATIVE ADVANTAGE

In India, the concept of comparative advantage was distorted by a number of government policies. Concepts of monopoly or large houses, self-sufficiency and import substitution carried to the extreme, led to serious distortions in the economy. Other policies like Rupee Trade led to India exporting to earn hard currency, paying hard currency for imports and then re-exporting to Rupee Trade countries to earn Rupees. Export subsidies of various kinds made it difficult to see that India was the net loser in these transactions. Export subsidies which were to stimulate exports did so at the cost of domestic consumers. Import substitution policies and the craze for self-sufficiency led

to uneconomic production which needed high import tariffs and to our producing inefficiently, in low capacity plants and at high cost. Low prices for some agricultural products compared to international prices, subsidies on inputs to agriculture, etc. mischannelled resources so that we began to produce low productivity crops at high costs, instead of concentrating on those of which we could get better productivity.

COMPETITIVE ADVANTAGE

Porter has argued that international trade must expand, based not merely on cheap wages and weak currencies but because of productivity advantages in all areas. Hence to understand "competitiveness at the national level, we must understand instead the determinants of productivity and the rate of productivity growth" [Porter 1990]. "Developing nations are frequently trapped in industries ... in which labour costs, at industrial resources are important competitive advantages. Exports then compete on factor costs and prices" [Porter 1990]. Competitive success depends on competitive advantages which can be brought about by producing at lower costs and marketing differentiated products that command premium prices.

There is enough research evidence to show that India's productivity levels have lagged behind most other countries in agriculture, infrastructure, industry and in many service industries.

DEVELOPING COMPETITIVE ADVANTAGES

Competitive advantage of all players in the economy, in every sector, can be improved by improvements in the physical and social infrastructure, power, telecommunications, transport (railways, ports and roads), housing, financial services. All these are inadequate in quantity and deficient in quality in India in varying degrees. The quality of human resources is not optimised because of poor food delivery to the poor, inefficient health and educational services, a practically no

existent social security system, poor nutritional standards of a large number, and inadequate training facilities in the various skills required to service a fast growing economy. However, even if these do not improve quickly, there are many things that can be done at the levels of the industry and the company which can improve competitive advantage.

To develop competitive advantages in industry we must have economies of scale and therefore go for larger capacities in manufacturing. Or we must master the technologies that enable low cost, decentralised production, with centralised marketing. In any case we have to produce efficiently, with high quality, and standardised products and services. Detailed industrial licensing, import controls, and government induced adversarial relations between small and large industries prevented Indian industry from following this route.

If we are to be competitive we need at every level in the economy, to (a) develop new technologies which are not identical to those used by others; (b) develop differentiated products; and (c) Improve infrastructure resources so that there are no constraints on the developing of industries.

In each of these India has lagged behind in almost every sector of the economy.

SOME PRE-CONDITIONS

What are the implications for action, of trying to develop competitive advantages for Indian business? Some essential pre-conditions are discussed below.

Vision: Each business must develop a strategic vision for the future, based on its inherent strengths. In the past many businesses may have been established on the basis of available industrial licences, or because there was a shortage. In a more open economy and with competition, a business must have a well-developed and articulated picture of what it is about and where it wants to be in the future "in creating sustaining values for the customer far better than those of competitors" [Ohmae].

Productivity: Each enterprise must make choices based on the ways in which it can improve its productivity. Some actions for this purpose, are:

(1) It must aim to concentrate on its core competences. This will mean divestments of unrelated businesses, and acquisitions and new investments to strengthen the core businesses;

(2) prepare for competition in a borderless world (as of now, India is not in that situation). Even vertical integration of companies might become a competitive disadvantage in future years. For example, Henry Ford-I had vertically integrated his automobile factory backwards to the point where he owned iron

and coal mines at the turn of the century. The Ford Motor Company of today has found it much more competitive not to be in all these fields but to concentrate on the production of automobiles;

(3) begin to look at productivity improvements in relation to others not merely within India but outside India. Porter has said that it might be a good idea if Indian companies work on the basis of Rs 20 to the \$ 1 and not the present Rs 31 or so, and on the basis that there are nil import tariffs so that the company can target to lower production costs and be really competitive under almost any conditions;

(4) begin to add value to resources in terms of people, technologies, capital, machinery, etc. This means investments in career development through training and job enrichment, participation at all levels, quality circles, cost improvement groups, suggestion schemes, etc. It means focusing on R and D, inventory control, materials usage, maintenance planning, etc. The business as a whole must look at every stage to do better with less and this must be a never ending exercise;

(5) introduce new practices at work in all spheres of business so that people have more responsibility for their work.

R and D: Indian companies have paid practically no attention to research, and rarely to development. They must begin to put in money into process and product development in order to upgrade both. R and D budgets must rise: use of co-operative and contract research must develop if in-house R and D is too expensive or difficult. The 1994 budget gives special tax incentives for private research contracted to public laboratories but has been little used.

In both 1989-90 and 1991-92 India spent less than 1 per cent of its GNP on R and D. This is lower than many countries, but given the low costs of scientific personnel in India, it still meant a large expenditure of Rs 5,141 crore in 1992-93. If we compare the per capita R and D expenditures in some countries in relation to India, they were

In	More than in India by
USA	X 210 times
Japan	X 140 times
S Korea	X 19 times

However, the expenditure on R and D in India in 1992-93 was mainly by

Central government	65 per cent
State governments	9 per cent
Private sector	15 per cent

Of the total expenditure, over 57 per cent went into space, nuclear energy and defence. The rest can be said to have gone into products and services for the market though it includes research expenditure on

environment of 8 per cent and on agriculture of 12 per cent.

The expenditures had little relation to the potential user of the R and D. There was little interaction between government laboratories, users and universities. Hence there has been little dissemination or conversion of R and D into new processes and products. Some attempt is being made to correct the institutional frameworks of government research laboratories and systems for recognition and rewards. Private sector R and D in many cases was really a name for the quality control function.

The fault is not that of the manpower. Very many high quality Indian scientists are doing extraordinary work in other countries, in many diverse fields. There are flaws in the way our R and D institutions are organised, good work recognised, freedom given to scientists to explore, and lack of intimate relationships with the user who must pay in advance for future results. These flaws have to be corrected.

Apart from limited R and D leading to little local process and product development, there is in India a preference for foreign R and D – and for technologies, products and processes, developed overseas. This is perhaps largely due to a lack of a successful record of work and is another argument for close interface between R and D and users. R and D must have an ultimate result.

Joint Ventures: Foreign investors in India were till 1991 allowed a maximum holding of 40 per cent in any venture. Many therefore went for Indian partners. The partners in these Indian joint ventures got to control the venture and the venture was the vehicle for foreign technology imports. The foreign partner allowed only limited access to his R and D work because he saw little reward and was afraid of losing his proprietary technology. However, the Indian partners who had the industrial licence did not in most cases do much to advance on the technology because they saw the licence as being enough to control the market in which there was little fear of new entrants.

As with cornering licences, companies cornered JVs for their technology collaborations. Unrelated diversifications with sub-critical capacities and technologies became the norm for many Indian industries.

Another fall-out of these joint ventures was that there are only a few major Indian brands in the organised sector. But there are many hyphenated brands – Merritt-Singer, Kinetic-Honda, Maruti-Suzuki, Shriram-Honda, Birla-Yamaha, Lehar-Pepsi, HCL-HP, etc. The JVs enabled MNCs to participate and understand Indian markets at low cost. It was a waiting game.

When the market opened up and they could take control, they had some knowledge about how to operate in India. It is not surprising, now that India is opening out, that MNCs are consolidating and asking for control or to take-over other enterprises and consolidate their positions.

The question is whether Indian companies should be afraid – or should they like the SSSs develop a spirit of enterprise among owners and managers of MSEs and LSEs? The answer is that all hope is not yet lost, but these organised sector industries which for years dominated Indian industries must change. Some ways in which they must change are described below:

Focus on Manufacturing: In Indian enterprises, finance and sales were for a long time given special rewards – not manufacturing. This must change.

(1) Some instances of the neglect of manufacturing in Indian companies can be seen in (i) MBA programmes, which emphasise marketing and finance. (ii) Production teaching is largely about operations research – not about manufacturing strategy, cost improvement, factor enrichment, etc. (iii) Many companies were set up with low capacities, based on poor technology, because of the licensing system. The limited capacity led to high costs. There was little development work, nor any attempt to upgrade products or quality. Some examples: (a) Our old fertiliser plants, (b) DMT/caprolactum units, and (c) alcohol-based chemicals.

(2) The manufacturing company with good practices will develop much more intimacy with suppliers, and treat them as part of the company. The company's experts help their suppliers to improve.

(3) Indian industry and consumers take cost plus pricing as correct, and continuous cost improvement to absorb increases is not our normal attitude.

(4) Companies must re-examine factory locations dictated in earlier years by licensing but which may be unsuitable for many reasons.

Focus Products on Customer/Market Segments: (1) Companies must focus products to homogeneous customer/market segments to give maximum satisfaction to customer segments. This will help to optimise prices and earnings while building customer franchise.

(2) The Indian consumer associates advertising and hence branded products, with quality. Survey data (NCAER-1994) shows that at the low levels of income of the majority, the consumer is willing to pay a little extra to ensure that he gets quality and value for money, but that he cannot afford the high prices of frill packed products which MNCs have developed as part of their global marketing. This is the challenge before Indian companies. They

have to build production facilities to cater to these mass markets and to design products that these markets can afford. These products must build their brand identities and companies must find creative ways to do so.

(3) The customer is the one who pays the bill; not the bureaucrat who controls as in the public sector, or till 1991 gave industrial and import licences as in the private sector.

(4) If the customer is the focus – quality will be supreme. In India the customer has had no choice, voice or exit.

(5) But companies must aim to at least satisfy customer needs. They must, therefore, know what the customer wants.

(6) The truly excellent company aims to delight the customer and give the customer more than he expects. We have examples of the last two in India but not enough. To be competitive, companies must consciously build the attitude of delighting the customer. **Develop Brands.** Indian companies need to develop strong domestic brands and to target for a large domestic market base. Brand building does not necessarily always require large investments of money but understanding of the prospective user and his needs. Many brands that have been developed in India have shown this understanding, e.g., Nirma, Rasna, Vicco, Promise, Thermax, Bajaj; but they belonged to the small or medium category of enterprise, not the large organised sector.

Quality: The truly competitive company knows that quality does not consist in merely getting ISO certificates from Bureau Veritas Quality International. It has to develop the ingrained culture that goes with consistent quality standards. Quality improvements are seen by many Indian companies as an additional cost and grafted on to the production system. But if quality is a core company value it has to be built in to the systems. There is evidence that a total company orientation to quality can in fact reduce cost.

Indian Public Sector: The Indian public sector works under the severe handicap of government ownership. This makes it vulnerable to many pressures due to ideology, politics, bureaucratic changes, and lack of commitment and accountability among government representatives. Labour in the public sector has much greater authority over management decisions and this is a bottleneck to improving productivity. Business decisions in competitive situations, cannot be taken in the open and be subject to public scrutiny. But the public sector has to be more open than the private sector in this respect. For all these reasons, improving public sector efficiencies with government ownership and control is a difficult task. The public sector in India if we include power, telecommunications, railways, ports, roads

and posts is crucial to our competitive advantage as a nation. If these areas do not perform efficiently, the nation loses a lot of its advantage.

Small-Scale Sector: The small-scale sector is another area in which productivity improvement is difficult. This improvement is essential for improved national competitive advantage.

Indian government policies merely encourage the small scale to remain small. There is little automation, an inability to keep costs under control, and reliance on special preferences from government. The small scale accounted for more than 35 per cent of the contribution of the entire manufacturing sector NDP in 1987-88. Small units are suppliers to the others. They are where workers in larger enterprises many times get their initial training. If this sector remains uncompetitive and in continuing need of protection, it will pull the whole national competitiveness down. However, the organised sector can help the small scale to improve by partnering them, as has happened in Japan and elsewhere.

Industrial Clusters: Porter's analysis of the competitive advantage of nations shows that industries develop in clusters and these locational clusters enable substantial improvement in productivity, as units learn from each other and develop suppliers and skills in a synergistic way. It is not as if India does not have such industrial clusters. From the top of my mind I can list the following:

Hosiery:	Tirupur
Textiles:	Bombay, Coimbatore and Ahmedabad
Brassware:	Moradabad
Electric motors:	Coimbatore and Rajkot
Readymade garments:	Delhi, Bombay and Bangalore
Shoes:	Kanpur and Agra
Tannery, leather and leather chemicals:	Madras
Petrochem and plastics:	Baroda
Industrial chemicals:	Bombay
Software and hardware:	Bangalore
Gems and diamonds:	Surat
Powerlooms:	Biwandi, Surat and Ichalkaranji

There are many others.

However, the Indian clusters tend to focus around large cities and towns. They do not develop in small places. The concentration creates major problems due to the clogging of transport and communication, and a breakdown in urban support system – e.g., health, sanitation and water supply. The poor living conditions are not conducive to major improvements in productivity. With

improved infrastructure these clusters could become important driving forces in the competitiveness of Indian industry. As a nation we must develop more such clusters in the country.

MICRO-LEVEL ACTIONS REQUIRED IN INDIAN COMPANIES

As we move into a borderless world, our corporate dinosaurs will become extinct. Many household names of today among companies and groups will disappear or become less visible.

In 1990 IBM had US \$ 6 billion as net profit. Within a year, IBM, Sears, General Motors had become dinosaurs, companies which were stumbling in an unfamiliar environment, and having new competitors eating away chunks of their markets. Now they are restructuring to survive, and successfully so. There is hope for our dinosaurs as well but only if they follow the mantras we have listed. Who are our emerging dinosaurs?

(1) The unrelated companies that have diversified into businesses due to earlier cornering of industrial licences and foreign collaborations and who so went into many different product markets. They have to develop sharper focus. In a group of diversified companies, each company must have sharply focused products and markets and must have the freedom to function without the baggage of being part of a group of other unrelated companies in different businesses.

(2) Family-managed groups that continued 'chromosomal management' when more competent people were available in the market. They will be overtaken by other companies run by professionals, whether from the family of the owner or not.

(3) JVs with foreign companies whose management control had stayed with local companies because of the 40 per cent limit on foreign holding. The foreign holder will sooner or later demand larger equity and control over the business, or refuse to update the technology.

(4) Those set up to take advantage of market distortions, e.g. alcohol-based chemicals.

(5) Companies which have made little or no investments in continuing product and process design and development will be overtaken by those that are doing so. In a growing market, lack of growth will lead to death.

(6) Companies that give low status to manufacturing; cost plus enterprises; these include a large part of the defence industries, many PSEs, monopoly companies, e.g. Maruti with no other integrated car as competitor will find it difficult when Daewoo and Tata come out with similar

cars produced in large volume factories.

(7) Private sector companies that thrived because their only competition was from PSEs and were able to stop worrying about customers, costs, and technology.

(8) Companies in sectors whose prices were controlled or administered, e.g. cement, vanaspati, sugar, etc. unless they learn new ways of survival, with competition and prices that are market-driven.

(9) Monopolistic or oligopolistic situations, e.g. SEBs.

EXECUTIVE IN A BORDERLESS WORLD

Peter Drucker's words are relevant to us in India -

(1) The individual has to take more responsibility for himself and have less expectation that he will remain in the same company throughout his life or enjoy guaranteed job security. Therefore the post reforms executive in India has to manage his own career self-development through training and building experiences into himself.

(2) Education is not enough. The manager must develop competitiveness. Some indications of personal competitiveness would be

- Liking pressure
- Calm in crisis or confusion
- Absorbing information by reading
- Learning to quickly read graphs and numbers
- Alert all the time to any fact or data to see how it affects his work.

(3) He has to develop empathy so that he can feel people's problems and concerns and deal with them before they become articulated and serious.

(4) Develop self-discipline and self-control by practising yoga, meditation, regularity in habits, care in diet.

(5) He has to learn to collect, assimilate and find the links in information. Lateral thinking is a useful technique to learn, where he can make linkages between disparate facts. Therefore he must know what information he needs, where it is, and how to get it. No one else may be able to tell him.

(6) Become understandable; information must be transmitted and stored if it is to be productive, not hidden.

(7) Team work; low brows must learn to work with high brows; not enough to be a specialist but need to be sympathisers of different fields of knowledge.

(8) Become executives not managers

- Responsibility is for an area.
- Not necessarily dominion over people.

(9) Managerial change is required in Indian work ethics and mind sets.

(10) Indian executives must learn to become more egalitarian - able to do many

things themselves, have more respect for others especially lower in hierarchy, because skills and ideas may not always rest with those in grey safari suits. They must learn to listen to all levels and not merely to the top, and to be less hierarchical.

CONCLUSION

India is still many years from entering the borderless world. Kenichi Ohmae described it as "the interlinked economy (ILE) of the triad (the US, Europe and Japan) joined by aggressive economies such as Taiwan, Hong Kong, and Singapore...". For all practical purposes, the ILE has made obsolete the traditional instruments of central bankers - interest rate and money supply. "The traditional way of looking at trade statistics, based on a nation's balance with another nation have become obsolete, because ILE residents have learnt to move their production and other functions around." India today is much closer to this borderless world than it was in June 1991 and is moving with speed towards it.

In this new world that we are in and are moving to, we must aim to raise the competitive advantage of all sectors in the nation. This requires a different set of policies for government which emphasises removal of distortions in the economy especially in the shape of government controls and regulations that hide the reality of the economic situation. Physical infrastructure and the social infrastructure for human development must improve rapidly.

However, industry and individual companies can do a great deal to improve their own competitive advantage. These range from actions to improve productivity, brand building, emphasis on R and D as well as changes in attitude to the centrality of the customer and to focus on manufacturing as a discipline. At the same time, the large role of the public and the small-scale sectors requires that they also march in step and action to improve their competitiveness, is required. The development of industrial clusters is another way to get synergistic development. If these actions are not taken, many Indian groups and companies will not survive long into the new century. The individual executive also has to change if he is to function effectively in this new situation.

References

- Drucker, Peter F, 'The Post Capitalist Executive', interview.
Harvard Business Review, May-June, 1993.
Ohmae, Kenichi (1990): *The Borderless World*, Harper Perennial.
Porter, Michael (1990): *The Competitive Advantage of Nations*, MacMillan Press.
Rao, S L (1993): *Economic Reforms and Indian Markets*, Wheeler Publishing (Revised).

Given that culture is the new face of imperialism – it is not altogether accidental that most popular and heavily funded academic area in USA is cultural studies – it should be pressed as a test case at the summit. The fundamental question is whether it is possible to interrogate the problem of social development and social integration in post-colonial societies without contending with the current practice of cultural imperialism, which aims at obfuscating an alternative vision.

Fossilising indigenous cultures forms a part of the agenda of cultural imperialism. For, within culture is embedded immense possibilities of challenge and resistance against all forms of domination. Many a cultural form and practice has crystallised in this context and many others have metamorphosed to meet this need. The evolution of popular culture in medieval times and the innovation of existing forms during the anti-colonial struggles are eloquent examples. This inherent quality of culture is now sought to be emasculated in diverse ways. A very effective method is appropriation and commodification which divorces culture from its creative milieu. Devoid of creative potential indigenous culture would face certain stagnation and eventual demise. The homogenisation and hegemonisation could then follow. The cultural project of imperialism is thus based on an inter-linked dual strategy. Cultural appropriation and cultural imposition.

This agenda has very serious implications for social integration which the summit is hoping to achieve. Colonialism has already spawned an identity crisis, particularly among the middle class. The contemporary cultural imperialism tends to deepen the crisis, be it in relation to daily preoccupations like leisure and entertainment or food and dress or in respect of linkages with tradition, knowledge or art. An urge to overcome this is quite natural and to some extent compelling. An easy and possible solution for many would lie in reinforcing the roots which in turn tends to lead towards fundamentalism and communalism. In the process if religious life is divorced from social life, conservatism and 'modernity' could happily co-exist, as is evident in the Indian middle class. Such a tendency would not contribute to social integration, on the contrary, it would only sharpen conflicts and extenuate contradictions in society. It would adversely affect the interests of the minorities, as they would be increasingly excluded from the mainstream.

The summit's agenda of social development, in the absence of an adequate recognition of the cultural dimension, is incomplete and ineffective as far as developing countries are concerned. The National Report of India is no better. It does not go beyond listing the achievements of the state and as such is a misleading document for any meaningful discussion. For any rethinking on social development, the implications of cultural subjection have to be taken into account.

Research positions available in a reputed Research Centre in New Bombay for visiting fellows, Research officers/Assistants/Consultants on regular and contract basis. Pay scales for visiting fellows Rs. 3,700 - 5,700, Research officer Rs. 1,660 - 2,660, Research assistant Rs. 1,200 - 2,040 plus allowances. Minimum emoluments range from Rs. 2,963 to Rs. 8,690 on prevailing rates of allowances and Consultant on short-term contract on consolidated fee ranging from Rs. 3,000 - 5,000 per month.

Minimum qualification for all the posts is a post-graduate degree in social science. Preference being given to Ph.Ds for visiting fellows and consultants. Those with technical qualification particularly in industrial technologies/processes are also welcome. Retired persons under sixty-five years preferred for consultants. Wide exposure to field conditions in rural development and rural industries programmes, and work of voluntary agencies and with good knowledge of one and more regional languages preferred. Minimum experience two to ten years depending on the positions sought. Apply with detailed C.Vs and two referees within 30 days to the *Director, Vaikunthbhai Mehta Research Centre for Decentralised Industries, Plot No. 7, Sector 15, P.O. Konkan Bhavan, CBD Belapur, Post Box No. 24, New Bombay - 400 614.*

15 FEBRUARY 1995

DIRECTOR

Unveiling Bhutto

S Zulfiqar Gilani

Zulfi Bhutto of Pakistan: His Life and Times by S Wolpert; Oxford University Press, New York, 1993.

ZULFIKAR ALI BHUTTO (January 1928-April 1979) was an enigmatic person. He came from a very well-established Sindhi feudal family but adopted socialism as the platform of his political party. He continually appealed to the masses and brought dignity to the impoverished but also humiliated and trashed anyone who he felt to be crossing his path. He was urbane at one time and a ruthless Sindhi feudal lord at another. The paradoxes of his nature were multiple and complicated [Fallaci 1974; Taseer 1979]. He continues to evoke passion and interest both in the layperson and the scholar. For the interested academic, his life, and death, could be a rich source of information through which to try to understand Pakistani politics and society and/or the enigma of his person. Consequently he has been rather extensively written about. The most recent writings are Syed's *The Discourse and Politics of Zulfiqar Ali Bhutto* (1992) and Wolpert's *Zulfi Bhutto of Pakistan: His Life and Times* (1993).

In this essay the focus will be on *Zulfi Bhutto of Pakistan*. (From now on Zulfi will refer to Wolpert's book, and Bhutto to Zulfiqar Ali Bhutto, the subject of Zulfi). Wolpert tries to provide the motivational bases for Bhutto's actions and to provide a psychological understanding of the man in the light of his personality. Thus Zulfi is both a psycho-biography and a psychologically informed history. Such attempts can be welcome additions to our understanding. On the other hand they could lead to mystification and entrench already existing biases. The outcome is a function of the manner in which data is analysed and the inferences drawn.

SOME MATTERS OF FACT

We will start with the easier task of pinpointing some factual errors. Here Wolpert has faltered on a number of basic points. For example, he implies that the word 'siasat' is from the Sindhi language. The word actually has an Arabic root and is also used in Farsi (Persian).¹ In all likelihood it became part of Urdu through Persian. It has been certainly part of the Urdu language and used in all parts of the subcontinent. More significant is the meaning Wolpert understands the word to have. According to him it is "an ancient term

derived from the feudal code of honour whose most important attributes were *loyalty* and *vengeance*" (p 7, my italics). Unfortunately the source of this meaning is not identified. For a Pakistani this meaning would be quite alien and unfamiliar; the colloquial meanings being politics. The connotations that *siyasat* (politics) has attained in the popular mind are quite rich and complex. Loyalty and vengeance may be part of that meaning complex, but that by no means is anywhere near the whole story. This may seem like belabouring a trivial misunderstanding of a word. But, it will become apparent that this 'misunderstanding' reveals, and foreshadows, the general tenor of Wolpert's analyses.²

Wolpert reports (p 45) the imposition of martial law in early 1953 because of rioting by the ahrars. In fact the rioters were primarily members of the Jama't-i-Islami. However, much later (p 238), he correctly ascribes those (riots) to the followers of Maulana Maudoodi, i.e., the Jama't-i-Islami. On page 81 he refers to "West Pakistan's tough Punjabi chief minister, the nawab of *Kalambagh*". On that single page 'Kalambagh' is referred to three times, obviously because the nawab (of the so-called Kalambagh) was for many years an important figure in Ayub Khan's regime. In all likelihood he is talking about the nawab of 'Kalabagh', Amir Mohammed Khan, who was the governor, not chief minister, of West Pakistan. There were no provincial chief ministers at that time because there were no provinces, with One Unit in place and a presidential system of governance.

Much later (p 203) he places Khan Abdul Ghaffar Khan in self-exile in Kabul. In fact Ghaffar Khan was in Jalalabad through most of the period of self-exile. Kabul and Jalalabad are both Afghan cities, but there are important ethnic differences in the two, and Ghaffar Khan's choice of Jalalabad was not fortuitous. Wolpert refers to Yahya Bakhtiar as a Frontier barrister (p 231). This is inaccurate. Bakhtiar is no doubt a pukhtoon, but from Baluchistan.

There is a somewhat confusing reference to the sorry event of Liaqat Bagh Rawalpindi on March 23, 1973. He says: "Wali Khan's tough frontiersmen and the Pir of Pagaro's hurs fighting PPP Punjabi troops trucked in from Sialkot and Campbellpur to wage

'operation sugar candy' against the pathans bussed in from Peshawar" (p 212). It seems unlikely that Pagaro's hurs travelled over a thousand miles north to participate in a public meeting in Rawalpindi. To the present author's knowledge this is the first time that hur involvement has been reported in the event under discussion. At that time both Wali Khan and Pir Pagaro were opposing Bhutto but they never joined forces in the manner implied by Wolpert.

ISSUES OF METHOD

The application of psychology to history is a problematic which has generated a lot of debate. While some consider the use of psychology in history to be necessary to the point of being inevitable [Langer 1958; Runyan 1988], others have been critical of such marriages because they feel that the emphasis on an individual results in elitism, reductionism and so on [Ratcliffe 1980; Stannard 1980]. It is not feasible to get into that debate, the purpose of mentioning it was to touch upon some of the possible pitfalls in works of this nature. In a nutshell, there are methodological issues which need to be kept in mind, otherwise one can easily reach misleading conclusions, dramatise, and/or trivialise [Waelder 1971; Erikson 1971; Gay 1988; Runyan 1988].

Before venturing into an examination of Zulfi, it should be mentioned that historical accuracy is not of central interest for our purposes, it is the psychobiography and the psychologically informed aspects of the work that will be focused upon. We will therefore be scrutinising only those parts of the study where psychological interpretation has been utilised.

There are two major methodological flaws in Zulfi, namely, reductionism and (problems of) countertransference. The latter clearly lies entirely in the psychological domain but where there is an attempted understanding of the psyche of an actor, it becomes very relevant [Loewenberg 1988].

We will now try to illustrate where and how Wolpert's method of analysis resulted in drawing debatable conclusions and inferences. Beginning at the beginning, Wolpert says:

Zulfiqar Ali Bhutto, microcosmic reflection of Pakistan, was never a simple personality.

His unique charisma and deep-rooted failings that brought him to an early and violent death emanated from his *schizoid personality, the strengths of one part of which were matched by weaknesses of the other*, the depths of its dreadful darkness mirroring the brilliant heights of its most powerful peaks (p 3, emphasis added).

It is quite interesting that Wolpert so easily, and early on, labels Bhutto schizoid. Even more interesting, and novel, is what he understands the word to mean. It is not relevant to go into technical details of the schizoid personality, and anyhow Wolpert is a historian not a psychologist. However, the dictionary meanings of the word need to be kept in mind before labelling.¹ A look at the basis of Wolpert's diagnosis reveals that his statement is based on weak material. The matching of strengths and weaknesses does not indicate any special psychological condition. That sort of a contradiction is discernible in almost every human being. There is, however, a deeper problem nested here. Encapsulated in this brief statement is a general 'explanation' of Bhutto and his successes and failures. And the basic premise (the schizoid personality) of the explanation is highly questionable. There is a logical leap in his presentation of Bhutto as a 'microcosmic reflection of Pakistan'. This is an important and loaded phrase which remains unsubstantiated: it is also a good illustration of Wolpert's proclivity to give significant one-liners.

In trying to establish the developmental roots of Bhutto's personality, Wolpert focuses on the likely infantile and childhood experiences. For example, early on in the story he has the following to say about Bhutto's relationship with his mother:

No familial bond in south Asia is closer than that which ties a son to his mother, yet Zulfi's deep emotional attachment to his young, *often lonely* mother was even stronger, it seems, than the norm among families as large as the Bhuttos. ...Zulfi's mother, moreover, *knew that her son was destined for greatness!* ...She adored, clung to, and hopelessly spoiled him as only a *desperately lonely, virtually outcast insecure* young mother can spoil a darling son (pp 19-20, emphasis added).

There is quite a bit of conjecture in this segment, which seems to be a function of basing reconstruction on insufficient evidence. It is fairly safe to assume that the child Bhutto, like any other male child in the subcontinent, had deep emotional attachment with his mother [Kakar 1978]. That in itself is not very revealing. It is the precise nature of the attachment which can provide insight into the likely developmental consequences for the child. Unfortunately no material is provided to describe the relationship as it actually existed. Instead there are conjectural statements about the

mother's loneliness, her fore-knowledge of the son's destiny, and her spoiling of the adored child. All of what we are expected to accept may be quite veridical. But then it may not. With historical figures, 'sufficient' data may not always be available about certain stages of their lives. That does not mean psychobiography is not possible but it does alert us to the need of caution and care [Runyan 1982].

He continues to speculate on the likely psychological foundations of Bhutto's personality. The language is poetic and appealing, but is it revealing? He says:

Zulfi's mercurial temperament, the strange sudden shifts in his moods, his suspicious ambivalence toward most people, even his closest 'friends' and colleagues, may in some measure be traced to his doting mother and aloof father, and to the inherent incompatibilities of their worlds and natures, one basically marginal and insecure, the other overconfidently arrogant. *His genetic code was at any rate a curious blend of polar qualities.* Shah Nawaz's feudal pomp and power, Lakhi Bai's low-caste fears, lack of familial fortune, deep-seated doubts as to her very worth, her own tenuous toehold in the Bhutto world she had entered by a side door of passion left ajar. How many of her darkest hidden anxieties had this mother conveyed to her *frail, sensitive* child? ...All the superstitions, traditional caste fears of Hindu India, her ingrained belief in rebirth and karmic pollution, in the impact of every deed, and the darkest dangers of mixing forbidden human fruits and duties, dangers worse than death, for death itself could mean release from rebirth, the highest form of happiness, escape from the traumas of life and the hateful curses of jealous 'enemies'. *Surely she must have conveyed through her small body's mother's milk itself her deepest fears of strange, foreign 'enemies' everywhere*, within the very walls and shaded rooms of the house they inhabited, among his father's closest relatives, his jealous first wife and her kitchen coterie of 'spies' and servants (p 20, emphasis added).

In order to better explain the contradictions in Bhutto's behaviour he widens the canvass:

All the clashing pluralisms of south Asia itself, a riverine blend of Hindu-Muslim, highborn and outcaste passions, conflicts, harmonies, and hatreds flowed in Zulfi's blood, an inharmonious mix of the light and dark, a *microcosmic reflection of Islam's violent assault upon and unstable, conquest of the body politic of Hindudom.* And added to that impossible blend, of course, was the superimposed external world of an English Christian west, whose patina of polite privilege and imperial arrogance had been donned with knighthood and knee breeches by his proud,

pompous prince of a father, magistrate-wadero of Larkana, Sind's mughal on the Imperial Council, a red-cheeked English governor's companion and right hand man. *Was it a wonder Zulfi should be so strangely complex, inherently incompatible within his many psyches, forever unsure of which Bhutto he was? Hindu outcaste? Sufi saint? Or the Zulfikar - Sword - of Islam?* (pp 20-21, emphasis added, except 'Zulfikar' in the last sentence).

Wolpert is essentially saying three things here: There is the description of the (imagined) phenomenal world of the mother. According to him, it was a paranoid world with enemies and spies everywhere. Again we are expected to take this at face value, which is fraught with problems. The second thing he is saying is that these paranoid feelings were transmitted to the suckling child through the mother's milk. This could be metaphorical, although the wording does not easily allow that reading. Finally, he is saying that this paranoid world was the polar opposite of Shah Nawaz's pomp and that contradiction (between the parents' social positions) resulted in Bhutto's mercurial temperament.

The author is making two questionable assumptions. One, that the psychological worlds of the parents were mirror images of the social. Two, that that contradiction got mapped onto/into the internal psychological world of the child. An isomorphism between the (external) social and (internal) psychological is being posited. No evidence is provided to substantiate the first assumption. Regarding the second, in psychology it is considered axiomatic that there is unlikely to be much correspondence between an external situation and the perception/s, feelings and memories of it. Nevertheless, the individual's psyche is embedded in early events as experienced. Early experiences rarely have a direct impact on adult personality. They shape early personality, influence the kind of environment likely to be encountered and the manner in which it is likely to be experienced which in turn influence later experiences which affect personality, and so on in recursive interaction [Wachtel 1977].

Having 'established' a personality profile of Bhutto, we are provided with evidence in support of the thesis. For example, in chapter 3 ('Brief California Interlude' Bhutto's night of revelry in New York is described in his (Bhutto's) own words (p 32) Wolpert then goes on to interpret the material. He says:

his half-hallucinatory description of 'terrible human' skyscrapers 'soaring with emotion' is startling in what it reveals about the state of his mind and the ubiquitous polarity of his passions and feelings. ...Zulfi's love-hate relationship with the United States was to remain unresolved, new 'uncontrollable'

emotions' of suspicion looming in his mind till his last days (p 32).

Wolpert sees the feelings expressed by Bhutto as indicative of his ambivalence and paranoia. The event may be revealing but caution needs to be exercised when psychoanalysing the writings of an idealistic, drunk, young man. This episode is being overloaded with meanings. In addition, it is also used as a window to explaining Bhutto's stance in later years towards the US: Wolpert extrapolates Bhutto's later ambivalence towards the US from these feelings of his student days there. Too much is being explained through this single episode.

Throughout 'Zulfi' the tendency to stay at the surface is quite easily discernible. When that happens in history, we end up settling for unexamined clichés in explaining human behaviour. The result is a sort of 'grandmother' psychology which relies primarily on intuition and folk wisdom. More ominously, such history can end up perpetuating and strengthening the very deceptions which need to be uncovered. For example, on page 241 Wolpert reports:

Hanif Ramay suggested that the strange 'split' or 'division' in Zulfi Bhutto's personality was perhaps attributable to the enormous 'cultural differences' that divided his mother from his father. ...Rafi Raza and admiral S M Ahsan also remarked on the split personality, which partitioned Zulfi into a rational, intelligent, responsible Bhutto on one side, and an irrational, impulsive, uncontrollable Bhutto on the other. *Whether he was, in fact, one or twenty-one Zulfi Bhuttos may never be known, but he was a complex personality* (emphasis added).

One wonders about the usefulness of the information that Bhutto had a complex personality: Such statements give only an illusion of understanding.

The image one gets of Bhutto is as a passive victim of ancestral history who, puppet-like, is pulled here and there by the strings of socio-psychological fate. Witness 'The incongruous blend of his feudal genetic and covered over with a thin veneer of socialist ideals acquired from his studies and personal exposure to prejudice of every sort conspired to help Zulfi resolve during his years overseas to devote his life to global political diplomacy at the helm of Pakistan' (p 38, emphasis added). Bhutto is given the 'freedom to resolve' but within the conspiracy of events beyond his control.

The underlying problem in Wolpert's analysis is *reductionism*. One can discern three versions of reductionism. First, he overemphasises the psychological without adequate attention to the sociological and political realities in which Bhutto grew up, lived and died. His (Bhutto's) behaviour is almost always linked to a psychological cause, which happens to be his split

personality. Second, there is almost an exclusive focus on Bhutto's personality problems/psychopathology and insufficient attention to his normality and creativity. Finally, and most critically, Bhutto's adult personality is explained entirely in terms of his childhood experiences and possible later formative influences neglected. When there is a proclivity to psychologise, it is tempting to try to explain adult behaviour in the light of childhood experiences. However, this connection is often difficult to establish in a simple manner, because life is complex. People (not only, or all, psychologists) who have attempted to understand such connections become aware of the pitfalls and are wary of jumping to simple, linear, reductive conclusions. Wolpert presents his thesis with an over-abundant confidence, as a result one gets a rather impoverished, and very debatable, picture of his subject.

In psychoanalysis, reciprocal transference was considered a problem by Freud, i.e., *countertransference* (the feelings evoked by the analysand in the analyst) had to be resolved if therapy was to proceed. More recently, it has been cogently argued that countertransference be accepted as a useful and valuable instrument to understanding

transference (the analysand's feelings towards the therapist) and communications [Fromm-Reichmann 1950; Stone 1984]. In psychobiography, then, it is useful to be aware of, and make use of, the feelings evoked by the subject. Thus countertransference can be an impediment or instrument, depending on whether or not the analyst recognises such feelings and uses them for understanding.

It seems that Wolpert failed to take into account the feelings evoked (in him) by the subject of his study. It is evident from the material presented in Zulfi that Wolpert had complete access to the Bhutto library. Additionally, it seems that he was provided very generous opportunities to meet with and talk to members of Bhutto's family, and friends [Kennedy 1994]. Such conditions make for good empirical work but, if not properly understood, may create problems of countertransference. Stated simply, it means that inevitably the biographer is likely to develop feelings towards the subject. And if those are not recognised and taken into account, the likelihood of vision getting clouded increases. The vignettes which reveal Wolpert's feelings are too many to enumerate. Two very

JUST PUBLISHED

Wanna be Management Guru ?? Read

ADVANCED MANAGEMENT SERIES...

M. GANGADHARA RAO

Professor and Dean, Chairman P.G. Board of Studies,
Faculty of Commerce and Management, Andhra University, (A.P.)

SURYA P. RAO

Reader and Head, Department of Commerce
S.V. College, University of Delhi, Delhi

- ◆ **Management Theory : Concepts, Principles & Practices**
- ◆ **Business Planning and Policy Making**
- ◆ **Strategic Planning and Decision Making**
- ◆ **Organisational Design and Structure**
- ◆ **Motivation and Leadership**
- ◆ **Staffing and Controlling**

1995

23 cm

Cloth

Each Vol. Rs.400.

(Packing and Postage Free)

Rush your orders to :

Kanishka Publishers, Distributors

9/2325, Street No. 12, Kailash Nagar,
Delhi-110031 (India) Phone : 2229769

randomly selected examples are given as illustrations:

He was witty and charming, handsome, glib if not brilliant, certainly well read, well informed, and passionately opinionated, ready at any time of day or night to drink, argue, laugh or make love. ... Had he not gone abroad to complete his education... Zulfi would in any event have embarked upon a political career in Karachi. *His ambitions, then, would have been less grand*, confined perhaps to the chief ministership of Sind or membership in the Pakistan central cabinet. *Because of the University of Southern California, the University of California, and Oxford University, the world became his stage, and premier power the pearl he sought in every oyster he pried open* (p 38, emphasis added).

Wolpert is somewhat patronising and would have us believe that the single major cause for Bhutto's attempt at joining the ranks of international leadership of that time was his exposure to western universities.

And again:

He was the living image, the three-dimensional vital incarnation of many Pakistanis' wishful dream of themselves: tough yet tender, a practical idealist, smart as a cat-o'-nine-tails whip, swifter on the draw than a Texas cowboy, and better in bed or as the head of state than any Indian, Russian, or Englishman. He was Quaid-i-Awam Zulfikar Ali Bhutto! (p 227).

The above is Wolpert's imagined description of Bhutto's thoughts. The imaginative leap, into Bhutto's subjective ruminations, which Wolpert takes is fairly frequently employed throughout 'Zulfi'. This is a technique used in fiction and fictional accounts of actual events and/or persons,⁴ sometimes referred to as 'faction'. However, employing this in a historical work raises a host of questions and problems. We will not enter into that debate but suffice it to say that this work of history is heavily imbued with the spirit of faction. And that says a lot about 'Zulfi'.

CONCLUSION

There is no debate about the centrality of Z A Bhutto to the politics and recent history of Pakistan. Because of his continuing impact on the politics and political culture of the country, the task of understanding him, his policies, and leadership style gains even greater current urgency. In that sense, Wolpert's 'Zulfi' is a timely work. The historical information presented is thorough and detailed, though most of the essentials have been documented in earlier works on Bhutto. Wolpert's major addition to those is his attempt at trying to embed Bhutto's political actions in his personality make-up. And that aspect of the book is wanting on a number of counts. It can be argued that

since Wolpert is a historian and not a psychoanalyst, he should not be faulted on grounds of psychology. That argument, however, fails because 'Zulfi' is clearly a psychobiography and history informed by psychology.

The most glaring weakness in the psychologising in 'Zulfi' is that of reductionism. Wolpert argues that Bhutto's was a split/schizoid personality and tries to establish the roots of this in early childhood experiences. The case is however extremely weak because of lack of presented evidence and questionable reading of the available material. The problem is worse confounded because Wolpert then proceeds from this arguable premise and tries to explain almost everything in terms of the psyche of the protagonist. An inherent weakness of psychodynamic explanations is that the same phenomenon can be explained in a number of different ways. The safeguard, first suggested and used by Freud, is 'rich description' and triangulation, both notable by their absence in 'Zulfi'.

Bhutto evokes strong feelings in people: Some hate, others love him. Consequently, it has been difficult to come across dispassionate accounts of his person or policies.⁵ Wolpert also fails to step back enough to provide an unbiased understanding of the man. There is a strong journalistic flavour to the book and it is heavily peppered with dramatic words, phrases, sentences and paragraphs. Personal information therefore is in the nature of scoops. There is a notable shortage of empathy and sensitivity. There is also a considerable lack of caution and demonstration of bravado in the connections made and inferences drawn. Such discourse makes appealing reading but it feeds the very deceptions and biases which need to be uncovered.

Notes

- 1 According to Hans Wehr's *A Dictionary of Modern Written Arabic* (1966) (edited by J M Cowan), the Arabic root word is 'sasa' which could mean to govern, rule, dominate, lead, guide or direct. 'Siyasa' (plural, 'siyasat') means administration, management, policy. The derived meanings include political or diplomatic.
- 2 This misreading of 'siasat' was repeated in the BBC2 television programme ('The Bhutto Dynasty') aired in Britain on February 3, 1994. The likelihood of Wolpert's Zulfi being the source seems high. The spread of the misunderstanding can be well imagined.
- 3 According to the Chambers 20th Century Dictionary, schizoid means "Showing qualities of a schizophrenic personality, such as asocial behaviour, introversion, tendency to phantasy, but without definite mental disorder".

- 4 There are countless works of this nature but the most directly relevant example is L Collins, and D Lapiere, *Freedom at Midnight*, Avon Books, New York, 1976.
- 5 The work suffering least from bias is S Taseer's Bhutto: *A Political Biography*.

References

- Erikson, E H (1971): 'On the Nature of Psycho-Historical Evidence: In Search of Gandhi' in B Mazlish (ed), *Psychoanalysis and History*, Grosset and Dunlap, New York.
- Fallaci, O (1976): *Interview with History*, Liveright, New York.
- Fromm-Reichmann, F (1950): *Principles of Intensive Psychotherapy*, New York.
- Gay, P (1988): 'Psychoanalysis in History' in W McKinley Runyan (ed), *Psychology and Historical Interpretation*, Oxford University Press, New York.
- Kakar, S (1978): *The Inner World*, Oxford, New Delhi.
- Kennedy, C (1994): *Personal Communication*, April.
- Langer, W L (1971): 'The Next Assignment' in B Mazlish (ed), *Psychoanalysis and History*, Grosset and Dunlap, New York.
- Loewenberg, P (1988): 'Psychoanalytic Models of History: Freud and After' in W McKinley Runyan (ed), *Psychology and Historical Interpretation*, Oxford University Press, New York.
- Ratcliffe, B M (1980): 'The Decline of Biography in French Historiography: The Ambivalent Legacy of the "Annales" Tradition', *Proceedings of the Annual Meeting of the Western Society for French History*, 8, 556-67.
- Runyan, W M (1982): *Life Histories and Psychobiography: Explorations in Theory and Method*, Oxford University Press, New York.
- (1988): 'Alternatives to Psychoanalytic Psychobiography' in W McKinley Runyan (ed), *Psychology and Historical Interpretation*, Oxford University Press, New York.
- Stannard, D E (1980): *Shrinking History: On Freud and the Failure of Psychohistory*, Oxford University Press, New York.
- Stone, L (1984): 'Subjectivity and Empathy as Guides to Progress in Counselling', *Counsellor* (Peshawar, NWFP, Pakistan), 2-84 (July-December 1984):31-42.
- Syed, A H (1992): *The Discourse and Politics of Zulfikar Ali Bhutto*, Macmillan, London.
- Taseer, S (1979): *Bhutto: A Political Biography*, Ithaca Press, London.
- Wachtel, P (1977): 'Interaction Cycles, Unconscious Processes, and the Person-Situation Issue' in D Magnusson and N Endler (eds), *Personality at the Crossroads*, Erlbaum, Hillsdale, N J.
- Waelder, R (1971): 'Psychoanalysis and History: Applications of Psychoanalysis to Historiography' in B B Wolman (ed), *The Psychoanalytic Interpretation of History*, Basic Books, New York.

Strengthening Direct Taxes

Some Suggestions

Aamresh Bagchi

Revenue from direct taxes – both personal and corporate – has shown impressive growth in the years of economic reform. It would, however, be unwise to be complacent. The ratio of direct tax collections to GDP in India still compares poorly with that in other developing countries. Rough calculations suggest that the 'tax gap' continues to be quite large and the personal income tax is able to capture only about 50 per cent of its potential.

The Tax Reforms Committee had laid out a two-pronged strategy to improve the yield of income tax – widening the tax base combined with moderation in rates on the one hand and strengthening the administration on the other. Several measures have been taken to implement these recommendations, but much still remains to be done.

I Tax Gap

REVENUE from the income taxes – both personal and corporate – has shown impressive growth in the last three years (1991-92 to 1993-94), the years of reform. Personal income tax (PIT) revenue has multiplied by nearly 21 per cent per annum marking a jump of 3 percentage points over the growth recorded in the preceding five years, while revenue from corporate tax (CT) increased at the rate of 26 per cent comparing with about 18 per cent during 1985-90. The proportion of direct taxes in the central government's gross tax revenue has gone up from 19.2 per cent in 1990-91 to 27.6 per cent in 1993-94 [Bagchi 1994]. Collections this year as reported also seem to be buoyant. It would, however, be unwise to be complacent.

It is pertinent to point out that the ratio of direct taxes collected at the central level to GDP still remains at about 2.6 per cent (of which 1.3 per cent is from CT and 1.2 per cent from IT). This level will still not be exceeded or may go up to 2.7 per cent at the most in the current year even if the budget targets are met. Though this marks an increase of about 0.5 percentage points over what was prevailing before the reform, this level of direct taxation still compares poorly with that of other developing countries. The average ratio of direct taxes to GDP for LDCs taken together is about 5.5 per cent and for even the poorest LDCs it is 3.5 per cent. The Tax Reforms Committee (TRC) had set a target of raising the yield of income tax by at least two times which would translate into a ratio of 5 per cent of GDP. These goals still remain distant.

Rough calculations based on available data suggest that the 'tax gap' (the difference between potential revenue and the actual collections) is still quite large and PIT is able to capture only about 50 per cent of its

potential. The calculations are fairly straightforward:

- * From information available from National Accounts Statistics aggregate personal pretax income (at market prices) for the year 1993-94 may be taken at Rs 6,50,000 crore. Assuming that roughly 60 per cent of this was derived from non-agricultural sources, income potentially taxable under the Central income tax may be put at about Rs 4,00,000 crore. Going by the income distribution pattern revealed by past studies, about 40 per cent of this (or roughly, Rs 1,60,000 crore) may be taken to be accruing to the top 10 per cent of the population. Even if one allows for a 10 per cent margin of error, Rs 1,40,000 crore may be estimated as the potential personal income tax base. A tax levied at the average rate of 15 per cent on this should yield Rs 21,000 crore whereas the total revenue from personal income tax in 1993-94 was according to revised estimates about Rs 9,500 crore. In other words, even with the higher growth of the last three years PIT is tapping less than half of the potential. Almost one-third of the revenue deficit of the year would be wiped out if only this potential could be tapped.

- * Assuming the elasticity of PIT revenue with respect to income to be unity, and projecting nominal income growth for the year at 15 per cent, the potential PIT for 1994-95 may be placed in the region of Rs 24,000 crore. Collections from PIT is unlikely to exceed 50 per cent of this potential even if the budget target for the year is achieved.

- * According to the C and AG's report on direct taxes for the year 1992-93, the number of individual income taxpayers was 6.4 million. Of them, those with income exceeding Rs 5 lakh numbered 16,936. Bombay alone would have individuals many times this number

having income of more than Rs 5 lakh a year!

- * The number of people belonging to the relatively affluent section of the population – the group that offers an attractive market for consumer products – is believed to be not less than 200 million. According to an NCAER survey, 2.3 per cent of the population has a household income of more than Rs 78,000 per annum (*Economist*, January 21-27, 1995). Assuming that, of them, 15 million derive their income from non-agricultural sources, each earning at least Rs 1,00,000 year, it should be possible to raise at least Rs 20,000 crore from them if only everyone of them pays Rs 15,000 in tax annually (at an average rate of 15 per cent of gross income).

For improving the yield of income tax the TRC had laid out a two pronged strategy, viz, widening of the base combined with moderation in rates on the one hand and strengthening of administration on the other through modernisation (based on modern information technology) and suitable incentives for staff. Several measures have been taken to implement these recommendations but much still remains to be done.

II Unfinished Tasks

EXPANDING TAXPAYING POPULATION: PRESUMPTIVE ROUTE

Base widening has to proceed in two directions, viz, (i) bringing in a larger number of potential taxpayers into the net and (ii) eliminating the numerous exemptions and deductions provided in computing taxable income to serve non-tax objectives. The scheme of presumptive taxation for small taxpayers inviting them to file a simple statement with a payment of Rs 1,400 by way of tax was intended to serve the first

objective, viz, getting more people to pay income tax without having to undergo the hassles associated with filing a regular return. This scheme does not seem to have been very successful. The results are reported to have been particularly disappointing this year (1994-95).

Casual conversation with small traders (like street stall holders) suggests that the reasons for the poor response to the scheme are two-fold: (i) fear of getting into 'the clutches' of the IT department, once a person files a statement with them and (ii) a widespread perception that nothing happens if one does not pay any income tax. These perceptions are not easy to erase. Critics of the scheme argue that this scheme is fundamentally flawed and the government should not go about with a 'begging bowl' for contribution from small traders. This criticism is based on a misconception about the purpose of the scheme. The idea underlying it is not to do away with the Income Tax Department's responsibility to identify and book all those liable to pay income tax but only to make it easy for those who are marginally taxable but do not maintain regular accounts to avoid going through the formalities of keeping detailed records of their transactions as an alternative to filing regular returns. There is no reason to suspend the scheme because of disappointing response so far. On the contrary, there is a case for strengthening it with some tangible evidence of the tax department's friendly attitude to those who voluntarily come within its fold and a vigorous campaign putting forward the benefits of compliance.

Evidence in the form of a token for presumptive income tax payment (or a permanent account number) may be made a precondition for access to utilities like power or telephone, gas or water connection, house permit by municipalities, credit facilities by banks and financial institutions, registration of vehicles, insurance of life, assets and so on. The problem in India is that agricultural income is not liable to central income tax and so disabilities for non-registration with the Income Tax Department would hurt people in deriving income from agriculture. To avoid causing hardship to farmers, the requirement of producing evidence of income tax payment or registration with the department by obtaining PAN or certification of payment of presumptive tax need not be insisted upon for providing facilities in rural areas.

It is also important to see that those who graduate to higher levels of business turnover and income do not have to face an unfriendly tax department. The estimated income scheme provides a handy instrument for this purpose.

The estimated income approach based on the presumptive principle has been extended

in recent years to certain categories of taxpayers, e.g. those having business of civil construction and transport. It would be helpful to extend this approach to a wider field. That would require developing norms for estimating the turnover and the ratio of net profits to turnover (where the taxpayer maintains regular books of accounts) for different industries on the lines of 'Tadrichs' of Israel. There are at present 140 Tadrichs prepared by the economic division of the national tax office in Israel, each dealing with a given industry/business activities. While it would require time to draw up such norms for different activities on this scale, a beginning may perhaps be made now. Objectively determined norms would be a very valuable aid in the scrutiny of returns to be taken up for detailed examination.

Simultaneously, every effort has to be made to gather information regarding new registrants or potential taxpayers from available sources such as banks, electricity and telecommunication authorities, joint stock companies, other tax departments (particularly sales tax), professional bodies/chambers of commerce and industry and so on. It is believed that plans are under way to allot a Tax Identification Number to every potential income taxpayer. This should go a long way to extend the coverage of income tax provided there is an efficient system of storing and processing the information which would be flowing in on a massive scale once the tax identification numbers are allotted and information from third parties starts flowing in.

BASE WIDENING

Base widening also implies moving towards a comprehensive income base by removing the exemptions and deductions which are allowed on various considerations of social and economic policy. As is well known, the basic thrust of tax reforms that have taken place across countries during the 1980s has been towards widening the base and moderating the rates combined with tightening of administration. In Indonesia, for instance, the maximum income tax rate was reduced to 35 per cent but all so-called incentive provisions were withdrawn.

In India, the tax rates have been brought down and several of the incentive provisions were withdrawn but quite a few still persist. Reference may be made to the Chapter VIA of the IT Act and the sections which are still operative, like Sections 80D, 80G, 80GG, 80GGA, 80HH, 80HHA, 80HHB, 80HHC, 80HHD, 80HHE, 80IA, 80JJ, 80L, 80Q and so on. Then there are numerous exemptions/concessions provided through other sections (e.g. Section 10). Given our compulsions, it may not be possible to remove all of them. But, so long as these remain on the statute

book there is no case for lowering the marginal rates any further.

TAXATION OF FRINGE BENEFITS

The TRC had also recommended some tightening of the tax laws to tax the value of fringe benefits like concessional accommodation to employees more effectively. These recommendations have not been implemented. A separate tax on fringe benefits payable by employers has been introduced in Australia and New Zealand with good results, contributing over 2 per cent of the total revenue of the government in both countries [Sandford 1993]. With the removal of restrictions on salary levels in the private sector, there is no reason why fringe benefits should not be taxed at current market values. It would be administratively simple – though not appealing from the viewpoint of equity – to levy the tax on employers, as in the two countries mentioned above.

RATE REVISION: PERSONAL INCOME TAX

Unless the base is made truly comprehensive, there is no case for lowering the tax rates any further. However, consideration may be given to a revision of the rate structure by widening the slabs and raising the level at which the maximum rate would apply, from Rs 1.2 lakh at present to Rs 2 lakh. The structure would then look as follows:

	(Per Cent)
Up to Rs 35,000 of total income	Nil
Between Rs 35,000 and 75,000	20
Between Rs 75,000 and 2,00,000	30
Above Rs 2 lakh	40

If combined with withdrawal of incentives there may not be any revenue loss while it would help to neutralise the impact of inflation to some extent.

TAX RATE FOR CORPORATE INCOMES

On the corporate tax side, there is no intrinsic case for reducing the tax rates further. According to a KPMG Survey, the average rate of corporation tax in OECD countries stands at present at a little over 37 per cent. However, in some of the Asian countries the maximum tax rates for companies are lower as shown below:

Countries	Rate (Per Cent)
Australia	33
Indonesia	35
South Korea	34
Malaysia	34
New Zealand	33
Philippines	35
Singapore	27
Thailand	30

Considering the need to maintain parity with rates prevailing in neighbouring countries, the rates for corporate tax may be brought down to 35 per cent provided that all incentive provisions in the tax laws are abrogated as in Indonesia. If, however, the maximum rate of corporate tax is reduced, the rate for personal income tax cannot be raised, in fact may have to be lowered. Considering everything, the rates prevailing at present for both PIT and CT may not be disturbed.

RATIONALISATION OF INCENTIVE PROVISIONS

The TRC had recommended elimination of most incentives except those meant for promoting savings and exports. The existing provisions that extend concessions for savings and exports are complex and overlapping. For instance, a fraction of savings in specified assets qualify for tax rebate under Section 88, while income from certain saving instruments is deductible in computing taxable income (subject to a specified limit). Then there are reliefs for contribution to provident fund and total exemption of interest on accumulated balance thereon. It would have been simpler and more rational from the economic angle too if the concession in tax was provided on a *net saving* basis as was recommended by the TRC.

The exemption for export earnings from income tax is now spread over several sections (viz, Section 80HHC, 80HHC, 80HHD and 80HHE). It would help simplify the tax laws considerably if these were consolidated and exemption of 50 per cent or even 75 per cent was allowed on all foreign exchange earnings if brought into the country. That would only require producing evidence in support of the foreign origin of the income and repatriation of incomes earned and brought from abroad.

In any case, the task of rewriting the Income Tax Act by weeding out the cobwebs that have accumulated over the years remains to be taken up earnestly.

TACKLING ZERO-TAX COMPANIES

The main factors that drove the tax reforms of the 1980s in the US and other countries was the desire for fairness, efficiency and simplicity. Incentive provisions in the tax laws were seen as a major impediment to achieving these aims. Because the opportunities for availing the incentives are not open equally to all activities or businesses, these provisions, it was felt, were a source of distortion and inequity, apart from being responsible for complexities in the law and sapping the buoyancy of revenues. In India too, the justification for incentive provisions in the tax laws has been widely questioned especially when it was found that several

apparently prosperous companies paying handsome dividends were getting away without paying any income tax. These were often reported to as "zero-tax" companies. With the move towards elimination of incentives, the scope for reducing taxable profits legally to zero should have gone. This does not seem to have happened. The phenomenon of 'zero-tax' companies has surfaced again.

Among the unaudited financial results of companies for the first half of 1994-95 published in the newspapers in the last few weeks, it is seen there were quite a few whose 'provision for taxation' is nil. These include not only companies engaged in production but also several leasing and finance companies. How such these companies are managing to reduce their profits liable to taxation to nil even after the reforms is somewhat difficult to understand and needs thorough study and investigation by the Income Tax Department.² Meanwhile, consideration may be given to levying a 'minimum tax' particularly on companies to make sure that tax incentives do not work too unevenly across enterprises and activities.

As noted on an earlier occasion in these columns [Bagchi 1994], in the OECD countries, where the top marginal tax rates for personal income tax fell from 61 per cent to 44 per cent as a result of the reforms, in order to recapture some of the revenue loss and counter tax avoidance through the use of tax deductions/allowances, *schedular minimum taxes* are now being imposed. In its 1986 Tax Reform Act, the US introduced an alternative minimum tax, requiring top income earners to pay the greater of 21 per cent of their gross income or the normal rate applied to their taxable income. There are similar provisions in Canada. Denmark introduced a 12 per cent supplementary tax on 'personal incomes' (gross income minus incomes) exceeding a specified level. In 1986, Norway applied a 'top tax' at the rate of 8.5 per cent on gross income [Shome 1993].

In India, an attempt was made to impose 'a minimum tax' on companies through a special provision in the Income Tax Act

(Section 115J). The provision was, however, withdrawn because of complexities and also because it was felt redundant once the major incentive provisions like the investment allowance were withdrawn. With the reappearance of 'zero-tax' companies, the feasibility of having a minimum tax on businesses (or at least companies) needs to be explored in order to improve fairness and revenue buoyancy of the income tax. A minimum tax serves as a check against avoidance and evasion through manipulation of accounts. Mexico's tax on gross assets of businesses provides a good model for the purpose.

GROSS ASSETS TAX AS A MINIMUM TAX ON BUSINESSES

A tax at the rate of 2 per cent on gross assets was imposed on business enterprises and individuals in Mexico in 1988 (effective 1989). A similar tax at the rate of 1 per cent was introduced in Argentina in 1990. Several other Latin American countries were (or are) also likely to follow these examples.

The two main factors that seem to have impelled those countries to go in for such a tax are: need for additional revenue in countries undergoing major adjustment programmes and the anxiety to neutralise the damage caused by substantial inflation to the traditional taxes on business income. Another major consideration was tackling evasion and avoidance. A minimum tax on gross assets as a presumptive tax on enterprises also promotes efficiency since under such taxation, the tax is levied only on 'normal income' and the marginal tax rate for any income exceeding the 'norm' is zero.

The base of the gross assets tax, should, according to experts, comprise all fixed assets like land, buildings, plant and machinery – that is, assets which are essential to the production process of the firm. (Intangible assets like goodwill may also be included in the base but not holdings in fully or partly owned subsidiaries or other companies.) Exclusion of the last few items

TABLE: SIMULATION EXERCISES FOR DIRECT TAXES ON COMPANIES
Flat Rate Applied to Gross Fixed Assets of Individual Companies Where Actual
Tax Is Less Than the Flat Rate Applied (For 1992-93)

(Rs crore)			
1	Direct tax	1601.77	
2	Gross fixed assets	82774.96	
3	Flat rate of tax applied on GFA (per cent)	2.00	1.50 1.00
4	Gain in tax collection	1131.55	826.23 527.56
5	Number of companies with gain in tax collection	234	218 208

Notes: (1) The source of basic data used in the present simulation exercises is the Statistical Profiles of 500 private corporate giants compiled by the Centre for Monitoring Indian Economy.

(2) Gain in tax collection is defined as the difference between the rate applied on GFA and the actual direct taxes reported by individual companies, where this difference is positive.

is needed in order to avoid double taxation. Cash balance, accounts receivable, inventories and other 'current' assets also need not figure in the base as these are not essential to the process of production. Only the real value of the assets (that is, depreciated book value suitably adjusted by a price index) should be the base.¹ Rough computations based on a sample of 500 companies in India show that a 2 per cent tax on the gross fixed assets might raise the revenue from the corporation tax by almost 75 per cent and an one-and-a-half per cent tax by 50 per cent which would come to at least Rs 5,000 crore (*vide* the table).

The tax on gross assets might lead to cash-flow problems for low-profit and loss-making companies. The aim of course is to punish inefficient companies and induce efficiency in resource use so that there is a built-in pressure on corporate enterprises to show better financial results. However, one can think of ways in which the hardship likely to be caused by a gross assets tax to companies unable to generate profit in a particular year. Since the tax on gross assets would be intended to serve as a minimum income tax, the excess of this tax over the income tax payable in a given year on the basis of profits computed for the published balance sheet of the company in question may be allowed to be carried forward and set off against income tax dues in the next five years or so. If the levy of a gross assets tax is agreed to in principle, refinements can be thought of in the light of experience gained in other countries such as Mexico.

It may be mentioned that the legality of the gross assets tax was challenged in Mexico on the ground that it violated the basic provisions of the Constitution requiring 'equality' in taxation in proportion to the ability to pay. But the courts upheld the tax as legal, principally because it was a minimum tax and not an additional impost.

With a gross fixed assets tax, taxation of the unproductive assets in business enterprises would have to be withdrawn. Revenue yield of that tax is insignificant and so its withdrawal should not matter.

EXTENSION OF WITHHOLDING

A device of proven efficacy in the enforcement of income tax is withholding at source, for that minimises the opportunity to omit income. Even in a country like USA, it is found that compliance rates are the highest for incomes subject to tax withholding on information furnishing by third parties (e.g. for wages and salaries, and interest) while compliance was least for informal supplier incomes as the following figures would show:

Compliance rates for different classes of income for the US in 1981 and 1987 (Per Cent)

	1981	1987
Wages and salaries	94	97
Interest	86	80
Capital gains	58	85
Informal supplier income	20	11

Source: Wallchutzsky (1993).

The 'Prescribed Payments System' of Australia requires income tax to be deducted not only for wages and salaries but also for the following services:

- Building and construction
- Joinery and cabinet making services
- Architectural services
- Engineering services
- Surveying services
- Motor vehicles repair
- Cleaning

In India, the attempt to extend withholding to services of professionals has met with resistance. The attempt should not be abandoned. Rather, consideration may be given to the feasibility of levying a withholding tax at 20 per cent on interest on deposits in banks or corporate entities and dividends as a final tax. This no doubt would compromise vertical equity but would be more equitable on the whole by ensuring that these incomes do not go untaxed altogether and also lead to considerable simplification of the tax laws and procedures.

Driven almost to desperation in not being able to tackle inflated claim for expenditure deduction in computing taxable income, Philippines prescribed ceilings on such deductions under what was called 'Modified Gross Income Tax' and 'Simplified Net Income Tax'. These might look like extreme remedies but some ceilings on certain expenditure items are often necessary to counter the practice of evasion by inflating deductible expenditures.

III

Measures to Induce Compliance and Help Enforcement

While consideration should be given to measures like the presumptive income approach, schedular taxation and extension of withholding to cover as many income payments as possible, ultimately, compliance would depend on the social and cultural environment in which the tax administration operates and that is not easy to change within a short period. Researches on factors influencing taxpayer behaviour show that compliance impress if tax officials act as 'facilitators' for tax payment rather than a policeman for detecting evasion. To quote the editor of a recently published collection of essays incorporating the findings of research on 'Why People Pay Taxes':

If there is a persistent theme to the essays presented in this volume, it is a change in perspective away from deterring noncompli-

ance toward positive encouragement for compliance – an emphasis on the 'carrot' for compliance rather than the 'stick' for noncompliance. Positive attitudes toward the tax system and pleasant, efficient contacts with the tax collection agency can increase compliance. This insight is especially important because, from the tax collection standpoint, it is extraordinarily expensive to arrange an enforcement regime so that, from a strict cost-benefit calculus, noncompliance does not appear attractive to many citizens. It follows that methods that reinforce and encourage taxpayer's devotion to their responsibilities as citizens play an important role in the tax collection process [Slemrod 1992].

However, as the compiler of the volume Joel Slemrod, a noted expert in this field, observes at the end, while the 'carrot' has its use, the 'stick' also should not be abandoned. A judicious mix of the two is what is needed. For this purpose, some of the innovative measures adopted by other developing countries with handsome results, may be taken note of. These are:

Developing an efficient information system:

It is universally acknowledged that the most potent instrument in curbing non-compliant taxpayer behaviour is to have an efficient information system whereby information regarding all substantial financial transactions is passed on to the tax department and these are safely stored in a manner that facilitates easy retrieval for checking the returns and supporting accounts filed by taxpayers. Computers provide a very powerful tool for this job as also other functions of the tax department (like monitoring the filing of returns, payment of taxes and tax deduction at source).

Indian Income Tax Department is now going in for computerisation in a big way and it is hoped that this will change the taxpayers' perception regarding the probability of getting detected if one fails to report one's income fully. However, for a computerised information system to perform efficiently it is also necessary to get business enterprises to maintain proper accounts and discharge their statutory obligations to furnish information regarding transactions and/or taxes deducted at source without fail.

Stricter accounts keeping requirement: For improving the habit of proper accounts keeping and flow of third party information the following measures might be helpful:

- * For businesses having turnover exceeding a specified level keeping of accounts in prescribed form may be made compulsory with penalties for failure to do so. In Israel, book keeping requirements are laid down separately for different kinds of industries/activities with certain disabilities like rejection of accounts, additional tax of 10 per cent (if default

persists, 20 per cent), disallowance of losses and indexation for inflation, disallowance of interest on borrowings for payment of tax, disqualification for entering into any transaction with government agencies and so on [Singh 1995].

- * Mexico too introduced as part of reforms fairly stringent book keeping requirements for taxpayers who grow beyond a prescribed threshold in size. They are required to keep records of transactions on a daily basis and issue receipts to all customers. Exceptions were made for certain categories of taxpayers like farmers and truckers. Invoice issued by these falling under the scheme have to provide details of taxpayer identification number of the sellers as well as buyers apart from particulars of goods/services sold. These were helpful also for implementing VAT. The sanctions against invoice irregularities were strictly enforced: 2,685 businesses were shut down in 1993 and fines imposed in 24,781 cases for a total amount of as much as 29 million new pesos [Mookerjee 1994].

Indian Income Tax also contains certain provisions requiring maintenance of accounts by certain persons carrying on profession or business and audit of accounts where total sales/gross turnover exceeds Rs 40 lakh (Sections 44AA and 44AB). But the sanctions against failing to maintain proper book are weak and not very clearly spelt out. One does not know whether any one has been punished for failing to comply with these requirements.

Reducing the scope for harassment and collusion: A persistent complaint of taxpayers has been harassment by corrupt officials and needless litigation by the department itself. Some of the measures that can be taken to reduce the scope for complaints are:

- * Assignment of cases for scrutiny by the head of a local office at random instead of going by fixed jurisdictions. Cases scrutinised should be countersigned by the next senior officer.
- * Cases for scrutiny should be selected by a group of officers not connected with assessment and by applying parameters derived scientifically through computerised formulae.
- * Appeals by the Income Tax Department against unfavourable orders should be confined only to cases which involve substantial revenue or important point of law. Recommendations made by committees and experts have universally emphasised the need to reduce the number of appeals and streamline appellate procedures. Much still remains to be done.

Finally, no sustained administrative improvement can be brought about unless there is a credible system of rewards and punishments for tax officials. That is a task which tax administration has to address

earnestly if improvement in the buoyancy of income tax revenue is to be sustained.

These are only a few suggestions for consideration for the coming budget. There are many other areas of anomaly and needless complexity in the laws. Despite the careful examination of the TRC and its recommendations, the laws and procedures remain complex. A much simpler law is needed to help implementation and voluntary compliance.

It should be added that compliance behaviour of taxpayers in a country has much to do with its community's culture. The one clear finding of research in this area is that it is ultimately peer pressure that compels people to pay their proper taxes. Cultural change, however, does not come about easily or quickly. Hence the need for persistent efforts to create an environment that fosters such change.

Notes

- 1 For pros and cons of presumptive direct taxation, see Rajaraman (1995).
- 2 It appears the liberal depreciation provisions granting 100 per cent depreciation to several items of assets has facilitated tax avoidance and enabled companies to reduce their taxable profits to zero or near zero. This is done by claiming 100 per cent depreciation in the first

year and 'selling' the asset to a sister concern who then leases it back to the parent company and claims depreciation on it. No doubt, the sale price of the asset so transferred reduces the value of the block of depreciable assets in the books of the parent concern but, overall, there is net tax saving, taking the two companies together, with no additional real investment taking place.

- 3 For a lucid exposition of how such a tax can be divided, see Sadka and Tanzi (1993).

References

- Bagchi, Amaresh (1994): 'India's Tax Reform', *Economic and Political Weekly*, October 22.
- Mookerjee, Dilip (1994): 'Reform in Income Tax Enforcement in Mexico', NIPFP, mimeo.
- Rajaraman, Indira (1995): 'Presumptive Direct Taxation. A Review of Experience in Developing Countries', NIPFP, forthcoming.
- Sadka, Efraim and Vito Tanzi (1993): 'A Tax on Gross Assets of Enterprises as a Form of Presumptive Taxation', *Bulletin*, February (International Bureau of Fiscal Documentation).
- Sandford, C T (ed) (1993): *Key Issues in Tax Reform*, Fiscal Publications, Bath, UK.
- Shome, Parthasarathi (1993): 'The Taxation of High Income Earners', IMF Paper on Policy Analysis and Assessment (PPAA/93/19).
- Singh, Kanwarjit (1995): 'Presumptive/Estimated Tax in Israel', NIPFP, mimeo.
- Wallschutzsky, Ian (1993): 'Minimising Evasion and Avoidance - Lessons from Australia' in Sandford (ed)

OUTSTANDING BOOKS !

MANAGEMENT OF FINANCIAL INSTITUTIONS IN INDIA

V. K. Gupta & J. P. Mittal

Studies in detail the funds-management of Unit Trust of India, which has been playing a significant role in the country's economic development.

ISBN 81-85484-25-2

Rs. 250

GLOBAL AND INDIAN TRADE POLICY CHANGES

Edited by Bibek Debroy

Presents The Indian Institute of Foreign Trade's contribution to the debate on trade Policy changes. It will be useful to researchers, trade and industry, policy makers and academics.

ISBN 81-85251-22-3

Rs. 400

ROLE OF IRRIGATION IN STABILISING AGRICULTURAL PRODUCTION

Dr. Jal Prakash & Dr. Padam Chand Jain

Discusses the need for efficient management of land and water with a view to augment agricultural production

ISBN 81-85484-79-1

Rs. 250

Radha Publications

4378/4B, Ansari Road, Darya Ganj

New Delhi-110002 (India)

Phone : 3261839

Beyond Colonial Crumbs

Cambridge School, Identity Politics and Dravidian Movement(s)

M S S Pandian

Cambridge historiography has claimed that politics in India is constituted by factions formed vertically through patron-client nexuses and are motivated by narrow economic and short-term power interests. It conflates the biography of the coercive colonial state and its Indian elite collaborators as the history of colonial India. In this article the author develops a critique of the Cambridge school by expanding the gamut of the political so as to include the mobilisation of alternative public spaces by the subalterns of the dravidian movement.

The public gathers in two kinds of spaces. The first is a space that is public, a place where the public gathers because it has a right to the place; the second is a space that is made public, a place where the public gathers precisely because it doesn't have the right – a place made public by force [Acconci 1990: 901].

'THE great Indian faction', a product of Cambridge school's historiographical practice, has been a subject of much contestation and critical scrutiny. The faction theorists, in their different incarnations, have claimed that politics in India is constituted around factions which are formed vertically through patron-client nexuses (instead of horizontally across shared identities such as class, caste and gender) and are motivated by narrow economic and short-term power interests (instead of commitment to varying ideologies). Critical scholarship on such theorisation has established that it is anchored in structural functionalist methodology and behaviourist assumptions [Hardiman 1986]. Taking such critiques to more generalised and substantive levels, Ranajit Guha (1992) has shown how the Cambridge school has conflated the biography of the coercive colonial state and its Indian elite collaborators as the history of colonial India. Furthermore, for him, such exclusionary history, given its neo-colonial moorings and by the strategy of silencing anti-colonial and other contestations by the subaltern classes, represents colonialism as a hegemonic system based on the consent of the colonised.

While I draw substantially on these critiques of the Cambridge school, I have a slightly different and a limited agenda in this paper: I intend problematising the Cambridge school's silencing of political subjectivities based on identities such as class, caste, gender and language, in the specific context of their writings on the dravidian movement(s). I hope, through such a critique, one can repossess the political which has been made unavailable for the subaltern classes in the scholarship of the Cambridge school and recuperate inferiorised identities as an important aspect of subaltern politics. This will, to my mind, enable us

to construct alternate and combative narratives of the dravidian movement(s)

I begin this paper with an account of how the dravidian movement(s) and caste¹ have been represented in the influential works of two faction theorists, David Washbrook and Christopher Baker, and proceed to establish the limits of their framework through an interrogation of the fissures and slippages in their own texts. In the final section of the paper, I propose an alternate way of seeing, substantially based on the debates around Habermas's by now well known concept of 'public sphere', which may facilitate the writing of the dravidian movement(s) history from the vantage point of those who are disempowered through inferiorised identities.

I

David Washbrook begins his history of the dravidian movement(s) and the location of castes in the colonial Madras presidency with a paradox. To quote him,

...when overt communal conflict appeared [in Madras presidency], it did so in the most remarkable of forms. One community [the non-brahmans], representing 98 per cent of the population and possessing the vast bulk of wealth and political power, denounced another community [the brahmins], which consisted of less than two per cent of the population and was possessed of nothing like the same economic and political resources, for oppressing it [Washbrook 1977:7].

Baker (1974:xi) too begins the history of the dravidian movement(s) with the very same paradox: "...while movements which claimed to protect a minority were a common feature of the new politics of India in this period of councils, ministers, and electorates, it was unusual, if not paradoxical, to find a movement which claimed to defend a majority – a majority which included up to 98 per cent of the population and almost all the men of wealth and influence in local society." The paradox was constructed by foregrounding the poor brahman and the rich and powerful non-brahman, that is, by a critical displacement of caste with class: "...while there were

a few brahmins who were rich and powerful, the majority, if it is possible to generalise at all, were employed in occupations that were essentially menial – as cooks, scribes and religious functionaries – and could be purchased by the wealth of other castes for a few coins or a broken coconut" [Baker 1974:29].

As Washbrook and Baker progress with their argumentation, what looks like a paradox dissolves into a non-problem: caste identity turns out to be an illegitimate candidate for political history. This is achieved through a series of methodological moves which, at one level, reinscribe the relationship between the brahman and the non-brahman as non-antagonistic, and, at another level, represent different castes as fragmented on the basis of interests which are not located in caste identities themselves.

Let us begin with the manner in which the relationship between the brahman and the non-brahman is represented in the scholarship of the Cambridge school. Here, Washbrook and Baker invest the so-called 'sanskritising' desire of the non-brahman castes with primacy and deploy the same to signify the relationship between the non-brahman and the brahman as devoid of antagonism:

...any attempt to attach social and cultural dimensions to the non-brahman cause ran immediately up against the dilemma over popular attitude to the brahman. A good many of the non-brahmins in south India accepted the brahmanical code and brahmanical behaviour as the model of ritual purity. Many articulated their wish to rise up the social scale by adjusting their customs and habits to those practised by brahmins, and many expressed their own, exalted view of their status by demanding to be called brahmins [Baker 1976:29; emphasis mine].

As Washbrook would put it, "The social models which [non-brahman] magnates tended to emulate were, if not actually brahmanic, at least placed within a brahman dominated hierarchy" (1977:282).² According to him, in contexts where the brahman was unworthy of emulation, he was either ignored or kept as a dependent, all of which subverted any possibility of antagonism:

To our interpretation the political division of society into brahman and non-brahman makes no obvious sense... this lack of antagonism is not surprising when it is remembered that brahmans supplied status legitimacy to most of the groups of state-level culture but had little contact, and were ignored, by the vast majority of local-level cultural groups; nor when it is recalled that even in their contact with most other state-level groups, brahman priests were usually poor dependents who either did what they were told or starved [Washbrook 1977:274; emphasis mine].

What is more, such non-antagonism between the brahman and the non-brahman was furthered by the very nature of the caste system itself, which, according to Washbrook, is flexible. Referring to the upward mobile non-Brahmin groups, he notes, "The character of economic and educational change meant that there was no general pressure on the status categories of the existing social hierarchy. The flexibility of the caste system itself, however, also took much of the steam out of communal politics" (1977:128).

If antagonism between the non-brahman and the brahman was non-existent, caste identity itself was more a fiction than fact. Washbrook finds caste identity to have been always already fragmented; and when he reassembles the fragments, he arrives at 'inter-communal' blocks forged on the basis of patron-client nexuses and instrumental reason:

as in the case of artisans and workmen... compact local units of caste among 'service' groups were broken by economic ties with outsiders. Lawyers had to find members of other communities to give them cases, clerks and *gumastahs* needed employment with brokers and contractors who seldom were of their caste, and lower government servants had to rely on the co-operation of various local notables. Very rarely were these 'service' groups free to take political action as communities. In Madurai in the early 1880s, for example, there was a storm of protest over an aspect of municipal government from the area of the town in which most of the brahman clerks and lawyers lived. A Ratepayers Association was formed to campaign at the impending elections for the protection of brahman religious privileges. Yet, when the votes were counted, it became clear that the brahmans were unable to poll a majority even in the ward in which they formed most of the voters. A merchant-financier, living in another part of the town was returned as their candidate. It was also in Madura in 1915 and 1917 that K M Alladin Rowther, the notorious Muslim criminal, was elected from the same brahman-dominated constituency... [Washbrook 1977:138].

For the Cambridge school, these day-to-day transactions among the members of different castes and the 'cross-communal'

loyalties invalidate caste identity as such as a category of the political: "If they [castes] are to be regarded as political communities, the nature of their union is better understood by the metaphysician than by the political historian" [Washbrook 1977:127]. Thus, caste becomes merely an idea without any real existence.³

The metaphysical of the Cambridge school refuses to retreat from the political: caste identity was enunciated with vigour as an unifying category in the political discourse of the times. Here, the Cambridge school employs a different strategy to paralyse caste identity. First of all, after reducing caste as a figment of imagination, they set up a conceptual barrier between the universe of ideas and the universe of politics: "What is interesting to political history is not the ideational antecedents of the movement but the contemporary processes" [Washbrook 1977:287; emphasis mine]. Given this, political history should devalue what is uttered (that is, enunciation of ideas) by freeing it from what is achieved (that is, outcome), which alone is designated as political. For instance, referring to the Justice Party, Washbrook notes, "A large part of the non-brahman propaganda was written and performed by the leading Madras civilians; and it ought to be judged more by what it was meant to achieve than by what it appears to say" (1977:296-97). "What it was meant to achieve" is, of course, deduced from what was supposed to have been achieved.

Such conceptual separation of ideas from politics is legitimised by privileging certain instrumental reasoning. That is, for the Cambridge historians, ideas are mere means for the magnate-patrons and their publicist-clients to further their narrow interests:

In the area of public activity also, the magnate managed to preserve himself. Of course, it was usually with the support of magnate patrons that western-educated publicists financed their various associations, presses and tract societies. In these they were seldom more than the agents of magnate interests. Their endeavours were intended to highlight their patrons at least as much as themselves. That is not to deny the intrinsic importance of the new ideas expressed in reformist, revivalist and nationalist circles, which were the result of change in the educated community. But political history must deal more with the extent of influence and the effect of ideas than with the character of doctrines [Washbrook 1977:125].

Explicating further on the 'influence and the effect of ideas', Washbrook argues that enunciation of ideas simply translates itself into 'manpower' to settle factional disputes among magnate-patrons: "Cultural movements, logically independent of politics, were dragged into political life because they provided a pre-existing organisation which was valuable in raising

manpower" (1977:278; emphasis mine); and "...the fact that these cultural and religious movements were politicised in response to factional struggles implies that, once the factional alignments or tactics changed, they could be depoliticised" (1977:251).

Baker echoes the same view when he writes,

On closer inspection it is clear that these protestations did not mean that the rural population was being mobilised in communal blocks by caste leaders. In each case the local rural bosses were moving in to grasp the new opportunities of the rural boards and rural franchise for themselves and it was often useful for those displaced by this movement to cry out that they were the butt of communal campaign [Baker 1976:117].

Thus, the discursive formations around caste identities lack a will of its own; they become political only when appropriated by the elites to further their factional interests. In other situations, they dwell in the realm of the cultural or the social which has nothing to do with politics.⁴

In short, the disavowal of caste identity as part of the political is complete in the writings of the Cambridge school. If fragmentation of different castes denies caste the status of caste-in-itself, the way in which caste identity was supposed to have been invoked in colonial Tamil Nadu denies it the status of caste-for-itself. Caste identity is thus out in the cold with no political past or future.

Let us now turn to how the Cambridge school writes the dravidian movement(s) within this scheme of reasoning. The Justice party component of the dravidian movement(s), which among other things sought reservations for the non-brahmans in government employment and in the membership to legislative council and other bodies, turned out to be the easiest strand to be explained away by the logic of instrumental reasoning. For them, it was true that the Justice party "spread a wave of racial hatred across the presidency and threatened to tear southern society apart into mutually antagonistic political communities" [Washbrook 1977:1]. But in fact it was a threat which did not actualise itself:

...its [Justice party] attempts to erect a social and political philosophy often seemed confused and self-contradictory. In the period 1916-20, this did not help the non-brahman cause to develop into a mass movement. Its newspapers never gained a wide readership and were constantly in financial difficulties. Few branch associations were formed and even some of them had disappeared before the legislative elections in 1920 [Baker 1976:30].

Thus, the non-brahmanism enunciated by the Justice party was an idea without impact. It was empty of ideological substance and hence counterfeit.

Then, the invocation of non-brahmanism served the non-ideological (!) practical ends of the Justicites. If Baker (1976:62) writes that "The Justice leaders had... acquired a patronage bank. In many cases nominations to local bodies, temple committees and other boards were used to court MLCs and to build up a party of men obliged to the ministers in the legislative council," Washbrook's conclusion is no different. For him, "...it [Justice party] represented not so much an attack on brahmans' political power as pressure on those occupations and positions in magnate network... which brahmans filled in large numbers" (1977:275).

Thus, the Justice party was a group of western educated men who used non-brahmanism in a non-ideological/instrumental fashion to gain access to the patronage of the colonial state. As Washbrook sums up colourfully,

They [Justice party leaders] argued that their challenge was solely towards the secular, political position which brahmans had attained. Yet, once the brahman's spiritual role has been stripped from him, how can he remain a brahman in any meaningful sense? What the Justice party really objected to was the political position of certain individuals who *happened to be* brahmans [Washbrook 1977:279; emphasis mine].

The other component of the dravidian movement(s) in the colonial Tamil Nadu was the self-respect movement led by E V Ramasamy. The movement, as a policy, did not take part in such processes of politics which were institutionalised by the colonial state in the form of district boards, legislative council, and elections. Simultaneously, its propagandist energy which problematised caste, religion and gender, could not be easily fitted into the category of patron-sponsored publicists. Thus, the self-respect movement occupied the space which is designated by the Cambridge school as the social/the cultural and not the political. Given this, the history of the movement was constituted in the writings of the Cambridge school primarily by its absence.¹

However, the self-respect movement surfaced in their accounts, but mostly for reasons other than itself. Washbrook, for instance, allows the movement a brief entry in his text where it serves as a mere heuristic device to affirm the Justice party as being devoid of any ideological foundation:

...it would be impossible to connect the non-brahman movement of the 1912 to the anti-religious Tamil self-respect movement of the later 1920s... The self-respect movement rested on the support of these elements of local level culture which were slowly being drawn into the regional level cultures... when, from the 1920s, the self-respect movement began to emerge, it attacked all groups of state-level culture, brahmans and non-

brahmans alike, and thus made enemies of the high-caste leaders of the non-brahman movement of the earlier period. In social composition, practical aims and doctrines, the non-brahman and self-respect movements were as different as chalk and cheese [Washbrook 1977:278].

Baker gives a slightly longer account of the movement, perhaps because it took place exactly during the period of his study. He writes,

in the late 1920s it [self-respect movement] had gained notoriety through attempts to force the entry of depressed castes into temples and through public ridicule of Hindu texts which, the self-respecters argued, promoted an oppressive brahmanical code, and they had gained considerable support through a series of carefully staged conferences. Yet their dependence on the patronage of certain leading Justice politicians had ensured that the movement's radicalism remained mostly rhetorical. In the 1930s, however, the movement took deeper root in some of the towns that were being most deeply disturbed by economic change. At its annual conference in May 1930 at Erode, the movement acquired a programme which went beyond the attack on priestcraft and religious obscurantism and included equal civil rights for depressed castes and for women and measures to redistribute wealth within society... In 1932, he [Periyar E V Ramasamy] visited Europe and Russia and returned, to the astonishment and horror of his old Justice friends, as a fervent bolshevik. He preached revolution throughout Tamilnad, erected a 'Stalin Hall' to house a self-respect conference in Coimbatore, and gave the Self-Respect movement the litany that 'capitalism, superstition, caste distinctions and untouchability must be rooted out'. In 1934, government started to bring him to heel. They jailed him for a seditious article which, among other things, accused the Justice ministers of 'sharing the spoils' of government, arrested him again for conniving in the publication of a revolutionary pamphlet, and when they started in early 1935 to mop up all pinkish organisations in the province, forced him to a recantation of his bolshevik views [Baker 1976:192-93].

For Baker, this trajectory of events which marked the career of the self-respect movement was merely a product of the disturbed times produced by the great depression and the consequent disruptions in patron-client nexuses.

II

Our critique of the Cambridge school's mode of invalidating caste identities as part of the political and the resultant delimiting narrative of the dravidian movement(s) has to begin with an understanding of how far the voices of the participants in history are

allowed to resonate its narratives. In other words, following Renato Rosaldo's (1990:104) critique of E P Thompson, our question is, "...whether central concepts [in our case, used by the Cambridge historians] belong to the author or to the agents of historical change." As we have seen earlier, the historiography of the Cambridge school devalued what was enunciated by the participants in history and instead deduced their intentions from the so-called outcomes of history. That is, utterances are denied the status of conscious acts and are treated as though they are without any autonomous domain of influence. Moreover, outcomes become outcomes only if they meet the requirement of instrumental reason. The implication of such mode of history writing is not difficult to discern. By paralysing the voices of the participants in history, it leaves no space for them to represent themselves [O'Haulon 1985:307]. In other words, there can be no more histories other than what the Cambridge school designates as history.

Despite such theoretical closures and totalising impulse, the Cambridge historians' own writings are full of fissures and slippages which give away the surplus of historical processes which their framework could not accommodate and hence erased or written out. This surplus of history which awkwardly surfaces in their texts, only to be suppressed with swiftness, offer us the limits of their historiographical practice.

Let us first begin with how the Cambridge school expels caste identities from their accounts. As we have noted, their first move towards this was to reinscribe the relationship between the brahman and the non-brahman as non-antagonistic by means of foregrounding and privileging the non-brahman's desire to sanskritise. However, as they proceed with their story, what is represented as non-antagonism refuses that characterisation and articulates itself in opposite terms:

All members of the western-educated community now were placed in the same career structure and single lines of division between them could split the presidency. That these lines might come to mark a brahman/non-brahman division is suggested by a common grievance which all educated non-brahmans shared against brahmans. Their accredited social position was disproportionately low for, although they were performing the same secular roles as brahmans, they were seldom accorded the same ritual and social prestige. Niggling complaints against brahman arrogance which no doubt could have been heard in separate localities before, began to creep into the provincial press [Washbrook 1977:280-81].

Here, Washbrook's account, for example, coheres with the account of the Justicites themselves. That is, even their advancement

in education and employment did not subvert their inferiorised identity:

Many are the non-entities that live by eating the bread and wearing the clothes we give them and yet call us Sudras without any difference... All our sastras declare that there is but one Sami (God). But in our Dravida Country all Brahmins are samis (Gods). The man who, in hotels, cooks and serves our meal is a sami; the man who supplies drinking water on the railway platform is a sami; the man who sells sweets is a sami and the man who cringes for alms is also a sami... There is no reason whatever to call an idiotic and obstinate Brahman a sami. Therefore let our students and other Tamilians give up from today the bad practice of greeting the Brahman as sami [Dravidian, July 12, 1917, quoted in Rajaraman 1988:60].

Washbrook was quick to marginalise such possibility of brahman-non-brahman antagonism, which, at a weaker moment of the text, almost allowed the Justices to speak for themselves. Washbrook immediately invokes images of non-antagonism and notes, "The importance of this union of complaint, however, ought not to be over-emphasised. It is not necessary to like someone in order to work with him, and most of the people who were making the complaints were in fact working with brahmins and were tied to the same magnate networks as brahmins." Thus, the "union of complaint" of the non-brahmins could not find their elaboration within the framework of the Cambridge school and awaits its history outside.

The second critical move of the Cambridge school in invalidating caste identity is through a representation of caste as irredeemably fragmented. We have already seen this in detail. But, as Washbrook proceeds to establish the so-called non-antagonism between the brahman and the non-brahman as a generalised feature of caste system as such in colonial Tamil Nadu, his tightly woven argumentation of fragmented castes hits its limits. He flounders when he notes, "...The majority of Southern sub-regional *varna* were gathered in and around the Sudra Sanskrit *varna*; Thus social mobility between them was possible without crossing any very obvious and contentious ritual gap" [Washbrook 1977:129]. However, for him, this sudra identity in no sense signifies the possibility of caste being an unifying identity. He displaces such possibility by reading once again non-antagonism and fragmentation there: "In Madras, more than anywhere else in India, small groups were able to raise their effective social status without causing disturbance to the prevailing status structure and without mobilising other groups or endogamous units either in the status categories which they were leaving or in those which they were entering" (1977:129). Washbrook's evasion of the unifying dimension of sudra identity salvages

the Cambridge school's denial of horizontal unities in Indian politics. Despite this evasion, it was indeed the inferiorised sudra identity which constituted the basis for the mobilisation of the non-brahman by the dravidian movement(s). While the Justice party recognised that "Many are the non-entities that live by eating the bread and wearing the clothes we give them and yet call us sudras...", it became a keyword, perhaps the most important keyword, in the self-respect movement's discourse on caste. That history of possible unity based on caste identities, which is consciously written out by the Cambridge school, needs to be written in.

The third move of the Cambridge historians towards disinvesting identities of substance is to denude the political of the influence of ideas. They, as we have noted earlier, conceptually separate the social and the cultural from the political; and ghettoise ideas in the former. As the Cambridge school's narrative of history unfolds, the separation of spheres, however, comes under strain and sets the limits for what could be their version of history; and the repressed ideas return surreptitiously. An interesting illustration here will be Washbrook's portrayal of G Subramania Iyer's political career:

G Subramania Iyer had been a prominent nationalist agitator in the 1870s and 1880s... But he had quarrelled with his colleagues over social reform and had virtually outcasted himself by allowing his widowed daughter to remarry. As a result he had been excluded from the inner sanctum of Mylapore, he had failed to be made a Congress president - which his work for the early Congress deserved - and he had been unable to enter the tight world of legislative council and bureaucratic politics. Through the 1890s and early 1900s, he remained a penurious publicist, while his previous associates became powerful politicians [Washbrook 1977:245].

Thus, one of the most promising members of the Mylapore faction lost his share of colonial patronage for taking up social reform. In other words, his marginalisation in the Cambridge school's version of the political is a result of his stance in the so-called social. But Washbrook has to bypass such interrelationship between the so-called social and the political so as to keep his framework intact, and he does. Instead of exploring the interface between the social and the political, he displaces one's attention on to Iyer's later political style: "In 1907, he aimed his polemics against Mylapore and drew a following from young and poor members of the intelligentsia, students, mill workers, 'jutkawallahs' and other similarly frustrated elements..." [Washbrook 1977:245].

While what Washbrook displaces or does not analyse about Subramania Iyer tells us about the need to write a different history

by accommodating the role of ideas and breaching the boundary between the social and the political, what he writes of Iyer's political style too affirms the need for a different history. That is the history which was not informed by Cambridge school's instrumental reasoning alone, but also informed by the politics of jutkawallahs et al, who are disparagingly characterised as people without any political agency, "Jutkawallahs, subject to constant police harassment, factory hands, in the difficult state of assimilation into an urban proletariat, and students, without material worries, could be drawn into violent demonstrations *without much difficulty and particular cause*" [Washbrook 1977:249; emphasis mine].

III

There are voices within the Cambridge historians' texts which are kept subordinated and await articulation and elaboration. These voices viewed caste identity as sites of oppression and hence of unity. To recover these voices is to recover the surplus of history which the Cambridge school's historiography shuts out.

The first move towards recovering these voices is to have a critical understanding of the authorised colonial public sphere, which is valorised by the Cambridge school as the site of the political. Of colonial south India, for instance, Washbrook writes,

'Government' was omnipresent in the life of colonial South India. Whether we examine the newspapers, the letters, the autobiographies, the pamphlets or the books of the period, repeatedly we find references to the power, promise and peculiarities of the entity known as government. The avaricious begged its favour, the ambitious its confidence, the pious its protection and the nationalists its self-destruction [Washbrook 1977:23].

Similarly, for Baker, his period of study is a period of "councils, ministers, and electorates" (1976:xi).

Despite such descriptions by the Cambridge school which foregrounds the colonial public sphere, the government-native interaction under colonialism did not and could not approximate anywhere close to even the bourgeois public sphere, 'a sphere which mediates between society and state, in which the public organises itself as the bearer of public opinion' [Habermas 1974: 49]. First of all, this sphere of politics was based on the denial of citizenship for the colonised, a necessary condition for colonialism as a system of domination to sustain itself. Given this, the authorised colonial public sphere was confined to a thin layer of the colonised, that is, sections of the indigenous elite. Take for example, the legislative council election of 1920 in Madras province. Even according to Baker, 'In any event it did not take many votes to win an

election. A million and a quarter qualified for the franchise... and these were divided into 25 district constituencies. The turn-out in rural areas was very low, averaging 23.8 per cent throughout the province, and thus three to four thousand votes were enough for victory. The best strategy for a candidate was to win the support of men who could command many votes in a locality...' (1976:35-36).⁶ And even this elite was rendered largely inarticulate by means of colonial laws such as the press acts.

As much as the colonial public sphere was a narrowly constituted sphere based on wealth and education, it too was constituted by the logic of co-optation. Washbrook's neo-colonial reading of this sphere brings this out clearly: 'By the 1910s, the classic colonial model of imperial master and native subject was rapidly losing its appropriateness in the context of the Madras state system. Indians were involved actively as well as passively in the highest processes of government' (1977:61).

The colonial public sphere was restricted in its scope and substance not merely because of the dynamics of colonialism, but also by the very character of the indigenous elite who participated in it. Without being informed by notions of substantive citizenship, it was an elite who were, by and large, unwilling to relinquish their traditional modes of semi-feudal authority, and hence failed to speak for a broader public. 'The upper castes, especially the Brahmins found that their intelligence and application brought them rich rewards but at the same time did not entail any obligation which would run counter to their traditional ways of living. They could live comfortably [uncomfortably?] in two worlds, the secularised, modernised atmosphere of their places of work which did not affect their everyday domestic and social life. The law along with teaching and the civil service were professions which they could well adopt and yet not infringe their caste and ritual prohibitions' [Srinivasan 1970:184; see also Pandian 1994:2-4].⁷

The implication of this dual existence of the elite participants in the colonial public sphere can be understood in terms of what Nancy Fraser (1992:131-32) writes about the private-public divide: 'The rhetoric of domestic privacy would exclude some issues and interests from public debate by personalising and/or familialising them; it casts these as private, domestic or personal, familial matters in contradistinction to public, political matters. The rhetoric of economic privacy, in contrast, would exclude some issues and interests from public debate by economising them; the issues in question here are cast as impersonal market imperatives... In both cases, the result is to enclavise certain matters in specialised discursive arenas and thereby to shield them from broadly based debate and contestation.

This usually works to the advantage of dominant groups and individuals and to the disadvantage of their subordinates.' In the context of political elites in colonial Tamil Nadu, the privacy was not merely domestic or economic, but more inclusive so as to accommodate issues of religious and caste practices; and hence its disempowering implications were more acute and expansive.

Importantly, this already restricted and qualitatively insubstantive colonial public sphere was further narrowed – this time, discursively – by the Cambridge school. The contestations and alternate points of view which got expressed, in whatever limited manner, in this sphere were erased by merely recruiting those events, which can be interpreted by means of instrumental reasoning, as political, and by denying any validity to participants' self-representations. Thus, the sphere was represented as homogeneous, with its tensions being characterised as nothing other than unprincipled scramble for colonial patronage. We shall return to this point a little later.

The problem of confining the political to this authorised colonial public sphere by the Cambridge school will become evident as we compare it with bourgeois liberal public sphere of the west, which was founded on a more accommodative (though by no means free from problems) notion of citizenship compared to the colonial situation. The point to be underscored here is that, even the bourgeois public sphere could not accommodate the politics of the subordinated. For example, Fraser, in a sympathetic critique of Habermas, notes, '...the problem is not only that Habermas idealises the liberal public sphere but he fails to examine other, non-liberal, non-bourgeois, competing public spheres. Or rather, it is precisely because he fails to examine these other public spheres that he ends up idealising the liberal public sphere' [Fraser 1992:115; see also Eley 1990 and 1992]. Proceeding further, she elaborates her point thus: '...members of subordinate social groups – women, workers, people of colour, and gays and lesbians – have repeatedly found it advantageous to constitute alternative publics. I propose to call these subaltern counterpublics in order to signal that they are parallel discursive arenas where members of subordinate social groups invent and circulate counterdiscourses to formulate oppositional interpretations of their identity, interests and needs' [Fraser 1992:123]. One need not belabour the point that this critique of the bourgeois public sphere will apply, in a more acute fashion, to the colonial public sphere, which is qualitatively and otherwise restricted in scope, under the domination of the colonial state and based on the denial of citizenship to the colonised. In the rest of the article, I will suggest how the category of subaltern counterpublic can recover those histories of caste identities and of dravidian movement(s), which fell victim

to Cambridge school's historiography.

Our explorations into the histories and the politics of subaltern counterpublics, which are rendered voiceless by the Cambridge historians by *assuming* their politics as that of clients without will, has to begin outside the colonial public sphere.⁸ To step outside the colonial sphere which was institutionalised in "councils, ministers and electorates", is to step into a sphere saturated with the politics of everyday life, where caste, among other inferiorised identities, was experienced. It was a sphere populated with 'agraharams' which denied access even to depressed class members of the legislative council [Chandrababu 1993:4]; temples which kept lower caste devotees either outside or at a distance [Hardgrave 1969:30, 121-5]; railway restaurants which had separate dining arrangement for brahmins (as late as 1941); hotels which did not entertain non-brahmins; private buses which did not permit depressed classes to travel [Chandrababu 1993:73,83]; men who, given their lower caste status, were denied the "right to ride a bicycle on the public street of the village, to eat in the coffee hotel, to conduct marriage procession, and often even for a presumptuous... boy to attend the village school [Hardgrave 1969:160; emphasis mine]. Thus, in this domain, caste as well as other inferiorised identities were inescapably present as experience." We may mention here, the self-respect movement functioned exactly in such a domain outside the authorised colonial public sphere. As a Congress weekly *Desabandu* put it in 1929:

Everyday the nuisance created by the self-respecters increases beyond tolerance. In trains, hotels, river and tank-beds, on the roads and everywhere they seem to be active. They have been charging in abusive language the Brahmins, religions, temples, idol worship, incarnations, *puranas* and *itihasas* and... religious marks or symbols [Chandrababu 1993:132].

And the public speeches, pamphlets, literature and newspapers of the self-respecters spoke incessantly of experience of caste oppression, which is in sharp contrast to Washbrook and Baker who found government everywhere. Recovering such politics of experience will be our first move towards recovering identities as part of the political.

But experiences of oppression do not in themselves automatically constitute a public based on a common identity; it is instead formed through multiple and complex mediations. Writing of public sphere, Eley gives us a feel of such mediations:

The public sphere ... derived only partly from the conscious demands of reformers and their articulation into government. More fundamentally, it presumed the prior

transformation of social relations, their condensation into new institutional arrangements and the generation of new social, cultural and political discourse around this changing environment. In this sense, conscious and programmatic political impulses emerged most strongly where underlying processes of social development were reshaping the overall context of social communication. The public sphere presupposed this larger accumulation of socio-cultural change [Eley 1990:14].

Such conceptualisation affirms a number of things which are denied by Cambridge historians. Firstly, it collapses the separation between the political and the socio-cultural and establishes their interdependence as part of a wider notion of the political. Second, it shows that identities are not pre-given, but are constituted over time through a range of processes. In other words, one has to write the histories of how identities are formed as part of the political, instead of looking for them as pre-existing categories of politics – as Cambridge historians have done in denying validity to caste. Finally, it recovers the enunciation of ideas as an important part of publics as well as of the process of such publics being constituted.

Within this conceptualisation of how experiences of oppression, through complex mediations of words and deeds, arrive at subaltern counterpublics, we can now address a range of questions about caste identities and the history of the dravidian movement(s), which have been silenced by Cambridge historians. For instance, if Baker and Washbrook constitute the history of the self-respect movement primarily by its absence, it is now possible to unravel the story of how the movement began its campaign against brahmanism by working initially through associations of different castes, attempted with time a non-brahman front on the basis of the common sudra identity, and finally arrived at a critique of caste system as such [Kesavan 1990:79-81], and how its campaign was carried to even small towns and villages through numerous journals such as *Kudi Arasu*, *Revolt*, *Vedikundu*, *Tamilan*, *Kumaran*, *Puthuvai Murasu*, *Chandamarutham*, and *Suyamariyathai Thondan* [Kesavan 1990:128], countless books and pamphlets which included translations of Robert Ingersoll's rationalist/positivist writings and the publications of the London rationalist association [Chandrababu 1993:131-35, 149], staging of plays (ibid:127-29), a battery of public speakers whose skill is much remembered and spoken of even today, and reading rooms and gymnasia located in different parts of the Tamil-speaking areas. It will, among other things, be a history of utterances whose materiality is mere fiction for the Cambridge historians. Such recovery of self-representation will give us a different account of the authorised colonial public

sphere too. Debates within it will no longer signify merely instrumental reason, but ideology as well. Thus, we can situate the conflicts between the Justice party and the Congress in a broader realm of politics which accommodates ideas as part of the political.

If the Cambridge school fails to find caste identities because it treats them as pre-given, its privileging of incomplete mobilisation based on caste identities (caste as fragmented) as a means to represent caste as non-political, too would get a different reading. Here, one needs to bear in mind that one is talking of publics and not communities:

‘...the concept of public differs from that of a community. “Community” suggests a bounded and fairly homogeneous group, and it often connotes consensus. “Public,” in contrast, emphasises discursive interaction that is in principle unbounded and open-ended, and this in turn implies a plurality of perspectives. Thus, the idea of a public can accommodate internal differences, antagonisms and debates better than that of a community [Fraser 1992:141n].

This open-endedness of publics basically means that they not only unify participants towards a consensus, but also simultaneously allow for dissensions. In publics which are constituted on the basis of specific identities, these dissension will, at an important level, be based on the problems arising out of the criss-crossing of several identities which define the participants contingently in the publics – caste, class, gender, language etc. In short, publics will ever be marked by fragmenting and unifying tendencies and the mobilisation will always remain incomplete. This site of incompleteness will be the site to explore the totalising or non-totalising character of publics in terms of how inclusive its conception of politics is, rather than a site to deny identities and horizontal mobilisation any role in the political, as has been done by the Cambridge school [Wolpe 1988]. Thus recuperating identities, we can now, in the specific context of the dravidian movement(s), raise issues like how far the sudra identity unified while other identities such as class set the limits for the movement(s); in what manner the politics of the self-respect movement which problematised several identities based on caste, gender and religion, came into conflict with the Justice party, which foregrounded merely the caste identity, and the Congress, which waited for independence to talk at all of inferiorised identities in any substantive manner.

Our account gives the impression that subaltern counterpublics are discrete and have nothing to do with the authorised colonial public sphere – a separation which seems similar to Cambridge school's separation of the social and the political. But they are not: while they are characterised by their own autonomy, they also influence and

get influenced by other publics. To quote Nancy Fraser:

I am emphasising the contestatory function of subaltern counterpublics in stratified societies in part to complicate the issue of separatism. In my view, the concept of a counterpublic militates in the long run against separatism because it assumes a *publicist* orientation. Insofar as these arenas are *publics*, they are by definition not enclaves, which is not to deny that they are often involuntarily enclaved. After all, to interact discursively as a member of public, subaltern or otherwise, is to aspire to disseminate one's discourse to ever widening arenas [Fraser 1992:124].

This imbrication of spheres is where one can write the history of contestations and collaborations among different political formations, some functioning in the colonial public sphere and others outside: why E V Ramasamy, the founder of the self-respect movement, supported the policies of the Justice party even as he was then a Congressman; why the self-respect movement attacked the Justice party for its compromises for the sake of power, even while it endorsed a part of its agenda; why the Justice party had to endorse the agenda of the self-respect movement as it was losing grip over the colonial public sphere; why the Justice party leader W P A Soundarapandian, under the influence of E V Ramasamy, took to the programme of ‘desanskritising’ the already ‘sanskritising’ Nadars and ‘Harijan’ welfare. Cambridge school's valorised colonial public sphere becomes thus only a part of the political and not the whole. Further, no longer can one write its history without the history of what lay outside it.

Such dialogics of the publics, subaltern or otherwise, return the mind to history, return inferiorised identities as a basis of contestatory politics; and provide a space to recover the history of the dravidian movement(s) both in and outside the logic of instrumental reason. In other words, what is repressed by the Cambridge historians can now return to the centre-stage of the political. After all, such dialogics was pervasive, as the sigh of relief which M P Sivagnanam, in his role as a Congress harijan seva sangha propagandist, experienced in the early 1930s will show us:

In those days, the self-respect movement had good influence among the educated harijan youths of Madras slums. Several of them took E V Ramasamy's words as sacred. Because of that, some of them would barge into my meetings and pose questions. They would insist on an answer. Due to these troubles, [I should say] my good opinion of the Self-Respect Movement suffered. But, as I was in charge of Harijan Seva Sangh publicity only for a year, I was relieved from the troubles of the Self Respecters soon [Sivagnanam 1974:85].

Notes

[An earlier version of this paper was presented at the Thirteenth European conference on South Asia, held at Toulouse, August 30-September 1, 1994. I am grateful to the participants in the conference and Anandhi S, Venkatesh Chakravarthy, J Jeyaranjan, A S Paneerselam, Jean Racine, Padmini Swaminathan and A R Venkatachalapathy for their comments which helped me in revising it.]

- 1 If I confine myself to caste identity alone in this paper, it is because that alone was taken up for analysis by Washbrook and Baker. This, however, does not mean that the dravidian movement(s) did not address the question of other identities. In fact, the self-respect movement strand of the dravidian movement(s) took up issues of gender, religion, language and nation, apart from caste [see: Anandhi 1991; Pandian 1993; Pickering 1993; and Venkatachalapathy 1990].
- 2 We may note here that, for Washbrook, 'Brahman dominated hierarchy' is not a problem of power and powerlessness/domination and subordination.
- 3 Another way in which the Cambridge school reduced caste as a mere idea is by representing it as a fiction invented by the colonial state on the basis of misrecognition of Indian reality [Baker 1976:176; and Washbrook 1977:269]. This has been already pointed out by O'Hanlon (1985:307) in her critique of Cambridge historians.
- 4 The discursive separation between the social and the political has different biographies in colonial India and these are yet to be recovered in history writing. For instance, while oppositional movements played upon the distinction and self-represented themselves as located in the social so as to guard their politics from the colonial authority, the colonial state, given its ideological baggage of 'civilising' the colonised, responded less ruthlessly towards the so-called social movements.
- 5 The self-respect movement was launched by E V Ramasamy, after he broke ranks with the Indian National Congress. His active sojourn in the Congress came to an end in November 1925 when two of his resolutions seeking 'communal representation' were disallowed in the Kancheepuram conference of the Tamilnad Congress. Thereafter, he declared his political agenda to be 'no god, no religion, no Congress, and no Brahman'. [Chidamparamanar 1983; Visswanathan 1983; and Arooran 1980].
- 6 Even if one concedes that mobilisation in elections was vertical, the poor turnout figure given by Baker himself shows the limits to such mobilisation. Often, such poor turnout in elections is read as lack of citizenship ideals among the natives. In fact, it was not and they indeed had constituted other sites to articulate their politics [Sabata 1992].
- 7 Perhaps, Stoddart's following description will give us a flavour of the divided self of the political elite participating in the colonial public sphere:
S Srinivasa Iyengar, Congress President for 1927, returned from Gauhati to be greeted by 'Vedic Brahmans from Mylapore and Triplicane who offered *purnakumham*...and chanted one or two vedic hymns appropriate to the occasion.' At about the same time S Satyamurti, an important Brahman Congressman and lieutenant of Srinivasa Iyengar,

acted as chief defence counsel for the Thiruvana-malai temple authorities against J S Kannapar, editor of the Justice newspaper *Dravidian*. Kannapar charged the Brahman temple authorities with having unlawfully prevented him from entering the temple. M K Acharya, a swarajist member of the Central Legislative Assembly, became involved in the issue of social reform, notably the proposed legislation relating to civil marriages and the age of consent to marriage. During 1926 he had founded the Brahmana Maha Sabha, which actively opposed social reform, and its meetings were chaired frequently by CV Venkataramana Iyengar, yet another prominent Brahman swarajist [Stoddart 1975:53].

8 According to Ranajit Guha (1992:305), 'With the subaltern domain surgically removed from its system, all initiative other than what emanates from the colonisers and their collaborators strictly ruled out, all elements of resistance meticulously expelled from its political processes, colonialism emerges from this historiography as endowed with a hegemony which was denied to it by history' [see also Guha 1982:5-6].

9 In foregrounding experience, I have no intention of treating it as prediscursive. As Joan Scott (1991:797) has argued, 'Experience is at once always already an interpretation and something that needs to be interpreted. What counts as experience is neither self-evident nor straightforward; it is always contested and always therefore political... Experience is, in this approach, not the origin of our explanation, but that which we want to explain. This kind of approach does not undercut politics by denying the existence of subjects; it instead interrogates the process of their creation...' Such an understanding of experience does not evict what the Cambridge school denigrates as "ideational" or "matter of psychological perceptions" from the analysis of the political, but instead treats it as an important part of the political.

References

- Acconci, Vito (1990): 'Public Space in a Private Time', *Critical Inquiry*, Vol 16, No 4, Summer.
- Anandhi, S (1991): 'Women's Question in the Dravidian Movement, 1925-48', *Social Scientist*, May-June.
- Arooran, K Nambh (1980): *Tamil Renaissance and Dravidian Nationalism 1905-1944*, Koodal Publishers, Madurai.
- Baker, Christopher John (1976): *The Politics of South India 1920-1937*, Vikas Publishing House, Delhi.
- Calhoun, Craig (ed) (1992): *Habermas and the Public Sphere*, MIT Press, Cambridge and London.
- Chandrababu, B S (1993): *Social Protest and Its Impact in Tamilnadu: With Reference to Self Respect Movement (from 1920's to 1940's)*, Emerald Publishers, Madras.
- Chidamparamanar, Samu (1983): *Tamilar Talaivar: Periyar Ee Ve Ra Vazhkar Varalaru*, Periyar Self Respect Propaganda Institute, Madras (in Tamil).
- Eley, Geoff (1990): 'Edward Thompson, Social History and Political Cultures: The Making of a Working Class Public, 1780-1850' in Kaye and McClelland (1990).
- (1992): 'Nations, Politics and Political Cultures: Placing Habermas in the Nineteenth Century' in Calhoun (1992).
- Fraser, Nancy (1992): 'Rethinking the Public Sphere: A Contribution to the Critique of Actually Existing Democracies' in Calhoun (1992).
- Guha, Ranajit, (1982): 'On Some Aspects of the Historiography of Colonial India' in Ranajit Guha (ed), *Subaltern Studies: Writings on South Asian History and Society*, Vol I, Oxford University Press, Delhi.
- (1992): 'Domination Without Hegemony and Its Historiography' in Ranajit Guha (ed) *Subaltern Studies: Writings on South Asian History and Society*, Vol VI, Oxford University Press, Delhi.
- Hardgrave Jr, Robert L (1969): *The Nadars of Tamilnad: The Political Culture of a Community in Change*, University of California Press, Berkeley and Los Angeles.
- Hardiman, David (1982): 'The Indian 'Faction': A Political Theory Examined' in Ranajit Guha (ed) *Subaltern Studies: Writings on South Asian History and Society*, Vol I, Oxford University Press, Delhi.
- Kaye, Harvey J and Keith McClelland (eds) (1990): *EP Thompson: Critical Perspectives*, Polity Press, Cambridge.
- Kesavan, G (1990): *Suyamariathai Iyakkamum Pothuudamaiyum, Saravana Balu Pathipagam*, Vilupuram (in Tamil).
- O'Hanlon, Rosalind (1985): *Caste, Conflict and Ideology: Mahatma Jotirao Phule and Low Caste Protest in Nineteenth Century Western India*, Cambridge University Press, Cambridge et al.
- Pandian, M S S (1993): 'Denationalising' the Past: 'Nation' in E V Ramasamy's Political Discourse', *Economic and Political Weekly*, October 16.
- (1994): 'Notes on the Transformation of 'Dravidian' Ideology: Tamilnadu, c 1900-1940', Working Paper No 120, Madras Institute of Development Studies, Madras.
- Pickering, Natalia (1993): 'Recasting the Indian Nation: Dravidian Nationalism Replies to the Women's Question', *Thatched Patio*, May-June.
- Rosaldo, Renato (1990): 'Celebrating Thompson's Heroes: Social Analysis in History and Anthropology' in Kaye and McClelland (1990).
- Sabato, Hilda (1992): 'Citizenship, Political Participation and the Formation of the Public Sphere in Buenos Aires 1850s-1880s', *Past and Present*, No 136, August.
- Scott, Joan W (1991): 'The Evidence of Experience', *Critical Inquiry*, Vol 17, No 4, Summer.
- Sivagnanam, M P (1974): *Yenathu Pooratam*, Inba Nilayam, Madras (in Tamil).
- Srinivasan, R (1970): 'The Tamil Intelligentsia as Moderniser: A Study in Failure' in N Subramanian (ed), *Parithimal Kalaingarar Nuttandu Vizha Malar*, Madurai.
- Stoddart, Brian (1975): 'The Unwanted Commission: National Agitation and Local Politics in Madras City 1928', *South Asia*, No 5, December.
- Venkatachalapathy, A R (1990): 'Suyamariathai Iyakkamun Saivarum', *Araichu*, No 35, April (in Tamil).
- Visswanathan, E S a (1983): *The Political Career of EV Ramasamy Naicker*, Ravi and Vasantha Publishers, Madras.
- Washbrook, D A (1977): *The Emergence of Provincial Politics: The Madras Presidency 1870-1920*, Vikas Publishing House, New Delhi.
- Wolpe, Harold (1988): *Race, Class and the Apartheid State*, James Currey, London.

Alternative Approaches to Locating the Food and Nutrition Insecure

Work in Progress in South India

Lawrence Haddad

Kimberly Chung

P Yasoda Devi

This paper reports on the design of a multidisciplinary, collaborative project intended to make food and nutrition security systems more viable. The objective of the project is to identify 'alternative' indicators that can be used in food and nutrition monitoring and evaluation systems.

ALTHOUGH India contains at least 215 million hungry people [Gopalan 1992], Indian famines are a 'nightmare of the past'. Famine mitigation has been due to the combination of a number of factors: food production which has kept up with population increases, government buffer stocks of grain which have stabilised foodgrain prices, democracy and a free press to give the rural poor a voice, the existence of relatively efficient inter-regional grain markets, the availability of informal consumption credit, and a set of explicit famine-relief policies such as rural public works programmes [Dreze 1988; Bidinger et al 1990]. While this array of food policy instruments has proved effective in helping to averting acute undernutrition, many economists – inside and outside the government of India – feel that the current level of food security could be achieved with less strain on public expenditure if policies were more targeted to the undernourished [Government of India 1990; Ravallion and Subbarao 1992; Jha 1992; Dev, Suryanarayana and Parikh 1992, Bapna 1991; Harriess 1991].

The economic policy reforms currently underway in India are likely to provide the government with greater incentives to raise the cost-effectiveness of social sector spending. Public sector expenditure on poorly targeted programmes will become less easy to justify on economic grounds in the face of fiscal austerity measures that typically accompany economic reform packages [Parikh 1992].

One means of potentially raising the cost effectiveness of food security programmes is to target programme resources to households and villages according to the policy objective being pursued. For example, a familiar strategy is to minimise the severity or depth of undernutrition by targeting the most severely undernourished. If the objective is to minimise the incidence of undernutrition, then the optimal strategy is to target all individuals just below the food poverty line [Ravallion 1990]. Another way of improving cost-effectiveness is to

monitor food security during the course of programme operations. This enables programme design to be more responsive to the changing causes and patterns of undernutrition.

These calls for more targeted and flexible approaches to the promotion of food security are not easily addressed. There are several reasons for this. First, targeting is politically controversial. Eligibility criteria can create incentives among those who administer programmes to 'rent-seek' by taking advantage of unenforceable criteria. Eligibility criteria can also provide incentives for households to misrepresent their circumstances, such as reporting female-headship when this is not the case [Jain 1992]. The unpopularity of those who write eligibility criteria into law and are charged with administering them can have political consequences, particularly since the non-eligible are likely to be the more politically powerful. Finally, the very term 'targeting' has become politically charged, in large part due to the family planning drives of the 1970s in which targeting was interpreted in terms of the number of individuals touched by a programme rather than whether or not those individuals would have benefited most from the programme [Gupta et al 1992].

Second, even if an accurate and inexpensive indicator of undernutrition were found, targeting and monitoring can still be costly. Specifically, both require the regular collection of accurate and timely data on household food security, an activity that may cost more than the savings promised by targeting. Moreover, for an indicator to be integral to undernutrition reduction schemes, the information generated must be acted upon. If the associated interventions prove to be expensive to execute, then the tradeoff between the costs of indicator collection and the benefits of the indicator collection are even more uncertain [Haddad, Kennedy and Sullivan 1991].

Therefore, given political will, the cornerstone of a viable monitoring system

is the identification and use of indicators that are valid and reliable and yet straightforward and inexpensive to collect and analyse. This is one of the lessons derived from the last 10 years of experience with food and nutrition monitoring and surveillance systems world-wide [Tucker et al 1989]. However, a recent global inventory of food security and nutrition monitoring systems indicates that policy-makers and implementors in developing countries have found many of the recommended 'traditional' indicators difficult to incorporate into ongoing information systems [Kennedy and Payongayong 1991]. Too often indicators are laborious and expensive to collect, difficult to analyse and interpret, and of limited use in early warning or targeting related policies.

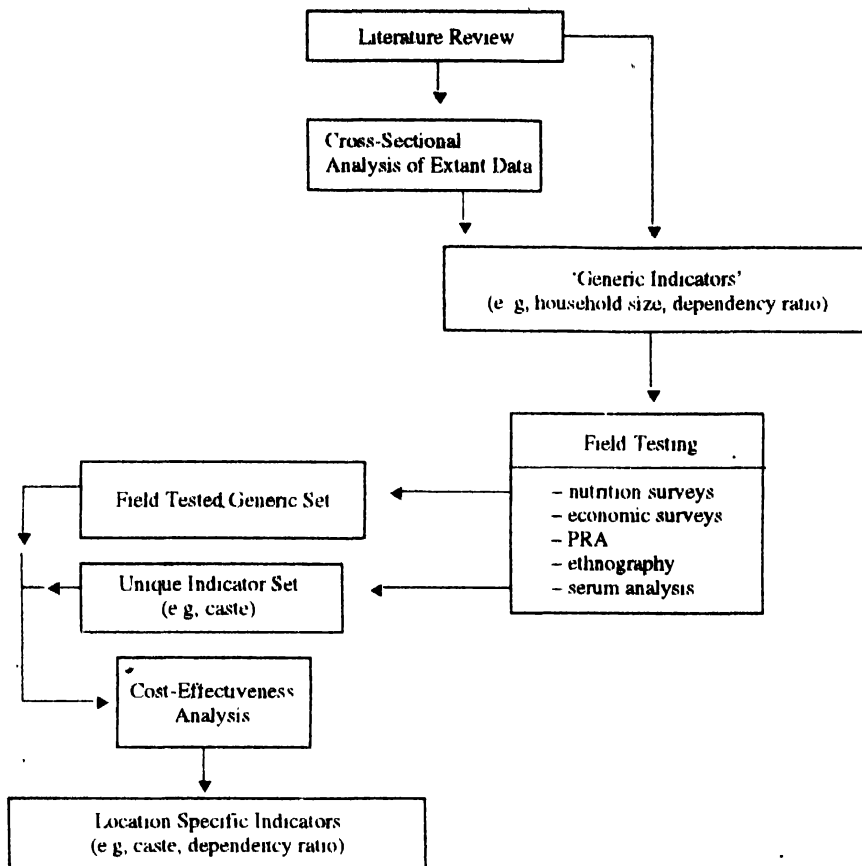
Project Objectives and Overview

For this work we define food security as a state in which there is an availability of sufficient food at all times for all people to ensure an active and healthy life. Sufficient food refers to both the quantity and quality required for good health. The term 'food security' has been used at the national, regional, community, household, and individual levels [Maxwell 1990]. The research reported here will aim to develop food security indicators at the household, individual, and village levels.

Nutrition security is defined as the appropriate quantity and combination of inputs such as food, nutrition, and health services, and caretaker's time, to ensure an active and healthy life at all times for all people. Food security, therefore, is a necessary, but not sufficient, condition for nutrition security. Nutrition security indicators will be developed at the individual level.

Given these definitions, the overall objective of this study is to field test and document the validity and reliability of alternative indicators of food and nutrition

FIGURE 1: OVERVIEW OF ALTERNATIVE INDICATORS PROJECT



security in the Indian semi-arid tropics (ISAT). The proposed set of indicators will include biological and socio-economic variables that are typically collected by international or national research stations, as well as some easily collected alternative indicators.

Supporting objectives include:

- (1) To assess the ability of a set of 'generic' indicators (indicators which are not unique to a particular setting) to locate food and nutrition insecure households, women, and pre-schoolers in the ISAT.
- (2) To develop a set of generalisable guidelines for identifying indicators which are 'unique' in locating food and nutrition insecure groups in the ISAT, and to identify that 'unique' set.
- (3) To assess the ability of the 'unique' indicators to locate the food and nutrition insecure, particularly in relation to the 'generic' set.
- (4) To assess the costs of collecting the 'generic' and 'unique' indicators and to determine a set of 'location specific' indicators which are both accurate and cost-efficient in locating the food and nutrition insecure in the ISAT.

The Alternative Indicators Project was initiated through an extensive literature survey on indicators of food security. In turn

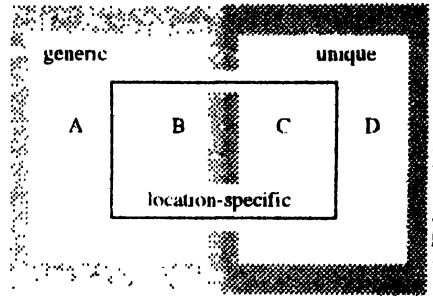
this review informed an empirical analysis of extant data from seven different settings from four countries (Brazil, Ghana, Mexico, and the Philippines).

The literature review and the empirical analysis generated a set of alternative indicators that were successful in locating the food insecure in a number of different settings. Because of their generalisability, this group of indicators is called the 'generic' set. Although many of these

TABLE 1: TIMING OF SURVEY ROUNDS IN STUDY VILLAGES

Village	1992					1993						
	A	S	O	N	D	J	F	M	A	M	J	J
Aurepalle												
Round				'Peak'				'Lean'			'Hi Mor	
Harvest				surplus				low			low	
Labour demand				medium				low			high	
Dokur												
Round		'Lean'				'Peak'					'Hi Mor	
Harvest		low				surplus					low	
Labour demand		low				high					high	
Shirapur												
Round			'Lean'					'Peak'			'Hi Mor	
Harvest			low					surplus			medium	
Labour demand			low					high			med-low	
Kanzara												
Round			'Lean'			'Peak'					'Hi Mor	
Harvest			low			peak					medium	
Labour demand			low			surplus					medium	

FIGURE 2: CONCEPTUAL DIAGRAM SHOWING THE RELATIONSHIP BETWEEN GENERIC, UNIQUE, AND LOCATION SPECIFIC INDICATORS OF FOOD AND NUTRITION SECURITY



Indicator set A: Generic indicators that do *not* work well in terms of ability to locate the food insecure at low cost in the four villages.

Indicator set B: Generic indicators that work well in terms of ability to locate the food insecure at low cost in the four villages.

Indicator set C: Indicators unique to the four villages which work well in terms of ability to locate the food insecure at low cost.

Indicator set D: Indicators unique to the four villages work well in terms of ability to locate the food insecure but NOT at low cost.

indicators may be able to locate the food and nutrition insecure in the ISAT, the usefulness of each generic indicator for this area may only be determined through field testing. Field testing may also reveal a set of indicators which are 'unique' to the study area. Such indicators may perform well in certain regions, but have little meaning elsewhere. In India a possible example of a unique indicator might be 'caste' or 'number of male children'. Finally, the most appropriate set of indicators is determined by the cost-effectiveness of putting the indicator into use. Since cost of indicator collection will vary by location, the set of cost-effective indicators are called the 'location-specific' indicators. This set may contain indicators

which are either generic or unique. Above all, however, these indicators are both accurate and cost efficient.

Figure 2 shows a conceptual representation of the three sets of indicators. The generic and unique sets are shown to be mutually exclusive but variables from either set may be cost-efficient. This set of accurate and cost-efficient indicators forms the 'location-specific set'. It is this set that forms the basis for cost-efficient targeting and monitoring.

In terms of generic indicators, the literature review suggested a number of relatively simple indicators which have proved effective in locating and tracking the food insecure. The central message of the empirical analysis reinforced this conclusion. Compared to more complex indicators, such as household income level, indicators such as number of unique foods consumed, region, dependency ratio, household size, rooms per capita, incidence of illness, vaccination status, age at weaning, drinking water and sanitation facilities – all coded with only two or three different values – were able, either singly or in combination, to identify households and pre-schoolers at risk. The indicators that located food insecure households in several data sets from developing countries are:

- Household size
- Dependency ratio
- High percentage of pre-schoolers
- Region
- Rooms per capita in home
- Quality of drinking water and sanitation facilities
- Land area cultivated and owned (in rural areas)
- Occupation/tenancy status
- Number of unique foods consumed or available
- Subjective perceptions of participant as to quality of diet

Indicators that located nutrition insecure households in several data sets from developing countries include:

- Age of pre-schooler (low for low wt/ht z-score, high for low ht/age z-score)
- Incidence/duration of illness (self-reported)
- Vaccination records
- Improved water and sanitation facilities
- Use of improved fuel for cooking
- Characteristics demanded in food
- Households' opinion about quality of diet
- Number and type of unique foods consumed
- Region
- High age of weaning
- Income from remittances
- Dependency ratio
- Crop-tenancy status of household
- Number of income sources.

TABLE 2: SUMMARY STATISTICS FOR STUDY VILLAGES

Characteristic	Aurepalle	Dokur	Shirapur	Kanzara
Location	Mahabubnagar, Andhra Pradesh	Mahabubnagar, Andhra Pradesh	Sholapur, Maharashtra	Akola, Maharashtra
Distance from Hyderabad	70 kms south	125 kms south	365 kms west	528 kms north-west
Rainfall (general) ^a	Unassured; 630 mm	Unassured; 630 mm	Unassured; 630 mm	Assured; 890 mm
Total rainfall in 1992 (monthly standard deviation)*	428 mm (38.72)	578 mm (57.11)	319.4 mm (36.17)	450.6 mm (94.78)
Soils ^a	Red Soil; Low water retention	Red Soil; Low water retention	Deep black clay soil; High water retention	Medium deep black clay soil; Medium water retention
Major crops ^a	Kharif sorghum, pearl millet, castor, paddy, pigeon pea, groundnut	Kharif sorghum, pearl millet, castor, paddy, pigeon pea, groundnut	Rabi sorghum, pigeon pea and minor pulses	Cotton, sorghum, mung bean, pigeon pea and wheat
Number of households in 1975 ^a	476	313	297	169
Number of households in 1989-90 ^a	664	464	451	292
Per cent labourers ^a	31	24	33	32
Dominant caste groups ^a	Reddis	Reddis	Marathas Dhangars	Marathas
Per cent literate ^b	15	16	17	34
Average landholdings (ha) ^b	3.53	2.62	6.53	6.1
Per cent of male adults in landless/small farm households consuming < 50 per cent RDA for calories (lean season) ^c	7.3	0	1.4*	1.8*
Per cent of female adults in landless/small farm households consuming < 50 per cent RDA for calories (lean season) ^c	23.9	2.9	7.1*	2.0*
Per cent of children age 1-3 in landless/small farm households consuming < 50 per cent RDA for calories (lean season) ^c	46.2	42.9	35.3	27.3
Median per capita net income (Rs) 75-78 d.e.f	238	389	365	518
Sorghum price 1992 (Rs/kg) (monthly standard deviation)*	3.76 (0.35)	n/a	6.13 (0.53)	n/a
Pigeonpea price 1992 (Rs/kg) (monthly standard deviation)*	8.06 (1.47)	n/a	10.02 (1.01)	10.92 (0.49)
Daily wages* (men) agricultural labour force (Rs/7 hr), 1992	21.8	n/a	23.3	17.6
Daily wages* (women) agricultural labour force (Rs/7 hr), 1992	12.0	n/a	12.1	8.5

Notes: * Unpublished ICRISAT data.

a Walker and Ryan (1990: 4).

b Information for Aurepalle and Dokur from 1971, Kanzara and Shirapur from 1961. [Ryan et al 1984: 67].

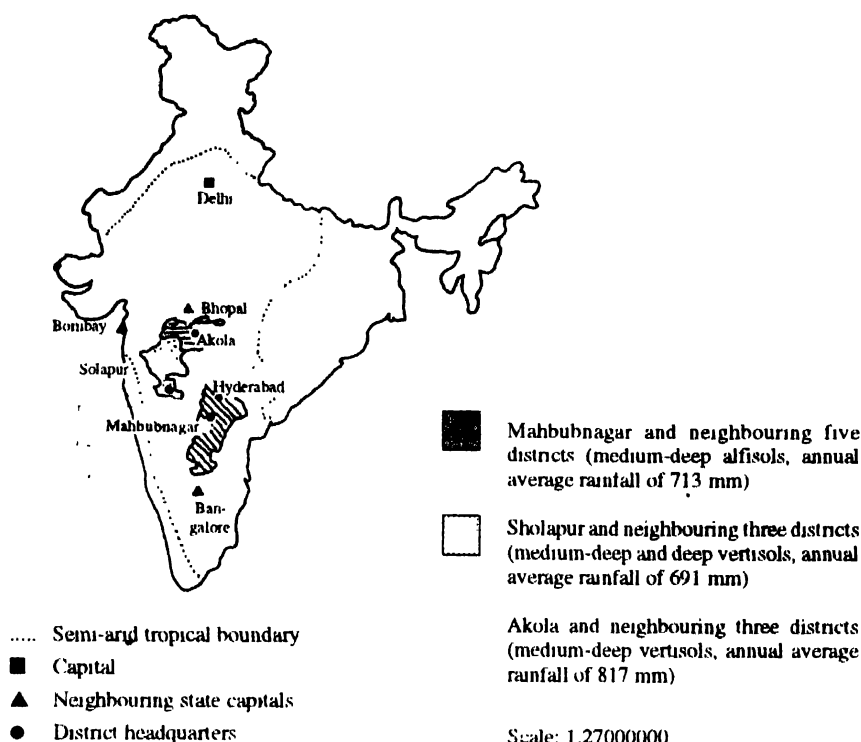
c Information for 1977-78. [Ryan et al 1984: 95].

d Data are averages from 1975-78. [Asokan, Bhasker Rao, and Mohan Rao 1991: 30].

e Data are averages from 1975-78. [Kshirsagar 1983: 35].

f Data are averages from 1975-78. [Bhende 1983: 33].

FIGURE 3: MAP OF THE STUDY SITE



Source: Walker and Ryan (1990)

II Project Site

The ICRISAT villages are not located in the most undernourished states in India. However, the villages provide a unique opportunity for the study of rural food security. The Alternative Indicators Study is able to take advantage of (i) the high level of trust between the villagers and ICRISAT enumeration team; (ii) the accumulated human capital of the ICRISAT enumeration team; and (iii) the longitudinal series of data on consumption and income which constitute the Village Level Studies (VLS) data [Walker and Ryan 1990].

The longitudinal dimension is important for the indicators analysis because food and nutrition monitoring systems have two important functions:

- (1) Identification of the food and nutrition insecure;
- (2) Identification of those households or individuals that move in and out of this classification over time.

The two functions are, of course, interrelated, to the point that the definitions of food and nutrition security become contentious. For example, consider two households: Household 1 falls below the undernutrition line one-out-of-four times over a two-year period; and Household 2, which does not fall below the line, but has a lower average caloric adequacy than

falling below that threshold. Under the first definition, Household 1 is classified as more food insecure, but under the second and third definitions, it is ambiguous which household is more food insecure. If only cross-section information is available, only the first definition of food security can be utilised. Moreover, the classification of Household 1 as food secure or insecure will depend on its caloric adequacy at the time of the cross-section. These definitional considerations are extremely important in regions that experience severe seasonality.

PAST DATA COLLECTION EFFORTS

The six VLS villages have been the subject of study for almost 20 years at ICRISAT. Past studies can be grouped into three categories: (1) the 'Old VLS' studies; (2) the 'New VLS' study; and (3) the 'Six Village Nutrition Study'. The Old VLS data constitute an economic time-series collected from three villages over a 10-year period, 1975-85 (Aurepalle, Shirapur and Kanzara) and three villages over a period of two years (Dokur, Kalman and Kinkheda). The Six Village Nutrition Study consists of four enumerations of nutrition information during 1977-78 on the Old VLS sample. The New VLS data consist of three enumerations of economics data on an overlapping sample of the households in the six Old VLS villages (12 Old VLS households plus 36 new households per village), collected during 1989-90.

CHOICE OF STUDY SAMPLE

The size and composition of the sample was selected to (1) maximise the use of the Old VLS time series for an analysis of structural factors affecting current food and

TABLE 3: INDIVIDUALS COVERED BY SURVEY MODULES

	Dokur and Kanzara	Aurepalle and Shirapur
Module 1: Household roster		
Module 2: Education		
Module 3: Migration		
Module 4: Occupation		
Module 5: Housing		
Module 6: Land		
Module 7: Income generating assets		
Module 8: Durables		
Module 9: Credit		
Module 10: Expenditures		
Module 11: Dietary recalls		
Module 12: Food frequency		
Module 13: Anthropometry		
Module 14: Morbidity		
Module 15: Breast feeding		
Module 16: Reproductive history		
Module 17: Vitamin A food frequency		
	all individuals	all individuals
	all women	all women
	kids < 6 years	kids < 6 years
	all women	all individuals
	kids < 6 years	
	all females > 10 years	
	all children < 6 years	
	all mothers of partially or completely breastfed children	
	all females married or engaged	
	all children < 6 years	
	mother of the child	

FIGURE 4: THE NEED FOR AN ACCURATE BENCHMARK FOR INDICATOR COMPARISON

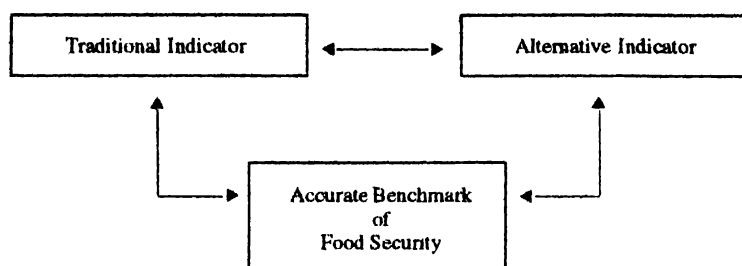
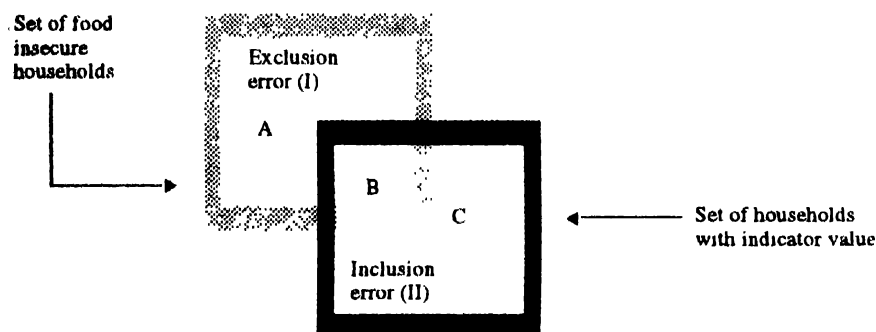


FIGURE 5: OVERLAP OF HOUSEHOLDS WITH A CERTAIN INDICATOR CHARACTERISTICS AND HOUSEHOLDS THAT ARE FOOD INSECURE



nutrition security; and (2) maximise intra-village variability. With regard to the first objective, the three-village Old VLS time series contains a household-level time path of the economic status of 120 households over 10-years. In addition to the Old VLS time series, the Six Village Nutrition Study provides a 15-year-old nutrition baseline for individuals in the 240 Old VLS households. The children in this data set are now adolescents and adults and may have separated into families of their own. Combined with a present-day follow-up of the same households, these data allow us to compare nutritional status and economic well-being during childhood and adulthood.

To maximise the number of cases on which longitudinal contrasts may be performed, it was necessary to (1) re-survey as many of the Old VLS families as possible; and (2) survey the households of individuals who have separated from the original Old VLS household ('spin-off families'). An investigation of the spin-off families required an increased survey burden in each of the Old VLS villages so the number of villages investigated needed to be reduced. Visits to the six villages in March 1992 indicated that a four village study of Kanzara, Shirapur, Aurepalle and Dokur would be both feasible and desirable. Kalman and Kinkheda villages were dropped from the sample since agricultural conditions in Maharashtra were found to be more variable between districts rather

than within districts. Specifically, rainfall patterns (and hence crop performance) were quite similar in Kanzara and Kinkheda; yet they varied considerably from those found in the dry Sholapur district where Kalman and Shirapur were located. In the Mahabubnagar villages, the significant variability in cropping patterns and irrigation practices prompted us to retain both villages (Aurepalle and Dokur) in the sample.

To maximise intra-village variation, the sample was expanded beyond the Old VLS sample and their spinoffs. Specifically, the New VLS households were included and a few 'Non-VLS' families were added to bring the sample up to 80 households in each village. In total, 320 households were surveyed from the four villages.

The criteria for the selection of the sample are as follows. Within each village all Old VLS families with children less than 18 years of age were included in the sample. These households were selected since the children of these families were pre-schoolers at the time of the original nutrition study. In addition, spin-off families (those that separated from the Old VLS households since 1984) were included to enhance the sample size for inter-generational analyses. The new VLS households were included, regardless of family composition, in order to take advantage of the 1989-90 economics survey of these households. Finally, 'Non-VLS' households (less than 11) were randomly chosen from a list of landless and

small farming families which had more than two pre-school children. These families were given priority to ensure that we had a sufficient sample of pre-schoolers,

TIMING OF SURVEY ROUNDS

The semi-arid climate of the VLS villages results in seasonal variations in food production, labour demand, and purchasing power [Behrman 1987]. In the four study villages, the timing of cropping cycles and labour demand differs significantly. We therefore chose to survey during rounds which represent periods of (1) high food production and high labour demand ('peak'); and (2) low food production and low demand ('lean'). In addition, due to the interaction between morbidity and nutritional status, a 'medium production-high morbidity' round was included.

Food security at the village level is expected to be low following harvest periods. During these times, staple crops are abundant and prices are relatively low. During the period preceding the harvest, however, food stocks are low and the price of staple crops rises. For large farmers who have ample stocks, food availability is not a problem at this time. But for small and medium farming households food security can be problematic since food stocks have usually been exhausted. Landless households are expected to be particularly vulnerable since they must purchase grain at market prices if they are not paid in kind. The form of payment is usually dictated by employers and is dependent on the market worth of the crop. If, for example, prices are high, employers tend to pay in cash; if prices are low they tend to pay in kind.

TABEL 4: FREQUENCY DISTRIBUTION OF SERUM VITAMIN A AND HEMOGLOBIN LEVELS FOR PRE-SCHOOLERS IN AUREPALLE AND SHIRAPUR, ROUND 1, 1992

Biochemical Indicator		Aurepalle	Shirapur
(pre-schoolers)			
Serum	< 20 ug/dl	8 (16)	16 (49)
Vitamin A	> 20 ug/dl	41 (84)	17 (51)
Hemoglobin	< 10 g/dl	21 (41)	13 (39)
	> 10 g/dl	30 (59)	20 (61)

Note: Figures in parenthesis are percentages.

TABEL 5: FREQUENCY DISTRIBUTION OF SERUM VITAMIN A AND HEMOGLOBIN LEVELS FOR MOHERS IN AUREPALLE AND SHIRAPUR, ROUND 1, 1992

Biochemical Indicator		Aurepalle	Shirapur
(mothers)			
Serum	< 20 ug/dl	2 (3)	6 (11)
Vitamin A	> 20 ug/dl	60 (97)	49 (89)
Hemoglobin	< 10 g/dl	7 (11)	11 (20)
	> 10 g/dl	56 (89)	44 (80)

Note: Figures in parenthesis are percentages.

Table 1 shows the timing of each round in the four villages as well as the timings of harvests and labour demand. The survey rounds are not necessarily concurrent across villages because peak and lean seasons are not identical in all villages.

BACKGROUND INFORMATION ON STUDY VILLAGES

The study villages are located in three districts in two states. Dokur and Aurepalle are located in Mahabubnagar district in Andhra Pradesh, Shirapur is in Sholapur district, Maharashtra, and Kanzara is in Akola district, Maharashtra (Figure 3). The village economies are based on rain-fed agriculture, but rainfall is low and is particularly erratic in Mahabubnagar and Sholapur districts (Table 2). Indeed, as Walker and Ryan (1990:221) state:

What distinguishes the SAT from more humid environments is the high incidence of rainfall-related production risk. If insurance markets were complete, capital markets allowed households to save and borrow to smooth income variability, and future markets gave information on prices, risk would not be a source of concern in a country as large as India.

In terms of overall welfare, Aurepalle is the worst-off village. In Aurepalle, per capita income is lowest and the percentage of landless individuals who are not meeting 50 per cent of their energy requirements is highest. Aurepalle is characterised in Walker and Ryan as "poorly developed and subsistence-oriented, with a high degree of seasonality and substantial relative and absolute poverty" [Walker and Ryan 1990:297]. However, according to the 1977-78 nutrition study, mean calorie adequacy is under 100 per cent for most of the year in all villages except Kanzara. In the hot dry season in Aurepalle, mean calorie adequacy is a mere 70 per cent [Walker and Ryan 1990:275]. Micro-nutrient adequacy is even less satisfactory. All four villages have mean nutrient adequacy well below 100 per cent for beta-carotene and ascorbic acid. In addition, Aurepalle has low intake levels for thiamine, iron, and niacin while Dokur has low consumption of calcium, thiamine, niacin, iron, and riboflavin.

In Aurepalle, Shirapur and Kanzara, the nutrition data have not been updated since 1978. In Dokur, nutrition data from 1985/86/87 show sustained improvements in energy and nutrient intake, but they are not accompanied by concomitant increases in weight-for-age and weight-for-height. This most likely reflects a lack of improvement in non-food health input levels such as morbidity and time intensity of activities.

Walker and Ryan (1990) state that most of the explained variation in dietary intake

and anthropometry in 1977-78 was due to inter-regional and inter-village differences. They, therefore, maintain that nutrition interventions should be undertaken at the village or regional level. In terms of indicators, the obvious implication is that the collection of poverty and food and nutrition indicators is most efficiently conducted at the village or even regional level, but not at the level of the household or individual. For example, they state that:

The results in this chapter show how hard it is to establish centralised guidelines for targeting beneficiaries for subsidised poverty alleviation programmes, such as the Integrated Rural Development Programme (IRDP), in poor dryland farming communities. In Aurepalle, membership in the hanjan community would be an effective marker of low economic status, in Kanzara, landlessness would likely be as good as any other criterion to identify endemic poverty in the village; and lastly, in Shirapur, one would be hard pressed to suggest an indicator that effectively sheds light on the shades of poverty in the village.

Walker and Ryan further suggest that the case for nutrition targeting of young children is strong, but not for adults. Again, the majority of the variation in adult nutrition status and food intake is due to

inter-village, as opposed to intra-village, variations. Instead, Walker and Ryan are much more enthusiastic about 'self-targeting' public works interventions such as the Maharashtra Employment Guarantee Scheme (MEGS).

There are, however, a number of compelling reasons to continue the search for appropriate household-level indicators in the SAT. First, the VLS nutrition surveys did not specifically measure the nutritional status of pregnant and lactating women, nor those individuals over 60 (due to small sample sizes in the latter case). It is likely, therefore, that heterogeneity in food security within and among households is under-estimated by the 1977-78 data.

Second, nutrient intake varies considerably by per capita expenditure level, further emphasising the heterogeneity in nutrient consumption within villages. This is clearly demonstrated by the response of the micro-nutrient intake of children under the age of 12 to increases in household per capita expenditure. For example, nutrient-per capita elasticities for calcium, beta-carotene and ascorbic acid are 0.56, 0.51 and 0.44 respectively. This result is reinforced by the significant (although quite small in magnitude) positive link between land-holdings and household energy and nutrient consumption.

TABLE 6. EXAMPLES OF FLOW AND STRUCTURAL INDICATORS TO BE TESTED BY TYPE OF DATA COLLECTION METHODOLOGY

Alternative Indicators	Structural or Flow Indicator	Source of Indicator		
		Survey	PRA	Ethnography
Dependency ratio	Structural	XXX		
Number of meals consumed/day	Flow	XXX		
Household identified on village map as 'at risk'	Flow		XXX	
Number of different foods listed on food chart	Flow		XXX	
Disabled person living in house	Structural		XXX	XXX
Purchased new clothes for Diwali	Flow			XXX

TABLE 7. CONSEQUENCES OF INDICATOR ADOPTION UNDER SITUATIONS OF HIGH AND LOW ASSOCIATION BETWEEN THE ALTERNATIVE AND TRADITIONAL INDICATORS

		Unobserved Association between Traditional Indicator and Benchmark	
		High	Low
Observed association between traditional indicator and lower-cost alternative indicator	High	Scenario 1 Adoption of alternative indicator; lower cost, equally accurate	Scenario 3 Adoption of alternative indicator; lower cost, but equally inaccurate
	Low	Scenario 2 Non-adoption of alternative indicator; lower cost, but inaccurate	Scenario 4 Non-adoption of alternative indicator; lower cost, but not enough information to determine whether an improvement over traditional indicator

Third, household-level indicators from the basis of village-level indicators. Fourth, the eligibility of self-targeting programmes such as the MEGS may have to be restricted (perhaps based on a food security indicator) in the face of downwardly flexible nominal wages in the villages [Walker and Ryan 1990:148]. For instance, if there is political pressure to offer a MEGS wage at a level just below the labour market wage, universal eligibility may be financially infeasible [Reddy 1993].

Finally, conditions in the villages and the regions have changed in the 15 years since the last nutrition study. Do the mechanisms which reduced the variability in nutritional status among households still exist?² This question is all the more relevant as these mechanisms – public and private – will probably experience increased stress as India's economic adjustment package is implemented.³

III Field Testing

SURVEY

Both economic and nutrition records are being collected in all villages. Table 3 shows the various modules collected in each village. Since the overall objective of the study is to identify the most simple indicators, it will be noted that several modules offer overlapping information. Dietary adequacy, for example, is assessed by several different methods: 24-hour diet recall, food frequency and food expenditures.⁴ Each of these methods requires different enumerator skills as well as different respondent skills. Each method will also require different amounts of time for collection and analysis. Accordingly, the costs of indicator collection and analysis will vary.

Aside from testing the efficiency of different data collection methods, the survey modules also try to keep the form of the alternative indicators as simple as possible. For example, income level will not be calculated for each household. Rather, the number of income sources and interruptions in household income flows (for instance due to unemployment) will be recorded for each household.

Table 3 also shows the coverage of each module in each village. Individual-level data collection is more detailed in Aurepalle and Shirapur. While we would have preferred to collect detailed data on all persons in the sample, financial constraints precluded such a comprehensive survey. We have, therefore, focused our nutrition and health questions on females and children. The focus on children is not new, but the focus on women who are not mothers is. This focus reflects a growing recognition that women contribute significantly to household food production,

and in many cases are the sole providers of food. In such cases it becomes important to understand that women's health status plays an important economic role within the household and may therefore have an impact on food and nutrition security beyond that associated with reproduction. To avoid making a priori assumptions that men and boys are not included in the vulnerable groups we will also perform gender-related contrasts for all age groups in Shirapur and Aurepalle.

QUALITATIVE DATA

In addition to the survey data, the project team also collected qualitative data in two villages, Shirapur and Aurepalle.⁵ The qualitative data are collected with participatory rural appraisal (PRA) modules, season-specific village-level ethnographic reports, and six case studies of selected families in Aurepalle and Shirapur. This information will (1) provide qualitative support for the information produced by the survey, (2) help develop unique emic indicators of food and nutrition security, and (3) help develop a procedure for determining emic indicators from qualitative information.

Large surveys are often justly criticised for being inappropriately designed and disrespectful of local knowledge. One way of countering this criticism is to improve the design of surveys and treat respondents with the respect they deserve. Another way of countering this criticism is to employ data collection methods that encourage researchers to listen to, and learn from, the respondents [Chambers 1991]. Specifically, PRA data collection embodies the principles of 'optimal ignorance' (not trying to find out more than is needed) and 'appropriate imprecision' (not measuring more accurately than is necessary for practical purposes).

The use of PRA techniques offers the possibility of obtaining a holistic picture of

household/family/community food security interactions while reducing the costs of data collection. The application of the approach to nutrition and health is relatively recent [Bentley 1988] and has been mostly limited to project development and evaluation. Recent research experience focusing on the complementary nature of qualitative and quantitative methods for evaluating health and nutrition status has, however, proved to be quite successful [Paolisso and Regmi 1992].

To explore the use of PRA as a research tool for generating indicators, four different PRA exercises are being conducted concurrently with the survey work. To prepare for this venture, a joint team from two Bangalore-based NGOs, MYRADA and Outreach, conducted a week-long training workshop to teach the investigators various PRA methods. The four exercises chosen for the study are village mapping, food charts, women's activity charts, and seasonality charts. Two investigators on the Aurepalle and Shirapur research teams have special responsibility for conducting exercises. Village mapping is used to identify households that are at 'very high risk' and 'no risk' of food and nutrition insecurity as defined by the villagers. Essentially, the method involves asking a group of villagers to draw a map of their village. Typically, the map is drawn on the ground using

TABLE 10: MISCLASSIFICATION OF THE FOOD INSECURE WITH THE ALTERNATIVE INDICATOR

Food insecure as defined by alternative indicator	Food Insecure as Defined by Traditional Indicator	
	Yes	No
Yes	a	b
No	c	d

Note: a = Number of households or pre-schoolers classified as food insecure by both the traditional and alternative indicators.

TABLE 8: ALTERNATIVE INDICATOR SHOWING PERFECT ASSOCIATION WITH TRADITIONAL INDICATOR OF FOOD SECURITY

Alternative Indicator of Food Security Tercile	Traditional Indicator of Food Security Tercile		
	Low Food Security	Medium Food Security	High Food Security
Low food security	100	0	0
Medium food security	0	100	0
High food security	0	0	100

TABLE 9: ALTERNATIVE INDICATOR THAT SHOWS NO ASSOCIATION WITH TRADITIONAL INDICATOR OF FOOD SECURITY

Alternative Indicator of Food Security Tercile	Traditional Indicator of Food Security Tercile		
	Low Food Security	Medium Food Security	High Food Security
Low food security	33.3	33.3	33.4
Medium food security	33.3	33.3	33.4
High food security	33.3	33.3	33.4

'rangoli' (coloured powder) provided by the investigators. a larger group of villagers is then consulted in order to identify households which are 'very high risk'. This identification exercise is conducted separately for men and women in order to measure gender-differentiated perceptions of risk.

The construction of food charts is done at the household level. The key informant is each household should be the person in charge of or 'controlling' the food supply. The informant is asked to picture the foods currently consumed by the household. No attempt is made to standardise the number of foods reported by the informant; the fact that an informant wishes to list three types of sorghum as opposed to one may be a valuable indication of diet diversity. The informant is then asked to place ten beans in a column above the food item most consumed, and one bean on top of the food item least consumed. Consumption of other foods is ranked in relation to the number of beans in these two columns. Women's activity charts are structured in an identical fashion, but the respondent is asked to list activities undertaken instead of foods consumed.

The fourth PRA method used is the seasonality chart. This method is conducted with small groups (differentiated by gender and caste) to understand the yearly changes in rainfall, harvests of two main staples, food consumption, male and female labour demand, childhood illness, and women's illness. In a scheduled caste area, separate groups of men and women are asked to 'make a picture' of how the above aspects of village life have varied throughout the past 12 months. The group is asked to place 10 beans of one colour in a column above the month in which a particular characteristic (e.g. rainfall) is most extreme. The group is then asked to place one bean on top of the month in which the characteristic is least evident. This exercise is then repeated with a group of higher caste villagers to capture intra-village heterogeneity in perceptions.

Once completed, indicators from each of the exercises may be constructed. For example, the number of items listed by the food preparer on the food chart can be constructed and compared with the survey variables. From the village map, we can construct an emic indicator of whether or not a household is identified as 'at risk' by the villagers. These indicators may be compared with the traditional, etic indicators derived from the survey.

ETHNOGRAPHY

In a further attempt to learn how villagers interpret the terms 'hunger' and 'food insecurity', an ethnographer has been placed in Shirapur and Aurepalle for the duration

of each survey round. The ethnographer uses in-depth interviews, key informant interviews, focus groups, and participant observation to conduct six household case-studies as well as village-level profiles each round. The case study work will be used to develop unique, emic indicators of food and nutrition security. These indicators will be compared with the etic indicators produced by the survey.

Although the case study method is meant to be fluid and unstructured, general guidelines for the ethnographers have been developed. The guidelines include the following topics:

(1) What are local perceptions of 'health' and 'food security'? What community, household, and individual resources are required to obtain health and food security? Does this vary by sex and age?

(2) Within this community, what are traditional early signs of 'food insecurity'? How are 'high risk' households or individuals identified by local people?

(3) What is a 'good quality' diet? In times of plenty or scarcity, how does this diet change and what are the consequences of change?

(4) What has been the experience of local people regarding fluctuations in food or nutrition insecurity? What factors are perceived to be responsible for these fluctuations? How do rural households cope with threats to food or nutrition security? What do people do to protect food/nutrition security?

(5) What is the decision-making process within the household with regard to achieving

food/nutrition security or responding to problems in its attainment? Who makes specific decisions, how are resources allocated/reallocated? What is the bargaining power of different family members?

Once collected, the qualitative data will be entered into word processor files and analysed using a software text retrieval programme, Zy-Index. Data entry and analysis will proceed concurrently with data collection, to allow for the identification of promising unique indicators that can be further investigated. In addition, indicators that are identified in the first and second rounds as potentially useful can be incorporated into the survey in round 3.

SERUM ANALYSES

In order to provide objective benchmarks of micro-nutrient adequacy, serum measurements of vitamin A and iron status are being collected for pre-schoolers and their mothers. The collection and analysis of these biochemical indicators is made possible through collaboration with the National Institute of Nutrition (NIN) in Hyderabad. Thus far, the data collection has been quite successful given the usual difficulties of gaining compliance in blood studies. In Shirapur, 82 per cent of the possible sample (n = 109) were covered, and in Aurepalle approximately 85 per cent of the possible sample (n = 132) were covered. This high level of coverage was achieved for a number of reasons: (i) ICRISAT's excellent rapport with the villagers; (ii) the presence of a physician

TABLE 11: DEFINITIONS OF MISCLASSIFICATION INDICES AS APPLIED TO IDENTIFICATION OF ALTERNATIVE INDICATORS

Misclassification Index	Formula	Comments
Sensitivity	$a/(a+c)$	Proportion of food insecure (traditional indicator) identified as food insecure by alternative indicator.
Error of exclusion	$c/(a+c)$	Proportion of food insecure (traditional indicator) not identified as food insecure by alternative indicator.
Specificity	$d/(b+d)$	Proportion of food secure (traditional indicator) identified as food secure by alternative indicator.
Error of inclusion	$b/(b+d)$	Proportion of food secure (traditional indicator) not identified as food secure by alternative indicator.
Positive predictive value	$a/(a+b)$	Proportion of food secure by alternative indicator who are food secure (traditional indicator).
Negative predictive value	$d/(c+d)$	Proportion of food insecure by alternative indicator who are food insecure (traditional indicator)

Source: Tucker et al (1989).

TABLE 12: USE OF SELECTED HOUSEHOLD SIZE CUTOFFS TO IDENTIFY HOUSEHOLDS WHICH HAVE CALORIE ADEQUACY VALUES LESS THAN 80 PER CENT (LUZON, THE PHILIPPINES)

Household size cut off	Sensitivity	Specificity	Positive	Negative
			Predictive Value	Predictive Value
			Percentage	
¼ 4	14.8	66.3	49.6	25.7
¼ 5	28.4	43.4	53.0	21.2
¼ 6	44.0	29.5	58.4	19.0
¼ 8	69.9	19.6	63.5	12.5
¼ 9	80.2	5.4	65.6	10.8

for free consultations with respondents; and (iii) the professional conduct of the NIN personnel.

Hemoglobin samples were analysed using the filter paper technique developed by NIN [NIN Annual Report 1986]. Vitamin A samples were analysed using a variation on the micro-fluorometric technique reported in Siva Kumar (1977). Preliminary results from the first round indicate that 49 per cent of the pre-schoolers sampled in Shirapur have marginally low levels of serum vitamin A (< 20 g/dl), and 39 per cent have deficient levels of iron (< 10 g/dl Hb) (Table 4).⁶ In Aurepalle, iron status is poor among 41 per cent of the sampled pre-schoolers, although vitamin A deficiencies are not alarmingly high (16 per cent). Among the mothers sampled, serum hemoglobin levels are low in Shirapur, but not overwhelmingly so in Aurepalle (Table 5)

IV Analysis Plan

A useful indicator can locate the food insecure while being reasonably inexpensive to collect. Past efforts to evaluate indicators have tended to focus on locating the food insecure rather than estimating their associated costs [Glewwe and van der Gaag 1990; Glewwe and Kanaan 1990; Haddad and Kanbur 1991]. The Alternative Indicators Project is making a serious attempt to look at both sides of the coin: the ability to locate the food insecure, and the relative costs of collection.

ABILITY TO LOCATE THE FOOD INSECURE

Flow and Structural Indicators

The indicators that are generated from the household survey, the PRA exercise, and the ethnographic case studies can be classified into two broad categories: indicators that change values frequently (such as the number of unique foods consumed) and those that do not (such as landholdings or quality of dwelling). The former class of indicators, the 'flow indicators', may be useful measures of short-term fluctuations in food security. If, for example, a flow indicator moves downwards and settles at a lower bound, it may serve to herald changes in the latter category of 'stock' or 'structural' indicators. Negative changes in the structural indicators are likely to indicate risk of acute undernutrition.

The flow and stock indicators can be picked up by all three data collection methodologies (Table 6). From the survey, one cross-section allows us to examine differences across households in terms of flow and stock variables and make inferences about single households over time. With three cross-sections over a 9-month period we can

examine changes in flow indicators and possibly some changes in structural indicators for households over time. Using the VLS time series we can compare current food security with fluctuations in structural variables over the past 15 years. We can also compare the infant-to-adolescent changes in food security of individuals with fluctuations in structural variables over the past 15 years.

Traditional Indicators

A significant limitation of any study that seeks to identify and evaluate alternative indicators of food security is that the analysis relies upon comparisons of the alternative indicator with the traditional indicator. A close association between the traditional indicator and the alternative is therefore useful only when the traditional indicator is accurate at measuring food security. Ideally we should compare the alternative indicator with a 'true' measure of food insecurity, but there is no single, accurate benchmark for this. Figure 4 illustrates the problem.

The implications of this problem for indicator adoption are shown in Table 7. Under scenarios 1 and 2 the traditional indicators accurately reflects the benchmark, and it is useful to compare the alternative to the traditional indicator. Under scenarios 3 and 4, the usefulness of the identification exercise is diminished since the traditional indicator does not reflect the 'true' food security situation.

The traditional indicator of food energy deficit is calorie intake divided by calorie requirement. In order to increase the

correlation between this indicator and the true but unobserved food security situation, we (i) undertake two repeated 24-hour recall surveys *within each round*; (ii) collect three rounds of 24-hour recall data; (iii) construct calorie requirements based on age, weight, sex, physiological status, and a three-scale classification of activity patterns; and (iv) construct a variable which broadens the concept of food security beyond that of calorie adequacies. Specifically, we will construct a variable which incorporates the concept of dietary quality using our measure of micro-nutrient adequacy. For example, we propose a benchmark for household food security in which households that meet 80 per cent of the calorie RDA in addition to 80 per cent of vitamin A and iron are classified as food insecure.

Traditional indicators of vitamin A and iron security also tend to be based on dietary intake. However, unlike energy measures of food insecurity, blood serum analyses of vitamin A and hemoglobin serve as benchmarks against which we can validate the traditional indicator.

Measures of Association

There are a number of methods to evaluate the association between traditional and alternative indicators: two-way tables (what are the main characteristics of food insecure versus food secure households?), correlation coefficients (both continuous and rank), factor analysis, cluster analysis and regression analysis. However, all of these methods have limitations for our purposes. Our preferred techniques are overlap analyses (what per cent of households or

TABLE 13: SHEET FOR RECORDING ITEMS RELEVANT TO THE ESTIMATION OF COSTS OF VARIOUS DATA COLLECTION METHODOLOGIES

Labour Costs Associated with Data Collection								
	Survey Module			PRA Module			Ethnography	
	Time	Time	Unit	Time	Time	Unit	Time	Time
	Unit	Unit	Cost	Unit	Unit	Cost	Unit	Unit
Development of instruments								
Training								
Collection of data								
Monitoring data collection								
Supervising office work								
Editing data								
Creating data entry shells								
Data entry								
Data cleaning								
Costs of Supplies for Data Collection, Data Analysis								
	Quant	Unit	Unit	Quant	Unit	Unit	Quant	Unit
			Cost			Cost		Cost
Data analysis								
Hardware purchases								
Stationery								
Survey supplies								
Fuel								
Per diems								
Reproductive/communication								

pre-schoolers in an indicator group are food or nutrition insecure?) and the closely related classification analyses.

The flaws in the discarded techniques are not always obvious. For example, in the case of two-way tables, the investigation of the characteristics of households classified as food insecure is suggestive, but it begins with the premise that these households have been located. For instance, the knowledge that 40 per cent, 30 per cent and 20 per cent of households in the lower, middle and upper calorie adequacy terciles, respectively, have unimproved drinking water suggests that this is a useful indicator, but we have to make the further calculation that 44.4 per cent of households with unimproved drinking water are in the bottom tercile of calorie adequacy. In other words, it is difficult to rank indicators from these tables.

Correlation coefficients between continuous indicators are subject to extreme values. This can be corrected to some extent by looking at correlation of ranks. Nevertheless, high correlation coefficients could arise due to close association between indicators at the upper end of the calorie adequacy distribution, and we are more interested in the lower end of the distribution.

Factor and cluster analysis techniques do not work well with categorical values, or continuous variables that are not normally distributed. For variables such as household size, income, food expenditure, and calorie adequacy, factor and cluster analyses are useful identifying patterns among indicators. Factor analysis is concerned with identifying indicators with common variances. In this way we could search for variables which load heavily onto the same factor as the traditional indicators. Cluster analysis is concerned with grouping households on the basis of similarities across a set of measured variables. In this way we could select the most food insecure cluster and examine its profile in terms of the alternative indicators.

Overlap analysis is used by Glewwe and van der Gaag (1990) to measure the association among various poverty measures. Essentially, the technique asks, what per cent of households or individuals possessing a certain indicator characteristic are also food insecure households or individuals? In Figure 5 this percentage is represented by area B over area B+C. Area A represents the magnitude of exclusion error, or the food insecure set that is not identified as such by the indicator. Area C represents the magnitude of inclusion error, or the food secure set that is incorrectly identified by the indicator. Area B represents the correctly identified food insecure set.

In this study we can identify areas A, B and C. Indicators can be ranked on the basis

of $B/(A+B)$ or $B/(B+C)$. The chosen method of ranking will ultimately depend on whether the policy-maker is more intent on minimising errors of exclusion or errors of inclusion. Initially, we choose to rank indicators on the basis of the ratio $B/(B+C)$, because in a true monitoring situation we lack information on the size of $(A+B)$. That is, in a true monitoring system one can observe the set of households with a certain indicator value, but one cannot observe the set of truly food insecure households. For example, we are more interested in the percentage of households with no access to land that are food insecure ($B/(B+C)$) than the percentage of the food insecure that have no access to land ($B/(A+B)$).

As an example of overlap analysis, consider a continuous alternative indicator (per capita land ownership) that splits households into three groups of equal size. The traditional indicator, household calorie adequacy, also splits households into three groups of equal size with the households in the lowest calorie adequacy tercile being defined as food insecure. Table 8 presents an alternative indicator that is a perfect predictor of the traditional indicator. In this case 100 per cent of all households that are classified as food insecure according to the alternative indicator (lowest tercile) are also classified as food insecure with the traditional indicator (lowest tercile). By contrast, Table 9 presents an alternative indicator that shows no association with the traditional indicator. With this indicator, only 33 per cent of the individuals classified as food insecure using the alternative indicator are also insecure using the traditional indicator (see top left hand cell). The magnitude of this 'lower tail' overlap indicates the indicator's ability to locate households at either end of the food security scale. For example, if 60 per cent of all households in the bottom tercile of per capita land ownership are also in the bottom calorie adequacy tercile, then this is a good indicator of food insecurity. If only 10 per cent of all households in the bottom tercile of household size are in the bottom calorie adequacy tercile then household size is a good indicator of food security.

An example of the misclassification method is shown in Table 10 and defined by Tucker et al (1989) in Table 11. These measures are useful when dealing with two by two matrices such as in Table 10, but lose some interpretation when there are more than two alternative and traditional indicator values. An example of the use of classification indices is given in Table 12. Household size is used as the alternative indicator of food security and household calorie adequacy is used as the traditional indicator. Table 12 shows what happens when a programme uses household size as an indicator to determine eligibility. In the

example, eligibility is initially based on small household size. When the eligibility cutoff is raised, more and more households are correctly classified as undernourished according to the traditional indicator, household calorie adequacy (illustrating high sensitivity), but fewer and fewer households are correctly classified as not undernourished (indicating low specificity).

The overlap analysis is not without problems either. For instance, an indicator group can have a high percentage of the total households which are food insecure yet cover only a small percentage of at risk households. Similarly, some indicators will be so general that they will contain all the food insecure households, but the food insecure households will only represent a small percentage of the households with that indicator value.

Ultimately, the only way to rank indicators is to specify what they will be used for. For example, if the policy objective is to minimise undernutrition with a fixed transfer of money or food, indicators can be used to target that transfer. If an indicator-targeted transfer reduces undernutrition by more than an untargeted transfer, the value of that indicator is the amount of food or money an untargeted transfer would have to deliver in order to achieve the same reduction in undernutrition.

COSTS OF LOCATING FOOD AND NUTRITION INSECURE

The cost of collecting and analysing different indicators involves collecting detailed information on time spent in each activity, as well as the cost of supplies required for each method of data collection and data analysis. Table 13 shows the types of information that must be collected for each survey module, each PRA exercise and the ethnography case studies. To compile this information, survey forms included an area to record the time started and ended on each module. For the ethnography investigators were trained to record how much time was spent conducting interviews and writing up interviews. Similarly, for the PRA exercises, investigators recorded the time needed to complete each exercise. Finally, records of all purchases were kept in spreadsheet files.

V Summary

This paper reports on the design of a multi-disciplinary, collaborative project intended to make food and nutrition security systems more viable. The objective of the project is to identify 'alternative' indicators that can be used in food and nutrition monitoring and evaluation systems.

The project is situated in four villages formerly studied by ICRISAT in Maharashtra and Andhra Pradesh. For this study, alternative indicators of household, individual, and village food security are collected using survey, ethnographic and participatory methods three times over a period of a year. These alternative indicators will be compared to traditional indicators, such as individual and household calorie adequacy, that are assumed to represent the true food security situation.

The performance of the alternative indicators will be judged by their ability to track movements in the traditional indicators. Two types of analysis will be used – overlap analysis and classification analyses. Overlap analysis is used to measure the association between various poverty issues by illustrating what percentage of households or individuals possessing a certain indicator characteristic are also food insecure.

The performance of the alternative indicators will also be judged by their cost effectiveness. Specifically, the cost of collecting and analysing different indicators will be calculated by collecting detailed information on time spent in each activity, as well as the cost of supplies required for each method of data collection and data analysis.

Notes

- 1 *Down to Earth*, January 1993, p 15.
- 2 Risk-management and income-smoothing mechanisms described by Walker and Ryan (1990) include: informal credit markets, participation in a tightening agricultural labour market, government land redistributing programmes, and public works programmes.
- 3 In fact, visits to Sholapur district in March 1992 suggest that the MEGS is no longer a significant source of steady income.
- 4 Examples of recent comparative work in this area from India includes Thimmayamma (1987) and Thimmayamma et al (1988).
- 5 Only two villages were selected for additional data collection since project resources were limited.
- 6 We have considered 'marginally low' serum vitamin A values to be < 20 ug/dl. To assess iron deficiency, we have used a hemoglobin cutoff of 10 g/dl. For a full discussion on the appropriate cutoff levels for both indicators, see Gibson (1990).

References

- Asokan, M V Bhasker Rao and Y Mohan Rao (1991): 'Agroeconomic Profile of Selected Villages in Mahabubnagar Region of Andhra Pradesh', ICRISAT, Economics Group, Resource Management Programme, VLS Series, Patancheru, India.
- Bapna, S (1991): 'Reaching the Rural Poor: India's Experience with the Public Distribution of Food Grains', *Food and Nutrition Bulletin*, Vol 13, No 3, pp 230-40.
- Behrman, J (1987): 'Nutrition, Birth Order, and Seasonality: Intrahousehold Allocation in Rural India', *Journal of Development Economics*, Vol 28(1), pp 43-62.
- Bentley, M (1988): 'The Household Management of Childhood Diarrhea in Rural North India', *Social Science and Medicine*, Vol 27(1), pp 75-85.
- Bhende, M J (1983): 'Agroeconomic Profile of Selected Villages in Sholapur Region of Maharashtra State', ICRISAT, Economics Programme, VLS Series; Patancheru, India.
- Bidinger, P D, T S Walker, B Sarkar, A Ram Murthy and P Babu (1990): 'Economic, Health, and Nutritional Consequences of the Mid-1980s Drought on a Tank-Irrigated, Deccan Village in South India', International Crops Research Institute for the Semi-Arid Tropics, Resource Management Programme, Economics Group, Progress Report 98.
- Chambers, R (1991): 'Rapid and Participatory Appraisal for Health and Nutrition', *Proceedings of the Nutrition Society of India*, Vol 37, pp 339-56.
- Dev, S M, M H Suryanarayana and K S Parikh (1992): 'Rural Poverty in India: Incidence, Issues and Policies', *Asian Development Review*, Vol 10, No 1, pp 35-66.
- Dreze, J (1988): 'Famine in India', Suntory Toyota International Development Centre Discussion Paper, London School of Economics.
- Gibson, R S (1990): *Principles of Nutritional Assessment*, Oxford University Press.
- Glewwe, P and O Kanaan (1989): 'Targeting Assistance to the Poor: A Multivariate Approach Using Household Survey Data', Development Economics Research Centre Discussion Paper No 94, Department of Economics, University of Warwick, Coventry.
- Glewwe, P and J van der Gaag (1990): 'Locating the Poor: A Comparison of Indicators', *World Development*.
- Government of India (1990): *Approach to the Eighth Five-Year Plan: 1990-1995*, Planning Commission, Centre for Monitoring Indian Economy, Bombay.
- Gupta, N, P Pal, M Bhargava and M Daga (1992): 'Health of Women and Children in Rajasthan', *Economic and Political Weekly*, October 17, pp 2323-30.
- Haddad, L and R Kanbur (1991): 'The Value of Intrahousehold Data for Age-Based Targeting', World Bank Working Paper, PRE Series, Washington, DC.
- Haddad, L, J Sullivan and E Kennedy (1991): *Identification and Evaluation of Alternative Indicators of Food and Nutrition Security: Some Conceptual Issues and an Analysis of Extant Data*.
- Harriss, B (1991): *Child Nutrition and Poverty in South India: Noon Meals in Tamil Nadu*, Concept Publishing Company, New Delhi.
- Jain, D (1992): 'Can Poor Women Be Targeted?', Population Council, New York, (mimeo).
- Jha, S (1992): 'Consumer Subsidies in India: Is Targeting Effective?' *Development and Change*, Vol 23, No 4, pp 101-28.
- Kennedy, E and E Payongayong (1991): 'Patterns of Macro- and Micro-Nutrient Consumption and Implications for Monitoring and Evaluation', International Food Policy Research Institute, Washington.
- Kahirsagar, K G (1983): 'Agroeconomic Profile of Selected Villages in Akola Region of Maharashtra State', ICRISAT, Economics Programme, VLS Series; Patancheru, India.
- Maxwell, S (1990): 'Food Security in Developing Countries: Issues and Options for the 1990s', *IDS Bulletin*, 21 (3), pp 2-13.
- National Nutrition Monitoring Bureau (1987): *Achievements and Constraints* (by Prahlad Rao, Gowrinath Sasty, Narasinga Rao), National Institute of Nutrition, Indian Council of Medical Research, Hyderabad.
- National Institute of Nutrition (1986): 'Development of a Field Method for Haemoglobin', *Annual Report 1985-86*, p 60.
- Paolisso, M and S C Regmi (1992): *Gender and the Commercialisation of Subsistence Agriculture in Nepal*, International Centre for Research on Women, Washington, DC.
- Parikh, K S (1992): 'Importance of Food and Agriculture Policies in the Success of Structural Reforms in India', Invited Paper for the 29th European Association of Agricultural Economists' Seminar, Honheim, Germany.
- Ravallion, M (1990): 'Reaching the Poor Through Rural Public Employment. A Summary of Theory and Evidence', *World Bank Discussion Paper*, World Bank, Washington, DC.
- Ravallion, M and K Subbarao (1992): 'Adjustment and Human Development in India', World Bank, Population and Human Resources Division, Washington, DC.
- Reddy, S Sudhakar (1993): 'Towards Employment Guarantee Programme in Andhra Pradesh', *Centre for Economic and Social Science Research Studies*, Vol 9, pp 5-6.
- Ryan, J G, P Bidinger, N Prahlad Rao and P Pushpamma (1984): 'The Determinants of Individual Diets and Nutrition Status in Six Villages of Southern India', *ICRISAT Research Bulletin*, No 7, Andhra Pradesh, India.
- Sivakumar, B (1977): 'Evaluation of Micro-Spectrofluorimetric Method for Serum Vitamin A', *Clinica Chimica Acta*, Vol 79, pp 189-95.
- Thimmayamma, B V S (1987): 'Food Consumption Pattern of Rural Families by Weight and Expenditure Pattern Methods of Diet Survey', *Indian Journal of Nutrition and Dietetics*, Vol 24, pp 34-39.
- Thimmayamma, B V S, Parvathi Rau and T Prasanna Krishna (1988): 'Meal Pattern and Energy-Protein Adequacy of Pre-school Children by Different Socio-Economic Groups', *The Indian Journal of Nutrition and Dietetics*, Vol 25, pp 212-28.
- Tucker, K D, Pelletier, K Rasmussen, J P Habicht, P Pinstrup-Andersen, and F Roche (1989): *Advances in Nutritional Surveillance: The Cornell Nutritional Surveillance Programme 1981-1987*, Cornell Food and Nutrition Policy Programme Monograph 89-2, Cornell University, Ithaca.
- Walker, T S and J G Ryan (1990): *Village and Household Economics in India's Semi-Arid Tropics*, Johns Hopkins University Press, Baltimore.

Poverty and Inequality: Case of Assam

Chandan Kumar Sharma

THE significance of the essay by Mridul Sagar and Indranil Pan (*EPW*, March 5, 1994) on inequality and poverty estimates among the SCs and the STs in the eastern India can hardly be underestimated in providing new insights into the formulation of developmental policies for India as a whole and this region in particular.

Their paper has employed inequality and poverty measures to consumption expenditure data provided by the 38th round of National Sample Survey for SCs, STs, and other households in the four eastern states, Assam, Bihar, Orissa and West Bengal. Consumption expenditure pattern has been analysed to examine inequality and poverty differences among SCs, STs and other households, rural-urban disparities, and inter-state variations. Their study has unearthed several interesting facts which in their words, "have important policy implications".

Nevertheless, in this rejoinder to their essay, I wish to review some of the comments made by the authors with regard to Assam which has been described by them as appearing "to be an outlier among the eastern states (which are) suffering from low consumption standards and high poverty and inequalities". They have found that in Assam consumption levels are high, poverty incidences appear lower than the all-India trends, consumption expenditures are well distributed across the SCs, STs and other households, as also within these households, near absence of inter-class disparities in rural Assam, and finally, owing to the above reasons a difficulty in explaining the social unrest in the state merely in economic terms.

But facts present a radically different picture. Even a cursory observation of Assam's economic scenario makes it crystal clear as to the acuteness of the socio-economic problems the state is confronting *vis-a-vis* other Indian states. As against the contention of the authors, it will be my effort to show, firstly, that socio-economic problems in the state are symbiotically related to its economic backwardness. Secondly, high consumption level does not necessarily imply a low incidence of poverty, and a uniform consumption level among the cross-section of the population does not essentially connote general affluence. Thirdly, a seemingly egalitarian distribution of goods and services cannot be a determinant of economic affluence if the quantum of production in a society is not taken into account. And lastly, high consumption expenditure may also result from many other factors including a higher price of goods and services. The difference between people's capacity and compulsion to pay must be taken into account while inferring conclusions from their consumption expenditure. I will make these points clear by enumerating and discussing some selected cases in this regard.

To begin with, Assam's per capita net domestic product at current prices has always been lower than other states. Not only that, its rate of growth has also been lower. In 1991-92, the figures for above indicator for Assam (Rs 4,230) compares disfavouredly with most of the states (*Economic Survey*, 1993-94). For the richest state, Punjab, this figure stands at Rs 9,643 which is double that of Assam. Again, according to the provisional data for 1993, the total number of bank offices in Assam was 814 in September 1993 which ranks very low among the states of India (*Economic Survey* 1993-94). The number of banks per lakh of population on October 1, 1989 was 4.5 in Assam (only above Manipur) while the national figure was 7.1. Besides, the per capita advance of bank credit for the same period, Rs 415, was a sharp contrast to the national figure of Rs 1,218. In this regard only Arunachal Pradesh, Bihar, Manipur, Mizoram and Nagaland are below Assam. Similarly, per capita bank deposit on October 1, 1989 was Rs 730 in Assam (only ahead of Nagaland and Orissa) while the national average was Rs 1,920 (*Statistical Handbook, Assam* 1991). These data clearly exhibit the fact that Assam is largely a subsistence economy with a meagre capital formation. If the people's ability to save is any indication of their economic capacity then the case of Assam largely denies the contention of the authors regarding it. It is quite surprising as to why they ignored the crucial factor of the people's saving capacity in order to estimate their economic status of Assam *vis-a-vis* other states.

An analysis of the agricultural scenario of Assam, a predominantly agrarian economy, will further refute the conclusions of the authors. From 1985-86 to 1987-88, the per capita foodgrain production in Assam was only 6.4 kilogrammes (ahead of Arunachal Pradesh, Mizoram and Nagaland) in sharp contrast to the national average of 51.2 kilos. Again, the percentage of gross irrigated area to gross cropped area in Assam in 1986-87 was only 15 while the national figure was 30.4 (*Statistical Handbook, Assam*, 1991). Consumption of fertiliser is also substantially low in Assam. These figures are demonstrative of the fact that Assam's economic backbone, agriculture, is quite fragile and is characterised by an acute absence of commercialisation. Not only that, it is also vulnerable to natural hazards like floods, which take away any entrepreneurial zeal on the part of the peasants. Therefore, it is not surprising that the quantum of production is used up mainly for consumption purposes as there is hardly any scope of marketing them.

The per capita gross output of the industrial sector in 1985 was Rs 807 in Assam (above

Jammu and Kashmir, Manipur and Meghalaya) as against the national average of Rs 1,592. In 1987-88, the per capita industrial consumption of electricity in the state was 31.2 KWh (above Arunachal Pradesh, Manipur, Mizoram, Sikkim and Tripura) while the national figure was 90.9 KWh. This should suffice to explain the deplorable condition of industrial growth in Assam. The precarious power situation in the state can be gauged from the fact that in 1987-88 the per capita domestic consumption of electricity in Assam was 6.4 KWh ahead only of Bihar, as against the national figure of 27.4 KWh (*Statistical Handbook, Assam*, 1991).

A well-developed network of transport and communication is a fundamental precondition for the development of any particular region. Apart from the road transportation (which is perpetually in a lacklustre condition, more so due to the heavy rainfall and subsequent floods), there is only one railway track connecting the upper and the lower Assam. Broad gauge line is only up to Guwahati (very recently it has been extended up to Lunding in central Assam). Most parts of the state are still not connected by railways. The British colonial administration constructed railways for the purpose of draining out resources like tea, crude oil, coal, plywood, etc. Thus, barring areas yielding these items other important areas were deprived of the railway network. By and large, this situation still prevails. It creates acute problems during rainy season when roads are inundated by flood water and many areas become unreachable, accompanied by a whopping rise in prices of essential goods and services. Some years back there was only one bridge over the Brahmaputra connecting its north and south banks despite the fact that this mighty and turbulent river flows throughout Assam. In the last decade, two more bridges have been built. But this still is inadequate. The situation hardly needs any further elaboration so as to comprehend the extent of wastage of time, money and resources, apart from human misery. The prevailing scenario of transport and communication in Assam is indicative of an underdeveloped, sterile economy.

As has already been mentioned, massive periodic floods (on average five to six a year) caused by the mighty Brahmaputra and its tributaries have become a perpetual phenomenon in Assam, resulting in immense loss of human lives and property every year. Each year new areas get affected by floods. Erosion in different places is occurring at an alarming rate. But there is no perceptible effort on the part of the government to contain the deteriorating situation. This is despite the fact that rivers in Assam have tremendous potential to generate hydro-electricity and provide irrigation facilities if they are utilised properly.

Assam is one of the largest producers of tea in the world. Its export makes a hefty

contribution to the national exchequer. But this industry has not made any significant contribution towards the development of the state. The character of the tea plantation industry still largely conforms to the British colonial mode of exploitation resulting in massive outflow of surplus from the state. There is still no qualitative change in the working and living conditions of its several million-strong ethnic workforce known as the 'chah banuas'. They are one of the most backward communities in the state in terms of education, health and economic status.

The same is true with the oil and natural gas sector of the state. Till today, no noteworthy auxiliary industry has emerged based on these resources. On the contrary, on account of drilling oil in different places of upper Assam, a massive requisition of agricultural land is underway without meting out adequate compensation to the poor tillers. Not only that, the burning of natural gases in the fields (which is in itself an unforgivable wastage) by generating excessive heat has rendered the adjacent agricultural lands redundant which in turn has accentuated the ongoing process of landlessness and poverty.

Besides, Assam constituted till some years back the highest forest reserve in the country. But the situation has radically altered since then. Assam's forestry is dwindling very rapidly as a consequence of arbitrary cutting of trees for timber mills and other construction purposes and usurpation of forest lands by immigrants which has affected Assam not only economically, but ecologically and socially also.

It is true that the enterprises based on tea, oil, and forestry are hugely surplus-yielding sectors. But these sectors have contributed very little for the development of a strong indigenous, self-reliant Assamese economy. This is so because the interests and the objectives of these sectors are not articulated with the economy of the state. They have paved way for penetration of monopoly capital into the state and thereby effecting a huge surplus outflow from the state. Incidentally, these sectors are often targets of the extremist armed forces operating in the region. Here we behold a clear connection between the economic exploitation and the socio-political turmoil in the region, which the authors for some unknown reasons failed to see.

Lastly, the phenomenal growth of population in Assam is a widely-acknowledged fact. During 1961-71, the population of Assam grew by 34.95 per cent compared to the national average of 24.8 per cent [1]. For the period 1971-91 (in Assam, there was no census in 1981), this growth was 52.44 per cent again exhibiting a much higher growth than the national average (*Statistical Handbook, Assam, 1991*). Illegal migration from Bangladesh is a main cause behind this phenomenon. In the wake of the sustained influx of outsiders, the percentage of Assamese speaking population in the Brahmaputra valley had shrunk from 73.2 per cent in 1961 to 60.9 per cent in 1971 [1]. Since then, the figure has further decreased

alarmingly. The abnormal growth of population has resulted in considerable shrinkage of employment opportunities (the percentage of working population in Assam was 28 per cent in 1981 in contrast to the national average of 33.4 per cent, of agricultural land and forestry, and other crises in many spheres leading to the frustration of the natives of Assam. This feeling is all the more acute due to the lack of any perceptible economic development in the state despite its bountiful natural resources. These economic grievances are not without their political reverberations. The emergence of regionalism, secessionism, and ethnic conflicts must be analysed from this angle to get a correct perspective of the situation.

However, the authors have correctly noted that in Assam the consumption expenditure is well-distributed among the SCs, STs and other households. They have further discovered that rural Assam is marked by an absence of inter-class disparities. However, both of these contentions have to be evaluated under the purview of the peculiar historical reality of the state.

It barely needs any reiteration that the contemporary socio-economic disparities among the SCs, STs, OBCs and other upper-castes in India is an offshoot of the caste system. A rigid caste system provided an ideological tool to the upper caste dominated feudal social structure which in turn augmented the disparities between the higher and the lower castes. Contrary to this, penetration of sanskritic caste system was never complete in the semi-tribal, semi-feudal social structure of Assam (with an overwhelming tribal population and a minority of higher caste, and the rulers of the kingdoms invariably hailing from the tribal communities), since it did not create a situation where feudal superstructural phenomenon like caste system could thrive. Further, the egalitarian neo-vaishnavite movement in the medieval Assam thwarted the consolidation of caste system. Many upper-caste members also got proselytised to the neo-vaishnava sect. Moreover, the life style of the upper castes was influenced by many tenets of the egalitarian tribal culture of the region. As a consequence, caste disparities in Assam are not as intense as in north India.

There never existed in the history of Assam a significant class of agricultural labourers. During the Ahom reign average Assamese peasant had 2.66 acres of usufruct land which they enjoyed in return for their services towards the state. The introduction of fryotwari system of land revenue instead of zamindari system by the British in the mid-19th century Assam posed a significant inhibition on the emergence of a class of landed gentry and thereby obstructed the growth of a sharply differentiated rural society in the region. Roughly, both these phenomena are responsible for the low class (and caste) disparities in rural Assam. However, this low level of inter-class disparities in rural Assam do not in anyway suggest general economic well-being.

The above discussion conspicuously shows that Assam is not an outlier among the poverty-ridden eastern states of India as per the contention of the authors. Rather, in most of the cases its condition is far worse. This holds valid also in case of other north-eastern states, which is vividly demonstrated by the data presented above. The paradoxical findings of the authors in this regard largely stem from the fact that they have inferred too much from the consumption level and the consumption expenditure data in order to estimate poverty and inequality but, on the other hand, have ignored other vital indices like the total quantum of production. If the latter is taken into account, it will be found that the egalitarian consumption level of the people does not necessarily show general economic affluence, rather it is demonstrative of conspicuous poverty in a highly consumption-oriented agrarian economy.

Secondly, Assam is quite backward in both, agriculture and industry. Agriculture is marked by the lack of commercialisation and its susceptibility to natural vagaries. The excessive pressure on agricultural land due to the burgeoning population augmented by the unrestrained immigration has not only given rise to economic problems but also to ethnic and communal problems of alarming proportions insofar as the usurpation of tribal lands is concerned. The industrial sector in Assam has not gained in any significant way from the existing industrial enterprises based on the resources like tea, oil and natural gas, coal, plywood, etc. This is so because the surplus yielded by these sectors is largely drained out of the state to the detriment of building a self-reliant Assamese economy.

Finally, the authors' contention that contemporary socio-economic turmoil in Assam cannot be explained solely by economic factors is erroneous and marked by an air of ambiguity. It is true that the linguistic, ethnic, and sub-nationalist forces are quite vibrant in this region. But to shun aside the economic dimension in the analysis of these problems will result in the lopsided presentation of the objective situation in Assam. In fact, a collation of data may not necessarily provide the desired insight into any specific problem unless they are observed and analysed in the light of their contextual reality. It is this concern that has prompted this response.

[I am grateful to Virginius Xaxa, Reader, department of sociology, Delhi School of Economics, Hemanta Laskar, department of economics, Ramjas college, University of Delhi and Sanjay Singh for their critical comments on the first draft of this paper. Any remaining errors are, however, the responsibility of the author.]

Reference

- [1] Das Gupta, J (1991): 'Ethnicity, Democracy, and Development in India: Assam a General Perspective', Kohli, Atul (eds), *India's Democracy: An Analysis of Changing State-Society Relations*, Orient Longman, New Delhi.

**Most schemes promise capital appreciation and dividends...
Here's one that offers high growth, periodic dividends
plus attractive tax savings.**

GIC

TAXSAVER - 95

Highlights

- High growth equity scheme with specific focus on primary market and tax concession under Section 88 of Income Tax Act.
- Ten year close ended scheme with unlimited repurchase facility after 3 years.
- Repurchase at full Net Asset Value without any discounts.
- Liquidity after 3 years-listing at Bombay, Delhi and Calcutta Stock Exchanges
- Periodic dividend distribution.
- Payment can be made through Cancard / Citicard.
- Full and firm allotment

Risk Factors

- All securities investments carry market risks.
- Mutual Funds and securities investments are subject to market risks and the net asset value of the scheme may fluctuate depending on factors affecting capital markets.
- There can be no assurance that the objective of the scheme can be achieved.
- GIC TAXSAVER - 95 is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or the returns.
- Past performance of GIC Mutual Fund does not guarantee future performance of schemes of GIC Mutual Fund.
- Investors are requested to study the terms of offer document carefully before they invest in the Fund.



GIC MUTUAL FUND

Universal Insurance Bldg., 2nd Floor, Sir P.M. Road, Bombay-400 001.

Sponsor : General Insurance Corporation of India and its Subsidiaries

Investment Manager : GIC Asset Management Company Limited

SCHEME OPEN

BRANCH OFFICES OF GICAMC

Ahmedabad
Bangalore
Bhubaneswar
Calcutta
Chandigarh
Hyderabad
Madras
New Delhi
Pune

GIC Asset Management Co. Ltd., 1st Floor, Jamhita House, Near Handloom House, Ashram Road, Ahmedabad - 380009 Tel: 079-406313
GIC Asset Management Co. Ltd., 2, Race Course Road, Madhav Nagar, Bangalore 560 001 Tel: 080-2204321, 2268191
GIC Asset Management Co. Ltd., Second Floor, Falcon House, 22-A, Cuttack Road, Bhubaneswar-751 008 Tel: 0674-413899
GIC Asset Management Co. Ltd., Second Floor, 75-C Park Street, Calcutta 700 016 Tel: 033-297020, 295612
GIC Asset Management Co. Ltd., Second Floor, SCO 99-100, Sector 17-B, Chandigarh-160 017 Tel: 0172-705141
GIC Asset Management Co. Ltd., 8th Flr., Western Wing, United India Ins. Bldg., 3-5-817 & 818, Basheerbagh, Hyderabad-500 029 Tel: 040-236507
GIC Asset Management Co. Ltd., 1st Floor, 155, Ungi Chetty Street, Madras-600 001 Tel: 044-5223810
GIC Asset Management Co. Ltd., Hotel Janpath, Room No. 17, Janpath, New Delhi 110001 Tel: 011-3313466, 3354912
GIC Asset Management Co. Ltd., 41A/42A Ashwani (Galaxy) Exhibition Road, Patna 800 001 Tel: 062500
GIC Asset Management Co. Ltd., Second Floor, Brahma Chambers, 2010, Tilak Road, Sadasivpeth, Pune-411030. Tel: 0212-471183

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013
and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 001.

Life begins at 58



... if you plan for it. Now!

Introducing UTI's Retirement Benefit Plan. The first investment based retirement plan that helps you look forward to retirement and its many joys. Your subscription for the plan qualifies for tax rebate under Section 88.

Invest in UTI's retirement benefit plan today. No other investment could be better.

..... F E A T U R E S

- Open to individuals between 18-52 years' age
- Overall minimum subscription - Rs 10,000/- to be contributed in not exceeding 20 annual instalments of minimum Rs 500/- (and in multiples thereof) till the age of 52 years. No upper limit for subscription. In case of default in contribution of Rs 10,000/- till 52 years of age, refund at 15% discount to repurchase amount.
- Face value Rs 10/- per unit. Sale at NAV based price
- Subscription qualifies for tax rebate within overall limit of Rs 60,000/- under Section 88 of I.T. Act, 1961.
- Monthly income from 58 years of age onwards.
- Withdrawal at NAV based repurchase price after 70 years of age. Premature withdrawal at 10% discount to repurchase amount.

*The first
investment based
Retirement Plan*



UNIT TRUST OF INDIA
For your better tomorrow



**RETIREMENT
BENEFIT PLAN**
Discover the joys of retirement.

All investments in mutual funds and securities are subject to market risks and the NAV of schemes may go up or down depending upon the factors and forces affecting securities market. Past performance is not necessarily indicative of future results. Retirement Benefit Plan is only the name of the plan and does not in any manner indicate either the quality of the plan, its future prospects or that the Plan's objectives will be achieved. Please read the offer document before investing.

ECONOMIC AND POLITICAL

WEEKLY

Sameeksha Trust Publication

Rs 15.00

Vol XXX No 9

March 4, 1995

■ **RESTRUCTURING BANKS' CAPITAL:
NEED FOR INTEGRATED APPROACH**

■ **IMPROVING SALES TAX
MANAGEMENT**

■ **SECULARISM AND INDIAN SOCIAL
SCIENTISTS**

■ **PEASANTRY IN BENGALI
FICTION: DEGRADATION
AND EMPOWERMENT**

■ **TOTAL PRODUCTIVITY GROWTH
IN INDUSTRY**

■ **INFLATION: FINANCE MINISTER'S
FORGOTTEN PROMISES**

■ **ANDHRA'S NEW WELFARE
SCHEMES: FINDING RESOURCES**

■ **MEXICO: REBELLION,
REPRESSION AND REFORM**

M D PUBLICATIONS PVT LTD*Presents***OWN****PUBLICATIONS**(Publishers of the
Humanities, Natural &
Social Sciences)

	Rs		Rs
1		16	
CONCEPT AND STRATEGY OF RURAL INDUSTRIAL DEVELOPMENT		MIZO CHIEFS AND THE CHIEFDOM	
-By Ajmer Singh Malik		-By Suhas Chatterjee	
x, 206p, bib, index, tables (some folded), 23x15 cm		201p, 4 plates, ill, maps, append, bib, gloss, index, 23x15cm	
ISBN 81-85880-61-1	250 00	ISBN 81-85880-72-7	275 00
2		17	
CULTURE AND POLITICAL HISTORY OF KASHMIR		MOTIVATION AND INDIAN BUREAUCRACY	
-By P N K Bamzai		-By P K Agrawal	
3 Vols, 882p, 14 plates, ill, bib, index, 22x14 cm		xii, 119p, append, bib, index, 22x15cm	
ISBN 81-85880-31-X	(Set) 1,200 00	ISBN 81-85880-66-2	150 00
Vol 1 Ancient Kashmir ISBN 81-85880-32-8		18	
Vol 2 Medieval Kashmir ISBN 81-85880-33-6		ORGANIZATIONAL CULTURE AND PERFORMANCE	
Vol 3 Modern Kashmir ISBN 81-85880-34-4		-By R K Dwivedi	
3		330p, annex, bib, 23x15cm ISBN 81-85880-59-X	400 00
DALIT MOVEMENT IN INDIA AND ITS LEADERS, 1857-1956		19	
-By R K Khursagar		PLANNING IN THE PERSPECTIVE OF DEVELOPMENT/	
459p, maps, bib, index, 22x15cm ISBN 81-85880-43-3	500 00	<i>editorial board Prof B Bhattacharya & others</i>	
4		-Edited by Anima Bhattacharya	
DEVELOPMENT DUALISM OF PRIMITIVE TRIBES		xii, 231p, ref, 22x15cm ISBN 81-85880-62-X	300 00
<i>Constraints, Restraints and Fallacies</i>		20	
-By M L Patel		POEMS OF FAIZ AHMAD FAIZ A Port of the Third World	
298p, bib, index, 22x14cm ISBN 81-85880-44-1	300 00	Oriental Literature in Translation, 1)	
5		-Translated by Mohammed Zakir & M N Menai	
ECOLOGY AND MAN IN THE HIMALAYAS		83p, 23x15cm ISBN 81-85880-67-0	110 00
-Edited by A K Kapoor & Satwanti Kapoor		21	
xx, 250p, ill, maps, bib, 22x14cm ISBN 81-85880-16-6	300 00	POEMS OF N M RASHED A Port of the Third World	
6		(Oriental Literature in Translation, 2)	
ECONOMIC THOUGHT OF GANDHI AND NEHRU		-Translated by Mohammed Zakir	
<i>A Comparative Analysis</i>		165p, 23x15cm ISBN 81-85880-68-9	225 00
-By O P Misra		22	
180p, append, bib, index, 22x15cm		RECENT ADVANCES IN PHYTOPATHOLOGICAL RESEARCHES	
ISBN 81-85880-71-9	225 00	-Edited by A K Roy & K K Sinha	
7		211p, ref, 23x15 cm ISBN 81-85880-76-X	260 00
ENCYCLOPAEDIC DICTIONARY OF PSYCHOLOGICAL TERMS		23	
-By J C Banerjee		SOCIAL STATUS OF WOMEN IN DEVELOPING COUNTRIES	
x, 320p, 25x16 cm ISBN 81-85880-28-X	500 00	-Edited by Man Singh Das & Vijay Kumar Gupta	
8		175p, bib, 22x15cm ISBN 81-85880-53-0	200 00
FEMININE ROLE IN GLOBAL SOCIETY		24	
-Edited by Man Singh Das & Vijay Kumar Gupta		SOCIAL VALUES AMONG YOUNG ADULTS :	
xii, 182p, ref, 23x15cm ISBN 81-85880-63-8	300 00	<i>A Changing Scenario</i>	
9		-Edited by Man Singh Das & Vijay Kumar Gupta	
GENDER, ENVIRONMENT AND PARTICIPATION IN POLITICS		xii, 187p, ref, 23x15cm ISBN 81-85880-65-4	240 00
-By Snehalata Panda		25	
160p, bib, index, 23x15 cm ISBN 81-85880-55-7	200 00	STATE POLITICS IN INDIA Reflections on Andhra Pradesh	
10		-Edited by Agarala Easwara Reddi & D Sundar Ram	
GENDER ROLES AND FAMILY ANALYSIS		xv, 358p, ref, 22x15cm ISBN 81-85880-51-4	350 00
Edited by Man Singh Das & Vijay Kumar Gupta		26	
xi, 238p, ref, 23x15cm ISBN 81-85880-58-1	300 00	STUDIES IN MEDIEVAL INDIAN ARCHITECTURE	
11		-By R Nath	
HOLISTIC APPROACH TO SUSTAINABLE DEVELOPMENT		xvii, 172p, 117 plates, ill, maps, ref, index, 25x19cm	
-Edited by Pramod Singh		ISBN 81-85880-56-5	650 00
253p, maps, annex, ref, 23x15cm ISBN 81-85880-75-1	325 00	27	
12		TRENDS IN MODERN INDIAN ART	
INDIA DISTORTED . A Study of British Historians on India		-By S K Bhattacharya	
-By S C Mittal		84p, 32 plates (some col), ill, append, bib, index, 25x19 cm	
Vol 1, 153p, bib, gloss, index, 22x15cm		ISBN 81-85880-21-2	400 00
ISBN 81-85880-64-6	195 00	28	
13		TRIBAL SITUATION AND DEVELOPMENT IN CENTRAL INDIA	
INDIAS ECONOMIC PROBLEMS . Regional Aspects		-Edited by S K Tiwari	
-By K N Prasad ISBN 81-85880-74-3		149p, ref, 22x15cm ISBN 81-85880-60-3	200 00
357p, annex, bib, index, 23x15cm	425 00	29	
14		URBANIZATION IN GARHWAL HIMALAYA :	
INTEGRATED HORTICULTURE DEVELOPMENT IN EASTERN HIMALAYAS		<i>A Geographical Interpretation</i> ISBN 81-85880-69-7	
-By A N Sarkar		-By Surendra Singh	
xiii, 292p, 32 plates, col ill, bib, index, 25x19cm		303p, maps, bib, index, 23x15cm	400 00
ISBN 81-85880-40-9	800 00	30	
15		UTTARAKHAND Land and People	
MAKING OF MIZORAM . Role of Laldenga		-By S S Negi ISBN 81-85880-73-5	
-By Suhas Chatterjee		149p, map, bib, index, 23x15 cm	200 00
2 Vols, xxvi, 445p, 8 plates, ill, maps, append, bib, index,		31	
22x14cm ISBN 81-85880-38-7	(Set) 650 00	WOMAN AND AFRICAN SOCIETY	
		-Edited by Man Singh Das & Vijay Kumar Gupta	
		209p, ref, 23x15 cm ISBN 81-85880-54-9	250 00
		32	
		WOMAN AND HER ENVIRONMENT	
		-Edited by Man Singh Das & Vijay Kumar Gupta	
		x, 174p, bib, 23x15cm ISBN 81-85880-57-3	200 00

M.D. PUBLICATIONS PVT LTD

11 Darya Ganj, New Delhi -110002

Tel : 3273347, 3271378, 3285830, 3268645

Fax : 91-11-3275542 • Cable : INDOLOGY

**PUBLISHERS
DISTRIBUTORS**

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

Helpless in Face of Inflation	407
Medical Practice Controlling Costs - Manipur No Easy Peace - Bihar Wrong Turn - CPI(M) Existential Pathos - Sri Lanka Peace Prospects - South Africa Continuity over Change	408
Companies	411
Current Statistics	414
Civil Liberties	
No Right to Vote	
—A G Noorani	416
Commentary	
Resource Mobilisation for New Welfare Programmes in Andhra Pradesh	
—J V M Sarma	417
Restructuring Banks Capital Need for an Integrated Approach	
—N P Kurup	421
Once Upon A Language	
—Peggy Mohan	423
New Delhi Inflation—Finance Minister's Forgotten Promises	
—B M	424
Funding Higher Education in India	
—Jandhyala B G Tilak	426
Mexico Rebellion Repression and Reform	
—Carol Upadhyaya	430
Emerging Alternatives in China	
—D N	431
Perspectives	
New Trends in Sociology in France	
—M Coomans	433
Reviews	
Madras Not Benighted?	
—A R Venkatachalapathy	437
Labour Law, Liberalisation	
—Radha D Souza	439
Special Articles	
Dispossession, Degradation and Empowerment of Peasantry and the Poor in Bengali Fiction	
—Tony Beck, Tirthankar Bose	441
Improving Sales Tax Management in India	
—Mahesh C Purohit	449
Indian Social Scientists and Critique of Secularism	
—Joseph Tharamangalam	457
Discussion	
Total Factor Productivity Growth in Manufacturing Industry	
—P Balakrishnan, K Pushpangadan	462
Letters to Editor	468

ECONOMIC AND POLITICAL WEEKLY

Hikari House
284 Shahid Bhagat Singh Road, Bombay 400 001
Phone 261 6072/73 Grams Ecomweekly
FAX (022) 261 6073

Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Editorial Staff Chetana Antony, Prabha Pillai
Gautam Navalkha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager M K Ansari
Manager K Vijayakumar

EPW RESEARCH FOUNDATION
C 212, Azad Industrial Estate, Kandivli (East)
Bombay 400 121 Phone 897 3038/3041
FAX (022) 897 3039

Vol XXX No 9

March 4, 1995

Literature and Society

It is a pity that social scientists have made so little use of literary sources, particularly in studies of rural societies, because novels, stories and poems can provide much information that is otherwise hidden from even the most discerning social scientist. Thus Bengali fiction reveals a complex pattern of dispossession, degradation and empowerment of the peasantry and the poor in contrast to their representation as passive recipients of elite ideology in the mainstream paradigm of peasant studies. 441

Tax Management

Proper management determines the effectiveness of a tax system. In view of the proposed move to introduce a scheme of value added tax to replace sales tax in the states, consideration of measures to improve sales tax management has become particularly relevant. 449

Secularism Reconsidered

A small but growing number of social scientists are calling for a re-examination of Indian secularism, arguing that secularism may indeed be the cause of, rather than the solution to, India's crisis. The arguments of these writers need to be examined and their implications for the maintenance and defence of India's pluralist and multi-religious society, culture and polity need to be assessed. 457

Restructuring Banks

Restructuring of banks capital has to be done after careful consideration of all the implications, and not as part of hasty half-baked schemes of partial privatisation. An outline of an integrated scheme for capital restructuring of banks. 421

Changing Sociology

Sociology in France is undergoing great changes, with the rejection of older paradigms throwing up new problems. The changes which are directly related to the changes that are taking place in society, raise the famous question posed by Max Weber about the relation between science and politics. 433

Funding Safety Nets

The outcome of the assembly elections in Andhra Pradesh brought out the popular urge for safety net schemes in the wake of the centre's liberalisation and globalisation policies. However, unless fundamental changes are effected in the states' fiscal administration, the problem of finding resources for the new welfare schemes will remain intractable. 417

Language Tree

Literary Urdu is not adapted, in India, for modern discourse of a technical nature. So one chooses if it is emotional it will be in Urdu; if it is scientific it will be in Hindi, if it absolutely must be in common Hindustani it will be trivial and depthless. But intuition and fearlessness have a way of cutting through these man-made strictures. 423

Productivity and Policy

The question of productivity growth in Indian manufacturing is far from having been settled. There is, first, the conflicting findings on the behaviour of productivity itself there is, then the relationship between productivity growth and the policy regime which is far from clear. 462

Living with Inflation

The government's economic policy is now guided by the notion that there is no way at least for a long time to come to pull the economy out of the mire of stagflation. It has, therefore settled for keeping inflationary pressures within what may be just tolerable limits for the upper and middle classes whatever be the fate of the mass of the people. 424

China's Ways

In the context of capitalist market developments, alternative institutional arrangements are emerging in China for dealing with the problems of maintaining agricultural, particularly foodgrain, production and of ensuring essential investment in agricultural infrastructure. 431

Repression and Reform

The army crackdown on the Zapatista rebellion in the Chiapas and its subsequent withdrawal in the face of popular opposition underscore the instability and weakness of president Zedillo's government in Mexico. 439

Preconceived Notions

AS one intimately associated with the *EPW* for a number of years, I am dismayed by the 'what I don't like to see does not exist' kind of editorial policy of judging Indian economic reforms. It has been drummed by you into the ears of *EPW* readers that the economic reforms would bring disaster to India. This has been a persistent theme in all issues of *EPW* over the last three years. You had predicted that balance of payments would deteriorate, inflation will worsen, GDP growth rate will fall, industrial sector, particularly capital goods industry will be ruined, tax receipts will go down and so on. However, in the edit 'Behind the Glass' (September 10, 1994) you admit that "on the face of it, many aspects of improved economic performance - the large foreign exchange accruals and reductions in current account deficit, the rise in government tax revenues, the improvement of the fiscal balance, the pick up in private sector investment, the acceleration of growth of industrial output and the moderation of inflation - are more or less palpable". After that one would have expected you and your colleagues to turn the light inward. Instead, you still don't want to concede that the reforms have succeeded in many ways, notwithstanding your wish to the contrary. You go off at a tangent and accuse the policy-makers of "sweeping under the carpet the other fundamental socio-economic problems" and in the process tie yourself in knots as I would show below:

(1) In the same editorial, you state that the present growth is 'borrowed growth'. However, without being aware that you contradict yourself, you mention later that the domestic saving rate exceeds domestic investment by hardly 0.2 per cent of GDP. If domestic saving is almost equal to domestic investment, where is the 'borrowed growth'? I can see the reason for your confusion. You are obsessed with the ballooning foreign exchange reserves induced by capital inflows in the form of portfolio investment, bond issues by domestic private sector and direct foreign investment. But these inflows at the moment are parked in the banking system and once private investment picks up there will be a deficit in the balance of payments, which will be financed by these accumulated foreign reserves. Your 'palpable facts' in fact indicate that a rise in investment is taking place as domestic capital goods production is rising and so are the capital goods imports (see the same edit).

Are you right in calling this 'borrowed growth'? A distinction between loans and equity is crucial. Unlike debt, return on equity is uncertain and that form of investment is profitable only if the resources are efficiently utilised. Furthermore, the exchange rate is not guaranteed. If, for instance, capital flows out, the exchange rate will sharply decline

and the foreign investors will take a beating unlike in the case of foreign debt. You seem to be scaring yourself and the readers by pointing out that earnings on the portfolio investment will involve "foreign exchange outgo". Does it really matter, if the funds are used efficiently? You repeat the same tortuous logic and wrong-headed economics in another edit 'Wishful Thinking on Debt' (October 1, 1994).

(2) Your constant refrain is that the domestic saving rate has been steadily declining since 1991 and you attribute it to the rise in production of consumer durables and fiscal incentives for consumption of luxury goods. What do your facts suggest? Saving rate which was around 24.1 per cent in 1991 after declining to 22.1 per cent in 1992 started rising to 24.2 per cent in 1994. If the increased availability of consumer durable goods was the cause of decline in saving rate in 1992, how could it rise in 1993 and 1994 to a higher level, despite the continued rapid increase in production of consumer durables. The real cause of a fall in saving rate immediately after adjustment policy in 1991 was a sharp decline in income which was to be expected when the ingrained distortions in the economy were being removed. Once income starts rising as it is already occurring, saving rate too will increase steadily; the *EPW* may then invent some other reasons to condemn the government policies.

(3) In the October 1 editorial, you have come up with a strange criticism of the reform policies. You concede that the proportion of concessional aid in total has increased. As if you cannot stomach this good development, you indulge in a *non sequitur*. You call it damaging on the ground that concessional aid which has come with attached conditionalities from institutions like the IMF, World Bank,

ADB, etc, has exposed the Indian economy to "not just export-orientation but globalisation". Assuming conditionality to be pernicious, hasn't Indian economic performance improved as you have pointed out? This only shows that conditionality has proved to be a blessing in the particular circumstances of 1991. Then again you seem to be allergic to export-orientation, foreign portfolio investment, foreign direct investment and foreign debt. Pray how will you then raise India's foreign exchange reserves? Ideological blindness cannot go further.

(4) You smell a rat in finance minister's speech in Madrid where he urged the IMF to provide a facility in the event of sudden capital outflows. You, however, have missed the point. Manmohan Singh was referring to IMF because this suggestion was aired a few months ago by the Fund managing director at the Washington meeting of the International Institute of Economics. There were no takers for this idea. Manmohan's reference to it has nothing to do with "his anxieties about the Indian economy" or his thinking that capital inflows in India are not warranted by the economic fundamentals.

I am sorry to have prolonged this letter but have done so because I fear that *EPW* will soon lose its credibility as a serious commentator on economic issues. Not that everything is hunky-dory in the Indian economy. The reform process is faltering; essential infrastructural investment in education, health and power is made a hostage to a wrong kind of fiscal adjustment; the financial system is in a mess and state-level activities are not at all co-ordinated with the policy strategy of the central government. You can take up these issues and offer informed and constructive criticism only if you give up your preconceived notions about the reform process.

DEENA KHATKHA

Washington, DC,
USA.

Revised Subscription Rates

Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	-	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	-	325	-	900
Students	-	225	-	-

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe, Japan, New Zealand, Australia & Russia	150	100	90	65
All other countries	100	70	70	50

All remittances to Economic and Political Weekly

Helpless in Face of Inflation

INDIAN society is said to be highly sensitive to inflation. This is primarily because the vast majority of the people have very vulnerable living standards and cannot withstand much erosion of their purchasing power. Also, people here can still express their anguish at periodic intervals through the ballot box. The suffering caused by the current rising inflation rate should be all the more severe for a variety of reasons. First, with its blinkered perspective of reducing the gross fiscal deficit and, in particular, avoiding borrowing from the Reserve Bank of India, the government has diluted many social and infrastructural development programmes which in the past provided some societal support to the poorer segments. The promised inflation control is, however, nowhere in sight. Second, the supply and demand factors, as they have operated in the past one year, do not warrant such sharp increases in prices as have occurred. Government policies have tended to reinforce an environment which has encouraged hoarding and speculation in many commodities. Finally, government has promoted a social environment in which rapidly growing inequalities in the distribution of incomes and assets have tended to encourage conspicuous consumption among the upper sections of society.

The wholesale price index (WPI) as on February 11 shows a rise of 11.5 per cent over the past 12 months against 9.4 per cent in the preceding 12-month period. The rise in the current fiscal year so far has worked out to 9.8 per cent against 9.1 per cent in the comparable period of the previous year. The acceleration of inflation is also marked when measured in terms of the 52-week or financial year average of the WPI. The latest 52-week average shows a rise of 10.6 per cent against 7.9 per cent in the preceding 52 weeks. The average for the current fiscal year so far registers a similar rise of 10.7 per cent against 8 per cent in the previous fiscal year. At this pace, the fiscal year is sure to end with a 12 per cent inflation rate on point-to-point as well as on average basis against 10.8 per cent on point-to-point basis and 8.3 per cent an average basis in 1993-94 and 7 per cent and 10.1 per cent, respectively, in 1992-93.

Since the beginning of the fiscal year 1991-92, which broadly coincides with the period of stabilisation and structural adjustment, there has occurred a WPI rise of 47.9 per cent, that is, an average annual inflation of about 11.8 per cent against a rise of 7 per cent per annum in the decade of the 1980s. The highest rise of 51.2 per cent since March 1991 has occurred in the CPI for agricultural labourers accompanied by 43.8 per cent rise in the CPI for industrial workers (both up to December 1994) and 42 per cent rise in the CPI for urban non-manual employees (up to November 1994). What is

more, these cost of living indices almost certainly underestimate the relevant inflation rates, judging by price increases in the different items of common consumption.

In the past 12-month period alone, the WPI for primary articles has risen by 15.7 per cent and that for food articles by 13.6 per cent. In the past four years or so, since March 1991, the WPI for food articles has experienced a total rise of 52.2 per cent and that for foodgrains by 54.7 per cent. In the same period, while cereal prices have risen by 53 per cent and pulses prices by 63.1 per cent, the WPI for eggs, fish and meat has shot up by 98.2 per cent, that for condiments and spices by 50.1 per cent and 'other food articles' by 65.1 per cent. But for a drastic seasonal fall in the index of vegetables from 396.7 towards early October to 253.1 in early February (that is, by 36 per cent in four months), the increases in the prices of food articles as a whole would have been much larger. Amongst manufactured food products, dairy product prices have risen by 53.7 per cent, sugar, khandsari and gur group prices by 64.6 per cent and tea and coffee by 59.7 per cent.

Besides food articles, prices of some non-food articles have experienced large increases: 98.2 per cent for the fibres group and 49.9 per cent for 'other non-food articles'. Coal prices have risen by 58.1 per cent and electricity tariffs by 65.9 per cent. As a result of the persistent increases in input prices and the recent recovery in demand after three years of recession, prices of manufactures have also begun to recover the lost ground and are making a substantial contribution to the overall inflation rate. In the past one year alone, edible oil prices have jumped by 20.1 per cent after remaining stable for some time. Similarly, prices of tea and coffee have galloped by 47 per cent in the current fiscal year so far. More significantly, in the past 12-month period, cotton textile prices have jumped by 21.4 per cent, drugs and medicines prices by 17.4 per cent, soaps and detergents by 15.2 per cent, cement by 17.5 per cent, non-ferrous metals by 19.5 per cent, ferro alloys by 39.2 per cent and electrical machinery by 19.1 per cent.

The experience of inflation in the post-economic reform period brings out its strong structuralist characteristics. With a fairly high level of agricultural output for the seventh year in succession, overall foodgrain supplies have been reasonably good. This year's bumper crop has, however, not had any impact on prices. Even the procurement and issue prices for foodgrains, which had played a role in inflation in the earlier years, have been raised by not more than 3 per cent or so in the 1994 kharif season and yet foodgrain prices have experienced an uptrend. Though there have been a few sectoral shortages, as in pulses and raw cotton, the role of

speculation and hoarding in respect of many commodities stands out. In prices of manufactures, the cost-plus pricing system has already begun to absorb the cost-push inflationary pressures. The external sector's influences on domestic prices in terms of depreciation of the rupee, higher import content of output and larger export demand are reflected in many sectoral prices such as tea and coffee and electrical machinery. Even the existence of large foreign exchange reserves has not helped matters, though the government has been repeatedly claiming that relaxation on imports would ensure near normal availability of essential commodities. For instance, despite the dire need for augmenting supplies of pulses, neither private trade nor any government agency has made any systematic procurement and marketing arrangements in the past few years when pulses import has been put under open general licence (OGL); they seem to have a vested interest in keeping domestic pulses prices high.

With the objective of containing the inflation rate within 6 to 7 per cent in 1994-95, the Reserve Bank has undertaken a series of monetary measures in the past six months or so. Apart from restraining the inflow of GDR funds from abroad, the cash reserve ratio (CRR) has been raised or freshly introduced in respect of certain types of foreign currency deposits. Creation of primary money has been sought to be curbed through open market operations and through the imposition of limits on the use of *ad hoc* treasury bills and recourse to RBI credit by the central government. As a result of these measures, the growth of primary money and its sources have been curbed in the recent period. During the past four months, since the end of October 1994, foreign exchange assets have remained below the level of \$ 20 billion then attained. For almost the first time in 40 years, that is, after the Second Five-Year Plan began, expansion in net RBI credit to the central government is *negative* at (-) Rs 1,151 crore in the current fiscal year so far. Consequently, reserve money expansion between the end of March 1994 and February 3 this year works out to only 14.5 per cent as against 18.3 per cent in the corresponding period of the previous year. Even overall M3 growth has been moderated in recent months to an extent. No doubt, a major expansionary factor in the current monetary and banking scene is the rapid expansion in non-food advances to commercial sectors. These credit increases reflect the increased tempo of industrial activity and have occurred after three years of unusual sluggishness in expansion of both bank credit and industrial output. Besides, public sector enterprises appear to be utilising their credit limits to substitute for reduced budgetary allocations and private companies are doing the same in place of commercial paper, reduced bills rediscounting facilities, lower order of GDR funds and other similar sources of finance. Experience suggests that while corporate

bodies have begun to adopt a more scientific inventory management methods in the face of heavy interest burden, much of the hoarding and speculation takes place at the traders' level - a phenomenon which has been stimulated by the lackadaisical implementation of the Essential Commodities' Act and other laws governing trading in commodities.

MEDICAL PRACTICE

Controlling Costs

THE parliamentary committee on subordinate legislation has proposed that the government intervene in the matter of remuneration charged by the medical profession for services rendered. The committee has reportedly taken grave note of the exorbitant rates charged by the medical community and sought to regulate and standardise medical fees. The irony is this: on the one hand, the committee is suggesting somewhat drastic changes in a single aspect of the functioning of the medical system; on the other, the changes suggested are such that in order to implement them the very basis on which the private medicare system rests, where medical care is a commodity whose price is determined by market forces, must be altered. Even so, at one level, one may commend the committee for recognising the need for mechanisms to monitor and regulate remuneration for medical services. At another, it is extraordinary that the committee should recommend legislation only with regard to fees and strengthening the Indian Medical Council Act to enable a better regulation of professional qualifications, apparently ignoring the fact that such legislation can only be implemented in the context of a well-regulated private sector, which doesn't currently obtain.

The move to regulate fees charged by private medical practitioners and institutions has come up periodically in several countries. Not surprisingly, it has met with stiff resistance from the medical community. For example, at the time Bangladesh issued its now famous ordinance limiting the number of drugs to be manufactured and sold in the market, the government also proposed an upper limit on private medicare fees and a structure for enforcing the rules. However, so vocal was the medical community on this issue that the Ershad government and the group which had formulated the drug and health policy decided that it was better to give in on this rather than have the drug policy jeopardised. Some degree of monitoring has been possible only in circumstances where there has been a whole-scale restructuring of the medical system, as for instance when Britain introduced its system of health insurance.

What is intriguing is that the subject should have come up now. Quite obviously, numerous studies have shown that incomes of private doctors far exceed what had been assumed to be the case. At the same time, the compression of public health expenditure

is becoming visible in the growing disparity of public services. The growing discontent about the non-availability of public health services and increasingly costly private medicare is being articulated not only by the poor but by the influential middle class as well. The socio-cultural ethos of the middle class, and consequently the organised working class, is also undergoing change so that medical solutions, such as for instance surgery or diagnosis and hospital-based therapies, have become viable options. In a sense, there is greater acceptance of the possibilities of leading a more comfortable life by resorting to medical/surgical interventions. The demand for medical treatment of this nature is also enhanced by the ageing of the population. Added to this is the fact that medical insurance schemes are gaining wider acceptance. The insurance sector has been instrumental in reining in medicare expense in some countries. It is these factors which are driving the efforts to control the cost of medicare, not so much concern for those who desperately need medical help and are increasingly unable to afford it. For, if that had been the case, then the solution would have been to recommend and in fact make it imperative for the government to increase the expenditure on primary (and of course secondary) curative care, together with a greater investment in creating the base for living healthy lives.

MANIPUR

No Easy Peace

LIKE the other states of the north-east, Manipur has been consistently in the news for the violent ethnic conflicts that have engulfed the state for the past couple of years. The Kuki-Naga warfare, which till now has claimed more than 30,000 lives, has been intermittently supplemented by the Muslim-Meitei conflict over land. The deteriorating law and order situation has led to political combinations of all sorts. The last assembly elections of 1990 saw first the formation of a coalition government led by the Manipur People's Party (MPP) which was toppled within two years through defections brought about by the Congress. Later, under the Congress-led coalition government of Dorendra Singh the state witnessed an unprecedented escalation in ethnic violence. The demand for Kukiland, espoused by Kuki militant outfits like Kuki National Army (KNA) and Kuki Defence Force (KDF), was countered by the National Socialist Council for Nagaland (NSCN) by torching Kuki villages in the hill districts of the state. The NSCN ruthlessly pursued its policy of ethnic cleansing in the areas largely inhabited by the Nagas resulting in an exodus of thousands of Kukis to Imphal. The NSCN aims to achieve 'Greater Nagaland' by incorporating the four hill districts of Manipur under the regional head of 'southern Nagaland'. Moreover, the Meiteis who constitute 60 per cent of the population attacked the Muslims fearing the latter

growing encroachment on already scarce land resources. Though Dandendra Singh accused Keishing, a Naga and an ex-chief minister of the state, for fomenting trouble, his plea went unheeded by the central party leadership. Meanwhile, the speaker of the assembly, Borobabu Singh, had also raked up a controversy by summarily disqualifying members of the assembly, making unrestrained use of the anti-defection law. President's rule which was imposed at the beginning of last year failed to improve the situation during its eleven-month duration. Instead, the army became an added irritant in the rapidly spreading conflagration in the state. Rishang Keishing was made the chief minister just two months before the expiry of the last assembly. The only reason for making him the chief minister by hook or crook was that he is a Naga and was considered likely to bring temporary relief to the Naga-Kuki conflict. Perhaps the same calculation persists in making him the chief minister again now.

Yet the deep chasm that has developed amongst the communities after the savage ethnic clashes has resulted in strong anti-Naga feelings among the Kukis and the Meiteis. The election campaigning was conducted along ethnic lines though overtly every party manifesto pledged itself to the territorial integrity of the state. The elections did register a heavy turnout of voters but the fact that 75,000 army men were deployed for a population of 19 lakh, is in itself a comment on the insecurity prevailing in the state. By winning 21 seats as against the 18 seats of Manipur People's Party, the Congress has managed a slender lead over its main rival. The governor has given a month's time for the Congress to prove its majority in the house. But the sudden resignation of Radhabindro Kojima, a close contestant for chief ministership, from the three-member ministry of Keishing and his eventual re-induction as the deputy chief minister ominously signals that political stability cannot easily return to a state that has witnessed so much conflict and bloodshed recently.

BIHAR

Wrong Turn

THE CPI(ML), led by Vinod Mishra, seems to have landed itself in a rather difficult situation in Bihar. Angered by Laloo Yadav's failure to curb violence and atrocities against its mass bases and cadres, the party decided to join hands with the splitaway Samata Party in the forthcoming electoral battles. The Bihar Janata Dal, predominantly backed by the Yadavs, and its splitaway Samata Party, with its major base among the Kurmi and Koori castes, may not be fundamentally different in their political and socio-economic performance. Yet, there is a basis for a distinction between the two in the perception of the CPI(ML)'s mass base in the state. In some of the most notorious cases of violence against the rural poor, it

was the Kurmi landless peasants who instigated and organised the aggression. Even otherwise, the Kurmis, according to declarations of their own accredited spokespersons, are today perhaps the most upwardly mobile segment of the Bihar rural society whose pedestal is invariably constituted by the dalit landless and adivasis. Moreover, when the CPI(ML) had extended its hand of co-operation to the Laloo Prasad government after the last elections, it was in the context of the pervasive Left benevolence towards the Janata Dal. The CPI(ML)'s tilt towards the Samata Party lacks this backdrop. Hence, it is difficult to justify its alliance this time; it is even more difficult to convince the past, present and potential victims of the aggression of the primary social base of the Samata Party about the rationality of that alliance.

All this means that if the CPI(ML)'s breach with Laloo Yadav may have been justified, its linkage with the Samata Party is not. Lured by calculations of electoral gains, the CPI(ML) leadership seems to have forgotten the famous dictum – 'the policy of principles is the best policy'. Whether the party makes any electoral gains from this misalliance remains to be seen; but it is sure to lose in terms of its grass roots strength among the rural poor.

CPI(M)

Existential Pathos

A correspondent writes:

THE rapid, whirling transformation which is now the hallmark of the so-called developing societies is making the task of running political parties or setting into motion political processes of any durability extremely daunting: it continuously nibbles at their relevance, demanding from political leaders intellectual suppleness of a very unusual order. In our country, the most paradoxical and hypocritical demonstration of this suppleness has come from the CPI(M): paradoxical, because the party has introduced economic liberalisation in West Bengal in contravention of its political philosophy; hypocritical, because it has attempted to justify this policy while retaining in theory its standard ideology.

Viewed in isolation from the surrounding reality, this suppleness on the part of the CPI(M) will project itself merely as pathetic acrobatics; placed in the midst of this reality, it may come across as an intelligent response to a complex situation. By behaving in this particular manner, the CPI(M) may have saved itself from total redundancy. Yet this after-life – so to speak – that the CPI(M) has salvaged for itself is not without its existential pathos: independently of the party it once gave life to, it would live on, like a ghost without a body, hoping for 'nirvana' or, if that is not possible, waiting to be infused into a new body, a new party.

What is more likely is that the CPI(M) would itself become that body, that party,

like its counterparts in the post-Soviet eastern and western Europe. Much more than just changing its name, involved in that would be a willingness to transform itself into a genuinely democratic party while retaining its socialist roots. This transformation would nevertheless be a treacherous engagement: rather than preserving their egalitarian roots, the former communist parties tend to nurse their authoritarian moorings while failing to avoid the trap of right-wing liberalism which, in its economic ideology, borders on neo-conservatism. This is what has happened with, what still calls itself, the Communist Party of China. Add to this the possibility that the ex-communist parties may also begin finding it expedient to champion the cause of majority nationalism – in Russia, the former CPSU has failed to condemn the attack on Chechnya – and we have a political practice somewhat similar to pre-war national socialism.

The conditions that may prevent CPI(M) from turning into a national socialist monster, like the ones that pushed it towards economic liberalism, remain external to its apparatus: it functions in a country where the paraphernalia necessary for at least a liberal democratic state is in place, and where the notions of socialism and a liberal nationalism – in theory – are still intact. However, this would require CPI(M) to make a few more intellectual leaps.

SRI LANKA

Peace Prospects

SRI LANKA celebrated the 47th anniversary of its independence from British rule with a great deal more optimism than perhaps ever in the last decade. In the recent past the ethnic conflict in the north-east has loomed large over the country's economy, thwarting all attempts at stability in the political sphere or growth of the economy. It is a price that Colombo has had to pay for its earlier long and often deliberate neglect of the region. Although several attempts have been made in recent years to get the LTTE to the conference table, the several declarations of ceasefire have never held, with accusations and counter-accusations about who had been the first to break it. Moreover, the LTTE has sought pre-talk concessions which Colombo has adamantly refused to deliver, and even when it has, such as minimal withdrawal of troops, etc, the LTTE has walked away from the negotiations with its undiluted demand for a separate Tamil 'eelam'. This has given rise to a conviction among a section of political leaders that the LTTE is not serious about a political solution and that it will use all offers of talks to wrest concessions and reinforce itself.

Not surprisingly then, when Chandrika Kumaratunga decided, as among her first tasks after taking office as prime minister, to lift the embargo on movement of certain goods to the north-east, she spread more gloom than joy among political leaders, including from her own party. She also

made clear that this was a gambit in her attempt to get the LTTE to parley. That it was genuinely appreciated by the local population and brought gains to Kumaratunga also registered with the Tigers. It was after all for the first time that Colombo had even acknowledged the day-to-day needs of the people of the region. And for the Tigers, this was an important factor to take into consideration. But the tentative beginning was halted abruptly when the LTTE allegedly let loose its terror tactics with the assassination, on October 24 last year, of the opposition candidate in the presidential elections, Gamini Dissanayaka. Kumaratunga was forced to abandon temporarily all truce moves. However, after her victory in the presidential election, she has put in place further measures. For example, the LTTE's long-standing demand for reopening the Elephant Pass was acceded to when the government assured safe passage through the Pooneryn-Sangupittu route for civilians at the time of the visit of the Pope.

All this has led to a ceasefire from January 8, the creation of a 400-metre demilitarised zone and the constitution of an international team to monitor the truce. According to all reports the LTTE has agreed to a plan for an autonomous regional arrangement, although neither the LTTE supreme nor Kumaratunga have expressly made a statement in this regard. The situation has been repeatedly described as being 'hopeful' by Colombo. The government has also prepared a detailed plan for rebuilding of the northern province. Norway and Netherlands have deputed representatives for the monitoring committee and the International Red Cross has agreed to play a neutral and mediatory role. By the middle of January, three rounds of talks had been held, but there are several sticky points.

For one thing, the LTTE is clearly wanting to marginalise the military in these efforts. For instance, on the issue of the reopening of the land route, the government has been proposing that the military be withdrawn from the immediate route and monitoring of civilian movement be suspended. The LTTE has been adamant that the military camp in the area, one of the most strategic, be dismantled entirely. Another contentious issue has been that while the LTTE has been allowed free movement in the region, it has not been allowed to carry arms. The army points out that the LTTE has been reneging on this undertaking and has been tightening its hold over the eastern region. As a matter of strategy, at the height of the hostilities, the Sri Lankan army had, with a great deal of publicity, concentrated its campaign in the north, forcing the LTTE to withdraw forces from the eastern region, which were subsequently taken over by combined police and army operations. Now the army is crying itself hoarse pointing out that these military gains are being given away and that in the event of a resumption of hostilities the LTTE would have gained the upper hand. There are many in and out of government and in the army who believe that such a situation is imminent. They point out, for instance, that

the international monitoring team has not yet been put in place despite the fact that the two foreign representatives have already arrived but are encountering difficulties from the LTTE end.

While it is hard to say what gives Kumaratunga and her lieutenants the confidence to persist in the peace process, the political and economic imperatives are obvious enough. Neither economic nor political stability is achievable in Sri Lanka unless the north-eastern conflict ceases. But there is a problem nobody wishes to address yet: even if the ceasefire holds and a political solution is hammered out, transforming the ethos of a population which has been metaphorically on the run, either from the LTTE or the Sri Lankan forces, is not going to be either easy or quick. And this is where the numerous NGOs working in the region will play a crucial role. The LTTE is well aware of this and has in fact suggested that the NGOs come under some sort of monitoring - with itself of course playing a dominant role in the process. When peace finally comes to the north-east, it will bring with it a layer of non-official agencies which need to be accorded a definite role and location even now.

SOUTH AFRICA

Continuity over Change

A correspondent writes:

AN astonishing observation of Nelson Mandela, president of South Africa, made in the course of a recent interview to an Indian correspondent, deserves closer examination. According to the interview (*The Hindu*, January 13), Mandela is reported to have said, responding to a question about the role of the old regime in South Africa in the 'abortive intervention' in Seychelles, that "it was not intervention by South Africa, it was intervention by a group of mercenaries".

Such a perception is not even technically correct. It is true that the 'abortive intervention' in November 1981 was by a group of multinational mercenaries, masquerading as a rugby team, and was led by the well known mercenary, Mike Hoare. The group made a hash of the affair and later hijacked an Air India plane and forced it to fly to Durban where the authorities had no option but to arrest the mercenaries. Further, as if to disassociate itself from such activities, the then South African regime tried the mercenaries before the Natal Supreme Court which awarded all of them, including Mike Hoare, stiff sentences.

But none of this means that the affair was merely a 'caper', an initiative autonomously undertaken by a bunch of adventurers (in return for payment, of course) to secure the restoration of the discredited James Manchan regime. The account of the affair written by Mike Hoare after his release from prison makes several revelations concerning the deep involvement of the South African

Defence Force, which was the Natal Intelligence Service (NIS) in equipping and financing the affair. Even if these revelations were self-serving and so deserved to be discounted, the fact is that the Natal Supreme Court too upheld many of these claims made by and on behalf of the mercenaries. Among other things, the court established, in the course of the trial, that the mercenaries had drawn their weapons and equipment from SNDF stores; that these had been delivered to them in a South African army truck; that the deliveries were acknowledged to have been received on SNDF stationery. The invading force comprised serving members of the SNDF as well as a member of the NIS. The mercenaries had held discussions on the planned *coup* with senior SNDF officers. In the words of the judge president of the Natal Supreme Court: "It would be naive to suggest that the Natal Intelligence Service was not aware... It is impossible to escape the conclusion that the delivery of the AK47s and other equipment followed upon his [Mike Hoare's] contact with these brigadiers... The court must therefore accept that certain members of the South African defence force had lent aid and support to this operation."

That such initiatives by the SNDF and the NIS could not have been taken without political clearance at the highest level is a reasonable inference from these juridically established facts. The liberation movement in South Africa as well as democratic opinion throughout the world had severely criticised the South African regime for its attempt to destabilise the government of tiny Seychelles headed by Albert Rene, who had lent open support to the liberation movement, and restore the discredited regime of James Manchan who had virtually leased out the island to pleasure-seeking white South Africans as a sybaritic paradise.

With all these facts known for long, Mandela appears to be reluctant to assign to the old regime its proven role in the *coup* attempt. According to him, the whole enterprise was undertaken by 'a group of mercenaries'. Such eagerness to exculpate the old regime of its crimes abroad is of a piece with the ambivalence of sections of the leadership in the new South Africa towards the old regime's crimes within the country. The draft Bill on the Truth and Reconciliation Commission (TRC) introduced in parliament has come under criticism because several crucial provisions - like the one providing for in-camera hearings of indemnity applications - are watered down versions of what was originally intended, indeed promised, by the ANC. While these individual instances of possible backsliding may perhaps be considered as necessary compromises in order to achieve national reconciliation, the extraordinary sensitivity towards the old regime as a structure, even to the extent of overlooking its proven crimes, suggests that the balance between continuity and change in the transition from the old to the new South Africa appears to be tilted in favour of the former.

ASIAN PAINTS

Spurred by Excise Cut

ASIAN PAINTS, the market leader in the decorative paints segment, has done well in 1993-94 after a lean performance in the previous year. The company controls about 40 per cent of the decorative paints market and about 14 per cent of the industrial paints market. Net sales were up by 10 per cent (Rs 36.19 crore), operating profit by 11 per cent (Rs 6.16 crore) and net profit by 31 per cent (Rs 6.15 crore). Reduction in excise duty by 10 per cent in the last two years helped the company to pass on the benefit to its customers in the form of reduced price. Increase in taxation by 32 per cent was offset by decrease in depreciation and interest charges by 10 per cent and 23 per cent, respectively. Non-operating profit increased by 33 per cent while income increased by 108 per cent. A dividend of 50 per cent was declared for the year against 33 per cent in the previous year. Imports and exports increased by 39 per cent and 25 per cent, respectively.

Debt-equity ratio fell sharply to 13 per cent from 41 per cent in 1992-93 and 46 per cent in 1991-92. Sundry creditors to current assets has been steady at 4 per cent for the past three years. Sales to total assets fluctuated at 137 per cent in 1991-92, 144 per cent in 1992-93 and 139 per cent in 1993-94, while sales to gross fixed assets fluctuated at 322 per cent in 1991-92, 318 per cent in 1992-93 and 325 per cent in 1993-94. Inventories to sales ratio fell to 19 per cent in 1992-93 from 25 per cent in 1991-92 and has remained steady at 19 per cent in 1993-94. Raw material consumed to value of production has fluctuated in the past three years at 67 per cent in 1991-92, 65 per cent in 1992-93 and 66 per cent in 1993-94. Return on investment has bounced back to 17 per cent after a fall in 1992-93 to 15 per cent. Earning per share fluctuated at Rs 17 in 1991-92, Rs 9 in 1992-93 and Rs 12 in 1993-94. Net value added to value of production after being steady at 18 per cent during 1991-93 fell to 17 per cent in 1993-94. Remuneration to employees has remained steady at 27 per cent for the past two years.

The company continued direct import of tin plates to ensure the availability of containers. Domestic sales grew by 8 per cent with the paints division growing by 14 per cent. Sales of the phthalic division were lower by Rs 13 crore due to planned maintenance shut-down of the plant for 25 days and also due to lower selling prices. Paints were exported to new markets in West Asia and to certain countries in Africa; export of phthalic anhydride was limited due to unremunerative international prices.

Asian Paints has subsidiaries in Fiji, Tonga, Solomon Islands, Nepal and Vanuatu. Except

for the subsidiary in Vanuatu, all the other subsidiaries have done well for the year. The company is setting up a joint venture in Queensland, Australia, for the manufacture of paints, enamels and varnishes.

The company invested Rs 266 lakh in research and development activities in 1993-94. Development of new products and processes through innovations in surface coating materials and intermediates, cost reduction, technology upgradation, absorption and indigenisation of imported technology, development of tailor-made products for the export market, various industrial and high performance paints to meet the specific requirements of OEM customers are some of the activities of the department.

BARODA RAYON

Turn-Around Sustained

Baroda Rayon Corporation has done well in 1993-94 after doing badly in the earlier two years. The company incurred losses in 1991-92, but in 1992-93 marginal profitability was achieved. In 1993-94, the company did well with net profit increasing by Rs 30.31 crore, net sales by Rs 35.45 crore and operating profit by Rs 50.78 crore. Depreciation and interest charges were lower by Rs 3.67 crore (19 per cent) and Rs 3.55 crore (16 per cent), respectively. Other income fell by 8 per cent, while non-operating profit was up by Rs 8.30 crore. After a gap of two years the company declared a dividend of 20 per cent for the year. Increase in sales can be attributed to increase in exports by Rs 13.46 crore. Imports fell by 32 per cent (Rs 8.88 crore).

Consumption of raw materials to value of production fell steadily from 54 per cent in 1991-92 to 47 per cent in 1992-93 and 38 per cent in 1993-94. Export to sales ratio rose sharply from .55 per cent in 1991-92 to 4 per cent in 1993-94. Inventories grew by 21 per cent in 1993-94. Gross saving to gross capital formation increased from 13 per cent in 1992-93 to 136 per cent in 1993-94. Debt-equity ratio declined sharply from 200 per cent in 1991-92 to 116 per cent in 1992-93 and 67 per cent in 1993-94. Short-term bank borrowings to inventories fluctuated at 35 per cent in 1991-92, 49 per cent in 1992-93 and 41 per cent in 1993-94. Return on investment rose by 9 percentage points for the year as against 8 per cent in 1992-93. Earning per share rose to Rs 98 in 1993-94 from Rs 1 in 1992-93. Sundry creditors to current assets fell steadily from 43 per cent in 1991-92 to 40 per cent in 1992-93 and 29 per cent in 1993-94. Net value added to value of production rose from 11 per cent in 1991-92 to 19 per cent in 1992-93 and 30 per cent in 1993-94. Remuneration to employees declined over the three years from 58 per cent in 1991-92

to 38 per cent in 1992-93 and 31 per cent in 1993-94, but remuneration to employees as a ratio of value of production after being steady at 10 per cent during 1991-93 increased to 11 per cent in 1993-94.

The company maintained high production levels in rayon, nylon and POY. Capacities at the nylon tyre plant remained underutilised due to demand constraint which was a result of availability of imported tyre cord at cheaper rates.

Expansion of capacity of POY spinning to 15,000 tpa and polycondensation to 12,500 tpa is on. Modernisation/expansion of rayon plant is being considered. Installation of a state-of-the-art power generating system to increase in-house capacity to 34 MW is being planned.

ATUL PRODUCTS

Rise in Profit

Atul Products, manufacturers of acid and direct dyestuffs, sulphur dyestuffs, caustic chlorine, para cresol, etc, seems to have overcome the problem resulting from excess capacity. Net sales have risen by 12 per cent (Rs 24.09 crore), operating profit by 23 per cent (Rs 6.18 crore) and net profit by 103 per cent (Rs 7.24 crore). Depreciation fell marginally by 2 per cent, while interest charges were up by 5 per cent for the year. Non-operating profit rose sharply by Rs 1.52 crore (220 per cent), while other income rose marginally by Rs 20 lakh (.93 per cent). An enhanced dividend of 27.5 per cent was declared for the year against 25 per cent for the previous year. Exports and imports were up by 17 per cent (Rs 8.16 crore) and 30 per cent (Rs 4.16 crore) respectively.

Short-term bank borrowings to inventories after being steady at 22 per cent from 1991-93 fell to 21 per cent in 1993-94. Sundry creditors to current assets fluctuated at 22 per cent in 1991-92, 29 per cent in 1992-93 and 18 per cent in 1993-94. Gross saving to gross capital formation rose from 2 per cent in 1991-92 to 12 per cent in 1992-93 and 66 per cent in 1993-94. Raw materials consumed to value of production has been steady at 29 per cent for the past two years. Return on investment fluctuated at 7 per cent in 1991-92, 6 per cent in 1992-93 and 8 per cent in 1993-94. Earning per share fluctuated at Rs 7 in 1991-92, Rs 5 in 1992-93 and Rs 8 in 1993-94. Debt-equity ratio fell by 61 percentage points in 1992-93, but has now risen by 15 points in 1993-94. Net value added to value of production was steady at 17 per cent in 1992-93 and has now risen by 2 percentage points. Remuneration to employees rose by 10 percentage points in 1992-93 and fell by as much in 1993-94. Growth in inventories fell by 32 percentage points for the year. Sales to total assets and

Financial Indicators	Asian Paints		Baroda Rayon		Atul		Bajaj		CEEC	
					Products		Hindustan			
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	40196	36277	29348	25803	21888	19479	19207	18270	78898	68226
2 Value of production	40415	35981	30083	25646	22568	20100	17880	18979	78898	68226
3 Other Income	703	337	224	245	2063	2043	9324	327	4804	3054
4 Total income	41118	36318	30307	25891	24631	22143	27204	19306	83702	71280
5 Raw materials/stores and spares consumed	27327	24122	14831	14735	7278	6527	10211	11378	5858	5485
6 Other manufacturing expenses	588	475	3631	3119	8789	7565	1634	2725	47491	43300
7 Remuneration to employees	2132	1998	3362	2625	2239	2393	1502	1552	9439	8300
8 Other expenses	5122	4390	2976	1383	3051	3002	1984	2320	6203	1227
9 Operating profit	5949	5333	5507	4029	3274	2656	11873	1331	14711	12968
10 Interest	1045	1364	1831	2186	1299	1230	1591	2683	7097	7348
11 Gross profit	4912	3975	4595	1932	2196	1495	10379	-1288	7603	5620
12 Depreciation	700	778	1471	1838	768	791	638	1232	3355	3175
13 Profit before tax	4212	3197	3124	94	1426	702	9691	-2520	4248	2445
14 Tax provision	1650	1250	1	2	0	0	1	5	0	0
15 Profit after tax	2562	1947	3123	92	1426	702	9690	-2525	4248	2445
16 Dividends	996	657	650	33	392	319	218	0	889	613
17 Retained profit	1566	1290	2473	59	1034	383	9472	-2525	3359	1832
Liabilities/assets										
18 Paid-up capital	1991	1991	3287	3282	1744	1363	873	873	3001	3299
19 Reserves and surplus	11677	9445	7138	4647	9472	7419	11036	4894	163492	14025
20 Long term loans	1871	4695	6988	9276	11035	7356	4665	11428	114166	62221
21 Short term loans	5474	2550	3757	2302	1754	1839	4886	5450	8682	17450
22 Of which bank borrowings	1513	808	2197	2092	1157	1453	3768	3894	3566	3545
23 Gross fixed assets	12340	11395	26099	25344	19480	16801	17022	24806	308177	106076
24 Accumulated depreciation	4066	3935	12516	11120	8297	7799	5030	9254	22233	18947
25 Inventories	7692	6957	5279	4219	5322	6439	7123	9064	3900	3763
26 Total assets/liabilities	28807	25133	26385	24141	27383	22288	26018	29865	312679	114046
Miscellaneous items										
27 Excise duty	12592	12510	10155	10203	2239	2311	1777	2673	0	0
28 Gross value added	7777	7392	10650	6796	5075	4385	13559	3076	25449	22124
29 Total foreign exchange income	449	367	1441	395	5374	4558	0	0	3	28
30 Total foreign exchange outgo	4686	3335	2292	3111	2054	1598	12	20	8315	7843
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	139.5	144.3	111.2	106.9	79.9	87.4	73.8	61.2	25.2	59.8
32 Sales to total net assets (%)	191.3	194.2	138.6	132.3	91.2	108.4	89.5	80.7	27.3	70.3
33 Gross value added to gross fixed assets (%)	63.0	64.9	40.8	26.8	26.1	26.1	79.7	12.4	8.3	20.9
34 Return on investment (gross profit to total assets) (%)	17.1	15.8	17.4	8.0	8.0	6.7	39.9	-4.3	2.4	4.9
35 Gross profit to sales (gross margin) (%)	12.2	11.0	15.7	7.5	10.0	7.7	54.0	-7.0	9.6	8.2
36 Operating profit to sales (%)	14.8	14.7	18.8	15.6	15.0	13.6	61.8	7.3	18.6	19.0
37 Profit before tax to sales (%)	10.5	8.8	10.6	0.4	6.5	3.6	50.5	-13.8	5.4	3.6
38 Tax provision to profit before tax (%)	39.2	39.1	0.0	2.1	0.0	0.0	0.0	-0.2	0.0	0.0
39 Profit after tax to net worth (return on equity) (%)	18.7	17.0	30.0	1.2	12.7	8.0	81.4	-43.8	2.6	14.1
40 Dividend (%)	50.00	33.00	20.00	0.00	27.50	25.00	10.00	0.00	30.00	25.00
41 Earning per share (Rs)	12.87	9.78	98.07	1.87	8.18	5.15	1109.97	-289.23	15.85	8.21
42 Book value per share (Rs)	68.6	57.4	325.4	247.0	59.8	58.7	1081.3	334.6	620.0	57.1
43 P/E ratio (based on latest and corresponding last year's price)	40.4	52.7	5.8	1031.7	12.5	24.3	0.2	-0.5	12.6	32.9
44 Debt-equity ratio (adjusted for revaluation) (%)	13.7	41.1	67.0	117.0	105.8	92.0	49.4	391.2	68.6	359.2
45 Short term bank borrowings to inventories (%)	19.7	11.6	41.6	49.6	21.7	22.6	52.9	43.0	91.4	94.2
46 Sundry creditors to sundry debtors (%)	25.1	17.7	92.1	101.9	77.7	115.9	892.8	419.1	50.4	48.2
47 Total remuneration to employees to gross value added (%)	27.4	27.0	31.6	38.6	44.1	54.6	11.1	50.5	37.1	37.5
48 Total remuneration to employees to value of production (%)	5.3	5.6	11.2	10.2	9.9	11.9	8.4	8.2	12.0	12.2
49 Gross fixed assets formation (%)	8.3	8.4	3.0	1.0	16.7	15.3	-30.2	4.0	190.5	27.1
50 Growth in inventories (%)	10.56	-18.94	25.12	4.53	-17.35	15.08	-21.41	2.79	3.64	32.55

sales to gross fixed assets have shown a steady decline in the past three years.

Raw materials were readily available. Increase in the prices of certain raw materials was offset by decrease in prices of certain others. The decision to generate power for its own consumption resulted in saving. Generation of steam through coal and lignite in replacement of costly LSHS oil enabled the company to generate electricity economically.

The modernisation of the caustic chlorine and azo dyes plants, expansion of sulphur black capacity and upgradation of the Diuron plant were completed during the year. Work relating to capacity expansion of chemicals and dyestuffs and de-bottlenecking of plants for the manufacture of intermediates and cresol also started during the year.

An investment of Rs 155 lakh was undertaken in the year under review for R and D activities which were carried on in the areas of dyestuffs, bulk drugs and agro-chemicals and intermediates in addition to natural product extractions for development and improvement of new processes.

BAJAJ HINDUSTHAN

Higher Return on Investment

Bajaj Hindusthan has done well in 1993-94, with net sales increasing by 5 per cent, operating profit by 792 per cent and net profit by 483 per cent. Taxation fell by 80 per cent, interest charges by 40 per cent and depreciation by 48 per cent. Other provisions increased by Rs 50 lakh. Other income rose by Rs 89.97 crore, while non-operating income was up by Rs 33 lakh. The company declared a 10 per cent dividend for the year. Imports rose by 66 per cent.

Debt-equity ratio fell sharply from 226 per cent in 1991-92 to 198 per cent in 1992-93 and 39 per cent in 1993-94. Short-term bank borrowings to inventories rose steadily from 37 per cent in 1991-92 to 42 per cent in 1992-93 and 52 per cent in 1993-94. Sundry creditors to current assets fluctuated at 33 per cent in 1991-92, 35 per cent in 1992-93 and 16 per cent in 1993-94. Return on investment rose by 43 percentage points for the year. Raw material consumed to value of production rose from 45 per cent in 1991-92 to 50 per cent in 1992-93 and 51 per cent in 1993-94. Earning per share rose sharply. Net value added to value of production fluctuated at 14 per cent in 1991-92, 9 per cent 1992-93 and 72 per cent in 1993-94. Remuneration to employees fluctuated at 39 per cent in 1991-92, 50 per cent in 1992-93 and 11 per cent in 1993-94. Inventories to sales fell from 74 per cent in 1991-92 to 49 per cent in 1992-93 and 37 per cent in 1993-94.

The company successfully completed its modernisation-cum-expansion project and the plant was commissioned in March 1994 with an increased capacity of 5,000 TCD.

The distillery division did not do well due to shortage of molasses for production of industrial alcohol which was the result of the imposition by UP government of control on molasses, bringing 65 per cent under levy. The company sold off its cement division which was incurring losses.

CESC

Raised Tariff

Calcutta Electric Supply Corporation (CESC), the RPG group power company, has shown good performance in 1993-94. Net sales went up by 15 per cent, operating profit by 13 per cent, and net profit by 73 per cent. Other income went up by 57 per cent for the year, non-operating income fell by Rs 11 lakh, interest charges fell by 3 per cent while depreciation rose by 5 per cent for the year. Imports were up by Rs 26.90 crore. The company declared a dividend of 30 per cent for the year as against 25 per cent in the previous year.

Debt-equity ratio fell drastically from 366 per cent in 1991-92 to 359 per cent in 1992-93 and 68 per cent in 1993-94. Net value added to value of production rose steadily from 26 per cent in 1991-92 to 27 per cent in 1992-93 and 28 per cent in 1993-94. Short-term bank borrowings to inventories fell from 133 per cent in 1991-92 to 94 per cent in 1992-93 and 91 per cent in 1993-94. Sundry creditors to current assets fluctuated at 46 per cent in 1991-92, 34 per cent in 1992-93 and 35 per cent in 1993-94. Sales to total assets fell from 65 per cent in 1991-92 to 59 per cent in 1992-93 and 25 per cent in 1993-94. Sales to gross fixed assets fell from 71 per cent in 1991-92 to 64 per cent in 1992-93 to 25

per cent in 1993-94. Growth in inventories fell from 133 per cent in 1991-92 to 32 per cent in 1992-93 and 3 per cent in 1993-94. Gross saving to gross capital formation rose by 6 percentage points in 1992-93 but has now fallen by the same in 1993-94. Return on investment fluctuated at 3 per cent in 1991-92, 4 per cent in 1992-93 and 2 per cent in 1993-94. Earning per share increased in the past three years from Rs 7 in 1991-92 to Rs 8 in 1992-93 and Rs 15 per share in 1993-94.

Total power generation increased by 67 million units in the year. Energy sales increased by 4.14 per cent. The company revised its power tariff to which the industry reacted sharply, though the company justified its action by claiming rise in the cost of coal and railway freight. CESC, the wholly owned subsidiary of the company, achieved a total turnover of Rs 204.40 lakh. The gas turbine station at Kasba is being renovated and overhauling of one unit has been completed. Work on the Budge Budge project for strengthening generation capacity has made substantial progress. The company plans to commission the first unit by the first half of 1996. The company proposes to set up a thermal power station at Balagarh in three stages. Under frequency tripping has been commissioned in the eastern grid as a protective measure to prevent grid collapse following loss of generation.

The company invested Rs 10 lakh on R and D activities in 1993-94 against Rs 5 lakh in the previous year. Development of digital equipment, introduction of modern tools/equipment and simplified joint system and various innovations in the attachment and parts of outdoor equipment for extra safety were some of the activities of the department.

TRAINING FOR DEVELOPMENT ANALYSIS AND ACTION

Conducted by :

**Behavioural Science Centre
Ahmedabad
&
Navsarjan
Surat**

A 21 week, post graduate residential programme for personnel of voluntary organisations and those interested in development action. The course begins on 1st September, 1995 and integrates theoretical understanding, personnel growth and field experience. Limited financial and placement support.

Write for details to :

**Course Coordinator,
Behavioural Science Centre,
St. Xavier's College,
Navrangpura,
Ahmedabad - 380 009.**

Last date for application 30th April, 1995.

CURRENT STATISTICS

Research Foundation

Commodity prices have registered all round increases in recent weeks even as reserve money and money supply growth has been moderated. Over the past month there has been an unusual 3.4 per cent decline in reserve money. Simultaneously, non-food advances are galloping. Foreign exchange reserves (other than gold) have touched \$ 19.77 billion. The havalra rate has been reported at above Rs 36 per US dollar. Money market is becoming increasingly tight with call money rates remaining very high and primary as well as secondary market yield rates firming up. Prime rates of banks and financial institutions have been raised in response, generally by a full percentage point to 15-15.5 per cent.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Feb 11, 1995	Over Month	Variation (Per Cent): Point-to-Point							
				Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	283.7	1.3	11.5	9.4	9.8	9.1	10.8	7.0	13.6	12.1
Primary Articles	32.3	295.0	1.3	15.7	8.6	13.9	9.8	11.5	3.0	15.3	17.1
Food Articles	17.4	320.9	0.7	13.6	3.3	14.4	5.2	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	321.6	2.5	22.2	17.4	14.8	17.2	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	281.4	0.0	1.6	15.2	1.2	12.6	13.1	15.2	13.2	14.4
Manufactured Products	57.0	277.8	1.5	11.2	8.8	9.3	8.1	9.9	7.9	12.6	8.9
Food Products	10.1	275.7	1.0	10.8	13.0	9.4	10.9	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	304.3	0.8	12.6	6.4	12.7	7.1	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-February 11, 1995)	100.0	272.8	-	10.6	7.9	10.7	8.0	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent): Point-to-Point							
			Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	291 ¹¹	0.3	9.8	8.6	9.0	9.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	240 ¹⁰	0.8	10.1	6.3	8.1	6.3		6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1297 ¹²	0.9	11.2	9.3	10.4	10.7	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Feb 3, 1995	Variation						
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			1994-95	1993-94				
Money Supply (M ₁)	502890	7218 (1.4)	69324 (16.0)	56076 (15.3)	66741 (18.2)	49344 (15.5)	51653 (19.4)	
Currency with Public	98008	1474 (1.5)	15810 (19.2)	12157 (17.8)	13925 (20.4)	7175 (11.7)	8050 (15.2)	
Deposits with Banks	399976	3532 (0.9)	51136 (14.7)	43591 (14.7)	51601 (17.4)	41741 (16.3)	43392 (20.5)	
Net Bank Credit to Govt Sector	217228	144 (0.1)	13442 (6.6)	30291 (17.2)	27548 (15.6)	17975 (11.4)	18070 (12.9)	
Bank Credit to Comm'l Sector	272210	4796 (1.8)	35007 (14.8)	14102 (6.4)	17068 (7.8)	32141 (17.1)	16225 (9.4)	
Net Foreign Exchange Assets	70645	849 (1.2)	16918 (31.5)	14881 (59.6)	28775 (15.3)	3726 (17.6)	10645 (100.6)	
Reserve Money	158666	-5388 (-3.4)	20044 (14.5)	20228 (18.3)	27843 (25.1)	11274 (11.3)	11726 (12.4)	
Net RBI Credit to Centre	95632	-556 (-0.6)	-1151 (-1.2)	8417 (8.7)	263 (0.3)	4257 (4.6)	5904 (6.7)	
Scheduled Commercial Banks								
Deposits	362392	3778 (1.0)	48577 (15.5)	40382 (15.0)	46560 (17.3)	37814 (16.4)	38216 (19.8)	
Advances	195908	5832 (3.0)	32286 (19.7)	10016 (6.6)	12436 (8.2)	26390 (21.0)	9291 (8.0)	
Non-Food Advances	182390	5996 (3.3)	29675 (19.4)	5864 (4.0)	8272 (5.7)	24317 (20.1)	9127 (8.2)	
Investments	149534	1066 (0.7)	17141 (12.9)	24199 (22.9)	26867 (25.4)	15460 (17.1)	15131 (20.2)	

Index Numbers of Industrial Production (1980-81=100)	Weights	Oct 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages							
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	238.1	232.8 (8.0)	215.6 (3.8)	3.0	2.3	0.5	8.4	8.6	8.7	7.3	
Mining and Quarrying	11.5	245.8	219.4 (6.2)	206.5 (3.0)	2.5	0.5	0.9	4.5	6.3	7.9	3.8	
Manufacturing	77.1	225.0	224.4 (8.3)	207.2 (3.1)	2.2	2.1	3.0	9.1	8.6	8.7	7.9	
Electricity	11.4	318.3	303.2 (7.7)	281.5 (7.6)	7.3	5.1	8.5	7.8	10.8	9.5	7.7	

Capital Market	Feb 24, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year			
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92	1990-91
BSE Sensitive Index (1978-79=100)	3455	3506	4132	3384	4604	2037	4286	3779	2281	4285	
	(-16.4)		(50.0)					(65.7)	(-46.8)	(266.9)	
National Index (1983-84=100)	1670	1703	1963	1641	2176	934	2050	1830	1021	1968	
	(-14.9)		(59.1)					(79.2)	(-48.1)	(234.1)	

Foreign Trade	Dec 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95	1993-94				
Exports: Rs crore	7490	57503 (16.9)	49182 (31.8)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2387	18328 (16.9)	15681 (20.0)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	8587	63814 (23.9)	51477 (8.4)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2736	20339 (23.9)	16413 (-1.3)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	2230	16138 (33.1)	12121 (-1.4)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-1095	-6308	-2295	-3259	-9687	-3809	-10640
US \$ mn	-349	-2011	-732	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Feb 17,	Feb 18,	Mar 31,	Month Ago	Year Ago	Variation Over		1993-94	1992-93	1991-92	1990-91
	1995	1994	1994			Fiscal Year So Far 1994-95	1993-94				
Rs crore	61434.0	38067.0	47626.0	-123.0	23367.0	13808.0	17871.0	27430	5385	10223	-1383
US \$ mn	19774.0	12168.0	15176.0	18.0	7546.0	4538.0	5716.0	8724	731	3383	-1137

Money Market Rates of Interest

(Per cent per annum)

Instrument	February 1995				January 1995				December 1994				
	24	17 (RF)	10	3 (RF)	27	20 (RF)	13	6 (RF)	30	23 (RF)	16	9 (RF)	2
Call money rate (weekly weighted average)	na	na	13.25	10.91	14.56	10.43	14.89	20.27	15.24	7.4	12.13	5.59	8.16
Call money rate (Range: weekly)	12.25-15.50	2.25-60.00	10.50-16.75	16.00-0.25	17.00-13.50	13.50-0.25	27.00-11.00	1.00-60.00	10.25-50.00	7.00-0.25	13.50-11.50	7.75-0.25	6.50-5.00
Treasury bills:-													
91-Day (On tap or ad hoc)	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
91-Day (RBI auction):													
Primary	11.48	11.40	11.23	11.10	11.10	10.93	10.85	10.51	10.26	9.84	9.75	9.37	9.00
Secondary: DFHI (mid-point of bid and offer)	11.25	11.25	11.37	11.25	10.88	10.88	10.51	10.15	9.95	9.78	9.60	9.45	8.65
NSE (actually traded, weighted)	...	...	...	...	...	...	...	...	...	...	...	...	...
364-Day (RBI auction)													
Primary	*	11.48	*	11.23	*	10.86	*	10.56	*	9.91	*	9.83	*
Secondary: DFHI (mid-point)	10.75	10.75	10.75	10.63	10.25	10.25	10.00	9.75	9.60	9.60	9.95	9.22	8.80
NSE trading (Weighted YTM)	13.20	13.00	12.61	12.16	12.81	12.47	12.01	12.15	12.57	11.21	11.77	10.62	9.73
All SGL trading (Weighted YTM)	13.10	12.98	12.55	12.55	12.86	12.07	12.77	10.06	14.23	11.04	11.57	10.39	9.72
RBI Repo auctions (GOI securities)	*	*	*	\$5	*	\$5	*	\$5	*	\$5	*	\$5	*
State govt loans (Coupon rates)	-	-	-	-	-	-	-	-	-	-	-	-	-
GOI Securities: Primary Auctions	*	*	*	12.71 (5 years)	*	*	*	*	11.00	*	*	*	*
Secondary NSE trading (Weighted YTM)	14.23	13.02	12.09	11.96	11.98	11.87	11.83	11.84	11.37	11.13	11.68	11.76	11.25
All SGL trading (Weighted YTM)	12.89	12.33	11.99	12.52	11.88	11.82	11.92	11.79	11.22	11.14	11.12	11.18	11.24
PSU Bonds yield:-													
Tax free: NSE (traded, weighted)	11.06	10.93	10.07	9.59	9.63	9.63	9.48	9.45	9.08	9.20	9.32	9.11	8.91
NSE (Range: weekly)	9.54-11.16	10.87-11.01	9.76-10.18	9.53-9.69	9.63-9.63	9.62-9.63	9.13-9.52	9.23-9.61	9.07-9.09	9.05-9.51	9.04-9.60	8.99-9.60	8.99-9.60
Taxable: NSE (traded, weighted)	13.21	14.97	13.39	13.05	12.12	13.47	12.81	13.66	13.18	13.11	12.88	13.18	13.63
NSE (Range: weekly)	13.13-13.45	12.82-15.04	12.99-13.99	11.96-13.48	12.01-14.02	12.46-13.52	12.68-13.48	13.38-15.05	13.08-13.30	12.98-13.25	12.70-13.25	12.84-13.26	12.86-13.64
Commercial bills: DFHI													
(Rediscount rate)	14.00	14.00	14.00	13.5-14	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
Other secondary (30/60/90 days)	12.5-14.0#	12.5-14.0#	12.5-14.0#	12.5-14.0#	12.5-14.0#	12.5-14.0#	12.0-13.0#	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0	7.0-10.0
CP: Primary market (90 days)	13.50-14.25	13.50-14.25	13.00-15.00	13.00-15.00	13.00-13.75	13.00-13.75	14.00-16.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00
Secondary: DFHI (Discount rate)	16.00	16.00	16.00	15.5-16	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50
Secondary: market/NSE	12-13	12-13	12-13	12-14	13.45	14.00	14.25	14.5-18	13.45	na	na	na	11.50
CDs: Primary market (one year)	13.00-14.00	13.00-15.00	13.00-15.00	13.00-15.00	13.00-15.00	13.00-15.00	13.00-15.00	11.25-11.50	11.25-11.50	11.50-11.75	11.50-11.75	11.50-11.75	11.50-11.75
Secondary: DFHI (Discount rate)	14.00	14.00	14.00	13.5-14	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
Inter-corporate deposits (30/90/180 days)	14.5-19.00	14.5-17.50	14.5-17.50	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00	14.00-17.00
UTI-1964 Units (Week-end secondary market price in rupees)	17.63	17.63	17.63	17.63	17.63	17.63	17.73	17.77	17.80	17.75	17.74	18.08	18.36
Hundi Rate	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Memorandum Items:													
(i) Forward premia on the US dollar in the domestic inter-bank market (annualised in per cent per annum) (Weekly average)													
Spot/Cash	5.09	4.95	5.82	4.66	13.83	3.64	10.19	14.93	3.27	2.69	6.04	3.20	1.64
One-month	6.62	6.46	5.47	5.45	5.98	5.53	6.10	4.34	3.77	4.29	4.65	3.90	3.25
Three-month	6.43	6.57	6.49	6.34	5.82	5.45	5.34	4.66	3.99	4.37	4.73	4.11	3.96
Six-month	6.40	6.62	6.51	6.30	5.74	5.32	5.24	4.49	3.98	4.31	4.42	4.13	4.01
(ii) Havalas Rate (Rs/US\$)	36.00	36.00	35.50	35.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50	34.50

... no trading * no auction na not available (-) no floatation YTM = yield to maturity \$5 All bids were rejected # only for 30 days RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period.

No Right to Vote

A G Noorani

How can the election officials explain the deletion from the 1995 electoral rolls of persons who had diligently exercised their franchise in every election since independence? Instead of admitting their lapse, they are using Form 6 as provided under the Registration of Electors Rules as a fig-leaf.

THE impressively high turn-out of voters should not obscure the fact that, as *The Times of India* reported on February 13, "tens of thousands of legitimate voters from several localities, most of them photo-identity card-holders, could not vote because their names did not figure in the 1995 electoral rolls". The chief electoral officer of Maharashtra, D K Shankaran, had a ready explanation for this: "The decision of the polling officer to restrain them from exercising their franchise was correct. The first list of voters was published in July 1994, after completing the work of photo identity cards. As per the directives of the election commission, the electoral register was revised in 1995 and necessary instructions were given to the entire electorate to ensure that their names were in the latest register. The names of such voters who did not bother to help the administration to update the electoral register did not figure in the latest list."

The returning officer, B R Pokharkar, provided the details. Identity videography began in September 1994 on the basis of the January 1994 electoral rolls. But a fresh enumeration of voters was done between July 15 and August 28, 1994. The fact was widely publicised. Voters were asked to ensure that they figured in the new electoral list. If not, they were asked to fill up Form 6. The new electoral roll was publicised between October 25 and November 24, 1994. The 1995 electoral rolls were frozen on January 7, 1995. Added Pokharkar, "Most voters become aware of this only on voting day. They do not care about the procedure on time." The onus was, therefore, on the voters who did not care enough to verify the fresh rolls after October 24, 1994, according to the returning officers of all constituencies which reported a fair number of deleted names.

Some arrogance and insensitivity! It was compounded by plain silliness:

When our enumerators ring their door-bells, first the dog appears at the door,

then the servant who promises to fetch the 'mehsaheb' only to come back and say she is resting and cannot be disturbed. What, then, are we supposed to do?

How many in Bombay keep dogs and have 'mehsahebs'? It is men like Pokharkar who give the bureaucracy a bad name for indifference to citizens' problems. Be it remembered that this time around political parties did not distribute polling slips or cards with the voters' names and numbers on the electoral roll, the addresses of the polling booths, etc., to the extent they did formerly.

Other election officials spoke in a similar vein. "All this happens due to ignorance and lethargy on the part of the voter", said Uttam Kholvagade, Bombay suburban district collector. One wonders how to characterise the failure to deliver photo identity cards to voters who did bother to get themselves photographed. Or, for that matter, the deletion of names of 'tens of thousands' of voters. How do these officials explain the deletion from the 1995 roll of persons who had diligently exercised their franchise in every election since independence? Whose 'ignorance and lethargy' were responsible for the denial of their right to vote in 1995, theirs or the election personnel's?

The Representation of the People Act, 1950 provides for the preparation of electoral rolls and registration of voters. Section 22 provides for correction of entries in electoral rolls by the electoral registration officer. It obligates him explicitly to "give the person concerned a reasonable opportunity of being heard" if the officer purposes, *inter alia*, to delete his name.

Section 23 enables a person whose name is not included in the electoral rolls of a constituency to apply to the electoral registration officer for the inclusion of his name in that roll. Section 28 confers on the central government power to make rules. Section 30 bars the jurisdiction of civil

courts. But this affects only civil suits. No statute can affect the writ powers of the high courts under article 226 of the Constitution.

The Registration of Electors Rules, 1960 provide the details. Rule 13 prescribes Form 6 for persons claiming inclusion of their names. Is it seriously suggested that the entire electorate should lay siege to the office of the electoral registration officer to see whether their names are included or not? The law does not dispense with the need for exercising intelligence while construing a statute. The law is based on the supposition that officials as well as citizens act with due sense of responsibility. In any case, there is no justification for any deletion without notice. Highly educated persons of known civic commitment say that they received no such notice and that they had exercised their franchise in the past. Obviously, it is the electoral registration officer's men who have bungled. Instead of admitting that, senior officials are using Form 6 as a fig-leaf to conceal their lapse.

The fact that the law is deficient in providing redress makes matters easy for them. In India the right to vote or to stand as a candidate for election is neither a fundamental right nor a civil right, but a statutory right exercisable in the manner laid down in the statute. Article 325 of the Constitution provides only that no person shall be ineligible for inclusion in an electoral roll on grounds only of religion, race, caste or sex. It provides against disability on these grounds. It confers no right as does the International Convention on Civil and Political Rights in article 25(a). It says: "Every citizen shall have the right and the opportunity... without unreasonable restrictions... (a) to vote and to be elected at genuine periodic elections..." India has ratified this covenant and is bound to account periodically to the Human Rights Committee, established by the covenant, for observance of the provisions of the covenant.

In the meetings of the Constituent Assembly's advisory committee on fundamental rights, minorities, and tribal and excluded areas, B R Ambedkar was emphatically of the view that adult franchise and all provisions for its free and fair exercise should be in the nature of fundamental rights. All except Rajaji agreed with him. But eventually Rajaji carried the day - to our loss.

Resource Mobilisation for New Welfare Programmes in Andhra Pradesh

J V M Sarma

The recent election outcome in Andhra Pradesh does reflect the popular mood to have safety net schemes for the poor in the wake of the liberalisation and globalisation programmes taken up by the central government. However, unless fundamental changes are brought about in the state fiscal administration along with proper targeting and rationalisation of the rice subsidy scheme, it is extremely difficult to cope up with the impending fiscal crisis. In a way, the present crisis should be welcomed as it has created a sense of urgency to speed up the process of the long-pending fiscal reform in the state.

THE welfare schemes announced by the new government in Andhra Pradesh have raked up considerable controversy. The food subsidy scheme in particular, popularly known as the 'two-rupee-kilo-rice' scheme, is seen in some circles as an election stratagem used by the Telugu Desam party to capture political power. While it is debatable whether the election success can be entirely attributable to the promise of rice subsidy since the Congress Party had also promised a similar scheme albeit on a modest scale, in a broader sense, the outcome does reflect the popular mood to have such safety net schemes in the wake of the liberalisation and globalisation programmes taken up by the central government.

The question is how far the rice subsidy scheme, along with the other equally important welfare scheme promised by the new government, namely, prohibition, is implementable in the face of the rather precarious financial position of the state. This note is aimed at exploring the possible alternative ways of raising the resources for these schemes without unduly affecting the longer term developmental activities in the state.

In a way, the present crisis should be welcomed as it has created a sense of urgency to speed up the process of the long-pending fiscal reform in the state. Unless fundamental reforms are undertaken on the revenue and expenditure fronts, along with proper targeting and rationalisation of the rice scheme, it is extremely difficult for the state government to cope with the impending fiscal crisis.

NEED FOR NEW WELFARE PROGRAMMES

It is well recognised that during the initial years of the economic reforms, the poor would be the hardest hit and that social safety nets are required to protect them from the possible adverse impact. The two most important threats from which the poor needs protection are inflation and unemployment.

Several measures were introduced during the last three years in the union budget as part of the structural adjustment and globalisation policies with a view to encouraging industrial growth; steep reduction in customs duties on industrial raw materials and in excise duties, introduction of *ad valorem* duties, lowering of interest rate, reduction of corporate tax and income tax relief. All these measures have led to huge budgetary deficits. The burden of the deficit-induced inflation is felt more by the poor. Added to this is the pruning of the subsidies by reduction in the allocation for irrigation, reduction of subsidies to small and marginal farmers, and the upward revision of the administered prices of several commodities.

Consequently, although the inflation rate was earlier brought down from a peak level of 17 per cent per annum to a reasonable 10 per cent, during 1991-92, 1992-93 and 1993-94 the wholesale price index has risen by 12 per cent, 13.25 per cent and 9.5 per

cent, respectively. Whether there will be any further price rise in the future remains to be seen, but the situation as it exists today already causes alarm.

As regards the unemployment situation, if the experience of countries following the World Bank models is any indication, the capital intensive technological upgradations adopted as part of the new economic policies have worsened the unemployment situation in the country. It is observed that during the past decade and a half, while the rate of growth of gross domestic product has gone up from 3.5 to 5.3 per cent, the employment growth has fallen from 2.8 to 1.6 per cent, the decline being even sharper in agriculture, from 1.8 to 0.07 per cent. It is estimated that every year roughly 8 million persons enter the job market in the country.

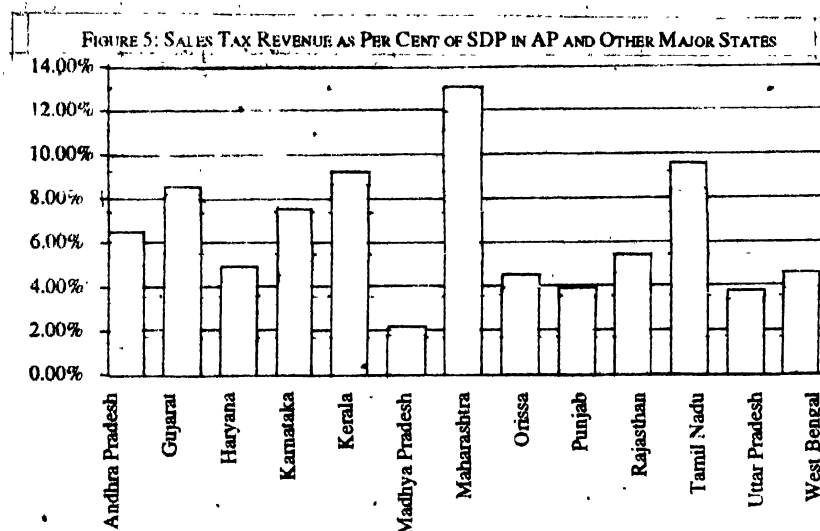
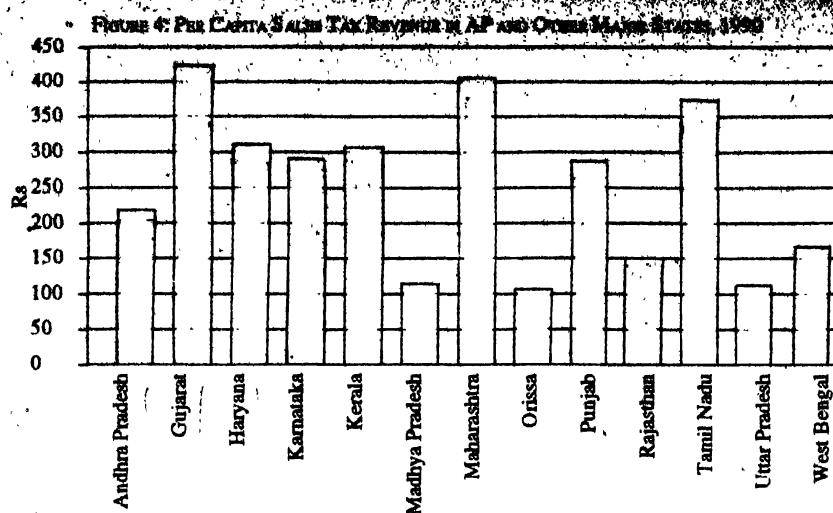
Although we are assured by the government that the price rise and the growth of unemployment is a short run phenomenon, there is need to reorient the policies towards minimising the burden of inflation on the poor and also have a clear focus on employment generation. The government has recognised the need for a human face even at the time of the commencement of the structural adjustment programme. It in fact set before itself as one of the most important tasks, "to address more effectively the problems of poverty, unemployment and social deprivation which affect a large mass of our people, particularly in rural areas."

The consequent enhancement of the budgetary allocations to rural development programmes, especially during 1994-95, do reflect the government's concern. A large part of the increase in the outlays on rural development programmes is in the nature of schemes for providing social security for that segment of the population which is discriminated against in the development process.

TABLE 1: STATUTORY AND EFFECTIVE SALES TAX RATES IN AP
(By Important Revenue Yielding Commodities)

(Per cent)

No	Name of the Commodity	Effective Tax Rate (tax revenue/ gross turnover)	Statutory Basic Rate	Combined Tax Rate with Additional Tax of 1.5 Per Cent and Surcharge of 10 Per Cent
1	Petroleum products	15	18	21
2	Cement	6	10	11
3	Fertilisers and bone meal	3	3	3
4	Electrical goods	4	10	11
5	Drugs and medicines	3	8	9
6	Others	2	6	6
7	Tyres and tubes	8	7	7
8	Cosmetics	5	10	11
9	Machinery	4	6	6
10	Paper	3	7	7
11	Tea, coffee	5	6	6
12	Chillies	4	5	5
13	Edible oils	2	6	6



First, the per capita sales tax as also the ratio of sales tax to GDP in AP are just about average compared to other states (Figures 4 and 5). The large agricultural content and primary sector content which, for various reasons, is either exempt or taxed at a very low rate, could, but partly, explain the low level of taxation.

Second, the effective tax rates (tax collections as proportions to corresponding gross turnovers) in respect of several commodities are considerably lower than the corresponding statutory tax rates derived by combining the different components, namely, the basic tax rate (GST), the additional tax rate, and the surcharge. The wide difference between the statutory and the effective tax rate is partly due to the plethora of exemptions, incentives, etc. This, however, is not to suggest that all the exemptions and incentives should be done away with as they reflect various social welfare objectives of the state. However, reviewing and restructuring of these exemptions and incentives may yield substantial additional revenue.

Third, the report by Sarma, Bagchi and Mehta⁴ as well as the Interim Report of the Chelliah Committee⁵ contain recommendations for various measures of rate rationalisation. While the former suggested merging of the additional tax and surcharge and combining into one tax rate for each commodity group, the latter has recommended regrouping of commodities to reduce the number of tax rates to four, and adoption of VAT system. Rough calculations show that a four-rate (4 per cent, 9 per cent, 11 per cent and 13 per cent) and a special rate of 27 per cent for petroleum products, a VAT system, with drastically reduced incentives and exemptions can generate substantial additional revenue (Tables 1 and 2). The rate-rationalisation will also bring about the much needed transparency in the tax system leading to improved tax compliance and higher revenue. It can be seen that these proposed rates are not much different from the present rates and also those proposed by the Chelliah Committee in its Interim Report. Thus, the time is

opportune now to bring about the much needed higher tax rationalisation.

Agricultural income or holdings base contains some scope for widening the tax base in many states including AP. As noted above, an important reason for the low per capita sales tax or the low sales tax to GDP ratio in AP as compared to industrialised states such as Gujarat and Maharashtra is the large content of agricultural commodities in the sales tax base and the relatively lower sales tax rates on such commodities. Commodities like rice and cereals come under the category of 'declared' goods the rates on which are not allowed to exceed the central sales tax rates. Consequently, states such as AP with large agricultural base are at a disadvantage.

Also, the only tax touching the agricultural sector so far has been land revenue, the productivity of which over the years has dwindled to a negligible level in AP. One way to compensate for the low sales tax potential from the agricultural sector and for the loss in land revenue is to levy the agricultural income or holdings tax in the state. While there exists near unanimity on the need to impose heavier taxation on the agricultural sector, it is surprising that a workable mode of taxing the agricultural sector has not yet been found. The tax as recommended by the Raj Committee⁶ no doubt involved many administrative problems. But nothing prevents the state governments from making innovations such as the one suggested by Bagchi.⁷ In spite of various schemes and modifications suggested, the state government's reluctance to go for agricultural taxes has to be attributed to political compulsions.

The scope for improving the revenue from other tax sources such as the stamp duties, motor vehicles tax and entertainment tax as also from the non-tax sources is very little.

Notes

- 1 Union Budget Speech, 1994-95.
- 2 J V M Sarma and N Sreedevi, 'Fiscal Imbalances in Andhra Pradesh', *Asian Economic Review*, August 1994, p 231.
- 3 Government of Andhra Pradesh, 'Note on Finances of the State', December 23, 1994, Hyderabad.
- 4 J V M Sarma, S Mehta and A Bagchi, 'Sales Tax System in Andhra Pradesh: A Study', National Institute of Public Finance and Policy, New Delhi, 1989.
- 5 Government of Andhra Pradesh, *Interim Report of the Expert Committee on Tax Reforms in Andhra Pradesh* (Chairman: R J Chelliah), April 1994.
- 6 Government of India, *Report of the Committee on Taxation of Agricultural Wealth and Income*, Ministry of Finance, New Delhi, 1974.
- 7 A Bagchi, 'Agricultural Holdings Tax: A Modified Scheme', *Economic and Political Weekly*, April 24-May 1, 1978.

Restructuring Banks' Capital

Need for an Integrated Approach

N P Kurup

Restructuring of banks' capital has to be done after a careful consideration of all the implications and not as part of hasty, half-baked schemes of partial privatisation. An outline of an integrated scheme for banks' capital restructuring.

TO get out of the muddle of partial privatisation, about which I wrote earlier (EPW, September 10, 1994), the government has promulgated the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Ordinance on January 21. The ordinance became urgent to facilitate finalisation of the balance-sheet and profit and loss statement of Punjab National Bank, which unwittingly became a victim of structural reforms in the banking sector. On the merger of New Bank of India with PNB in September 1993, PNB came to be saddled with New Bank's accumulated losses of about Rs 430 crore. The perfunctory amalgamation scheme contained no provision about the manner in which the losses have to be absorbed. But PNB took a firm stand that notwithstanding the 100 per cent government ownership of both the banks, the losses should be borne by the government retrospectively from the date of merger. Pending acceptance of its demand, the bank did not finalise its accounts as on March 31, 1994.

The ordinance conceded PNB's demand. The special provision meant for PNB in the ordinance is that the loss arising out of amalgamation of another bank can be reduced from the capital with retrospective effect from the date of merger. It is the ordinance that enabled Rashid Jilani, CMD of PNB, to announce at the belated inauguration function of the bank's centenary celebrations held on January 28 that the bank will be showing substantial profits during 1993-94. Referring to the situations like the one in which PNB was placed, I wrote in September that "in such situations, the chief executives of the organisations have a wider responsibility going beyond complying with the wishes of the government; they have to display qualities of professional leadership of the organisation" (EPW, September 10, 1994). Rashid Jilani rose to the occasion and deserves all compliments, for a still more important reason also. At the function, addressing a gathering of about a thousand people, none of whom was below the poverty line, the PNB chairman stated in

the presence of union finance minister and RBI governor that poverty alleviation lending is not contradictory to profitability of banks. What the country needs is the PNB model of socially responsible and profitable banking and not one decrying social responsibilities and reciting the mantra of profitability and privatisation.

The ordinance envisages reduction in bank capital by three authorities. It empowers (1) the central government, in consultation with the RBI, to cancel capital of wholly-owned government banks against their losses; (2) the boards of directors of government banks, after consultation with RBI and with the previous sanction of the government, to repay paid-up capital which is in excess of the wants of the bank; (3) the shareholders of a partially-privatised bank, by a special resolution passed with a minimum of 75 per cent majority, to cancel capital against its loss or repay excess capital. The reduction in capital under all the clauses should not exceed 75 per cent of the paid-up capital as on the date of the ordinance.

Newspaper reports indicate that on the issuance of the ordinance, banks have rushed to RBI with their proposals for capital restructuring. As I understand the problem, there is no urgency, except in the case of PNB, necessitating *ad hoc* decision without a thorough study of the various issues involved. The four major factors which need consideration are (1) the nature of the loss to be wiped out, (2) the special features of the capital to be reduced, (3) the purpose for which capital is to be reduced, and (4) the competence of the bank management to achieve the objective of capital reduction in harmony with achieving the other objectives of the bank. Let us examine the four factors in some detail.

During the two years ending March 1994, the loss incurring nationalised banks incurred a total loss of Rs 8,767 crore. Of this, provisions claimed Rs 7,712 crore and operational losses Rs 1,055 crore. The bank managements, which did not follow even a modicum of norms for income recognition

and provisioning cannot be expected to follow the newly introduced norms also in their true spirit. Their mindset remaining the same, such managements jump to the other extreme of making excessive provisions. Citing a top executive of a bank with accumulated losses of over Rs 1,400 crore, a writer has mentioned the case of a dispute of about Rs 30 crore in an account in the bank. The bank has provided Rs 50 crore in the account despite auditors making it clear that no provision was needed. Further, apart from excessive provision in individual accounts, the bank has created a contingency provisioning fund by way of surplus provisioning. Such a policy has been adopted, we are told, to take care of future losses in advance and also to increase future profits by write-back of provisions. Therefore, what the bank management has done is to nationalise future losses when the bank is expected to be in partial private ownership and privatise current profits when the bank is fully owned by the government — a case of privatisation of government profits and nationalisation of private losses. The RBI and the government have to take note of the above character of provision-related losses and the lack of commitment to professional values displayed by such managements. Apart from the excessive provisions, substantial part of the current legitimate provisions and operational losses resulting from non-recognition of income is expected to be written back either by conversion of non-performing loans into performing category needing no provision or by recovery from borrowers.

The government has recently established many debt recovery tribunals to facilitate prompt recovery of dues to banks. The suit-filed cases involving Rs 10 lakh and above with public sector banks liable to be transferred to the tribunals numbered 10,595 on August 1, 1993. Based on information on the amount involved in such cases with four nationalised banks, the total amount involved for all nationalised banks may be estimated at Rs 4,677 crore. As compared to profit-making banks, the loss-incurring banks have a higher proportion of suit-filed cases falling within the jurisdiction of the tribunals with better chances of recovery. It appears correct to say that many bigger borrowers have become wilful defaulters taking full advantage of weak bank managements. Wiping out the losses of banks by the government will significantly eliminate the necessity for recovery from borrowers and will hamper the emergence of strong professional managements in banks. The reasons which the RBI adduced against the Janata

government's Agricultural and Rural Debt Relief Scheme (the government paid Rs 2,158 crore against a claim of Rs 2,833 crore made by public sector banks) and the Narasimham committee's recommendation for establishing an Asset Reconstruction Fund to take over bad and doubtful debts are valid here also. The point I wish to make is that cancellation of capital against loss has to be done after a careful consideration of all the implications and not under hasty, half-backed schemes of partial privatisation.

Conceptually, the reduction in capital should be related to the irrecoverable loss out of the provisions. One way to arrive at the figure of write down of capital against loss is to restrict it to the loss written off by banks out of the gross NPAs as on March 31, 1993. The RBI should study the write off and recovery experience of banks with regard to NPAs as on March 31, 1993 and formulate guidelines for cancelling capital against loss rather than creating opportunities for administrative discretionary decisions. Rule-based decisions are required if professionalism is to be developed, both in the supervisory and supervised organisations.

The ordinance empowers the shareholders of partially-privatised banks, either with or without extinguishing or reducing liability on any of its paid-up shares, to cancel any paid-up capital which is lost, or is unrepresented by available assets; or pay off any paid-up share capital which is in excess of their requirements. The power may be exercised from time to time. The objective of the clause, it appears, is to reduce government shareholding in stages. The objective is laudable, but I have a doubt. As I understand, after share capital is raised from public, all shareholders, namely, government and private, have equal rights and obligations. Under such a situation, will it be possible to say, even with the consent of the government, that only government-owned capital is lost or unrepresented by available assets or in excess of the wants of the bank?

Before taking up the problem of repayment of capital, let us look into the special features of the government contribution to the capital of banks. At the time of contributing capital to banks, government asked the banks to invest the funds in special bonds so that the capital contribution does not entail immediate funds outflow. Initially, the bonds were perpetual non-tradable securities at 7.75 per cent interest. On subsequent occasions, 10 per cent tradable bonds redeemable in instalments were issued. On reducing the government capital, the funds invested in

the bonds will become delinked from the government contribution to bank capital. It will become bank's own funds invested in very low earning securities without justification. A solution to the problem is to convert the 'Recapitalisation Bonds' into tradable bonds at market rates of interest but redeemable in instalments. The resultant lower demand for government securities from banks for SLR purposes could be managed by slowing down the pace of reduction in SLR and widening of the market for government securities. A suggestion to meet the higher interest payments on the converted securities is given below.

The ordinance enables the profit-making banks to reduce government capital by repaying it. As the contribution to the capital was tied to its investment in low earning 'Recapitalisation Bonds', there is a strong case for linking repayment of capital also to the same bonds. Nevertheless, it was suggested in the earlier para that they should be delinked, largely to the advantage of weak banks. As the objective of capital repayment by strong banks is to increase earning per share so as to get a high premium per share while issuing shares to the public — in excess of its wants is only a legal fiction — the capital repayment should be at a premium. The premium for repayment of capital should be fixed as a percentage of premium on public issues.

From the foregoing analysis, an outline of an integrated scheme for the capital restructuring emerges. To sum up:

- (1) India needs a commercial banking system which is socially responsible and profitable. The experience of many banks in the country shows that poverty alleviation lending is not contradictory to profitability under strong, professional work culture.
- (2) In any scheme of capital restructuring of banks, the first requirement is to delink bank capital from the 'Recapitalisation Bonds' by converting them into marketable bonds at market rate of interest and eligible for SLR purposes, but repayable in instalments. The consequent reduced demand for government securities from banks may be managed by slowing the pace of reduction in the SLR ratio.
- (3) The repayment of government capital by banks should be at a premium fixed as a percentage of the premium to be charged while issuing shares to the public. The percentage should be uniform for all banks. This will partly compensate the government for the additional interest on converted bonds.
- (4) For partially-privatised banks, no cancellation of government capital is envisaged. This will reduce the scope for speculation in their shares.

(5) For weak banks with substantial losses, the primary requirement is to strengthen the management and work culture so as to ensure that they can become profitable and socially responsible banks in a competitive environment. They should strive hard to become profitable on current operations after meeting the current provisions.

(6) The write back of provisions relating to NPAs as on March 31, 1993 will be excluded while assessing a bank's turn around.

(7) The cancellation of government capital will be against the irrecoverable losses out of the gross NPAs as on March 31, 1993. Such cancellation will be done from time to time.

(8) The ploughback of the profits and the cancellation of capital against irrecoverable losses will substantially reduce the losses and increase the real capital of the banks. Only after a bank demonstrates its strength to manage the affairs of the bank profitably and with the social responsibility expected of it, it will be permitted to approach the capital market for equity capital.

(9) Under the above framework, it will not be possible for all banks to achieve the minimum capital adequacy ratio by March 1996. While there will not be a general extension of the date, the RBI will give exemption to individual banks for a specified period depending upon the position of each bank.

(10) For the interim period, extremely weak banks will be provided with Tier II capital support by government. Banks may also raise Tier II capital from the market.

There may be disagreement over the elements of the integrated policy frame outlined above, but the need for an integrated approach is beyond dispute. Even the finance minister underlined its need when he said, on the occasion of the centenary celebrations of Punjab National Bank, that privatisation of the economy should be based on rule-governed systems involving the laying down of objective and publicly-stated criteria and guidelines for the conduct of regulatory authorities. Formulation of an integrated policy for the nationalised banks, which are under his direct control, will add credibility to the finance minister's observations.

Economic and Political Weekly

available from:

Ritz Hotel Book Stall

Ritz Hotel

J T Road

Churchgate

Bombay-400 020

'Once Upon A Language'

Peggy Mohan

Literary Urdu is not adapted, in India, for modern discourse of a technical nature. So you choose: if it is emotional it will be in Urdu; if it is scientific it will be in Hindi; if it absolutely must be in common 'Hindustani', it will be trivial and depthless. You mustn't jump from branch to branch of this language tree. But intuition and fearlessness have a way of cutting through these man-made strictures.

SOMETIMES it takes nothing short of all your dreams coming true for those dreams' inner hollowness to come to light.

I was taken to see Alkazi's 'Three Greek Tragedies' (Hindustani adaptation: S M Mehdi; direction: E Alkazi) with the simple brief of finding and exposing what was 'wrong' with the language of the script. My companion confessed that she could never follow the language used in Alkazi's adaptations of European plays. This time they were calling it 'Hindustani'. I was to find a way through the jungle of terminology – Hindi/Urdu/Hindustani – and to psychoanalyse what Alkazi was up to this time.

But in less than five minutes I was utterly hooked by the script-writer's spell. The language was alive, and it glowed. It was not 'easy', nor was it meant to be. One could ride alongside Mehdi-Sahab's struggle as he tossed between the limitations of his audience and the minimum demands of a language which has to deal with complexity. And in the end he chooses to look on his audience as any elder in an educated Urdu-speaking family would look on its children: he decides that we will find our way, and that the words and phrases we might miss would at least stir a memory. We would feel 'at home' with him, drinking in the familiar but elusive language of 'adults'.

And what he means by 'Hindustani' is another bright surprise. There is no way he could have trivialised the depth in the original plays by rendering them in the 'Hindustani' of superficial domestic conversation or of Bombay films. The only languages before him with that amount of range and depth were literary Urdu and literary Hindi. Of these two, literary Urdu was the one that truly felt and breathed. But, as anyone writing a script today knows, literary Urdu is not adapted, in India, for modern discourse of a technical nature. So what normally happens is that you choose: if it is emotional it will be in Urdu; if it is scientific it will be in Hindi; if it absolutely must be in common 'Hindustani', it will be trivial and depthless. You mustn't 'jump' from branch to branch of this language tree.

But intuition and fearlessness have a way of cutting through these man-made strictures. The 'what if' of a younger, more timid writer materialises here as a healthy hybrid Hindustani that takes depth from both literary

Urdu and technical Hindi. And all of a sudden one sees it: 'yes!' Instantly one can recall the faces of all those thoughtful souls who really *do* live their lives in this kind of language. It's just that it could not be contrived: it had to come from the heart. Like his breathtaking phrases in Persianised Urdu which burst forth like 'alaaps' from a singer who knows he is way beyond his audience, but, who must run-swift-run-free in order to feel: it had to come from the heart.

But why, you ask, did he have to outstrip his audience especially when he *knows* the extent of our linguistic impoverishment? Well, the problem doesn't begin at script level. To refocus: why is *the director* so doggedly insistent on adapting abstruse Greek Tragedy, or any other 'approved' European genre, for that matter, into Hindi or Urdu? Why this morbid need to 'be Indian' about something so undeniably foreign? For, much of the mismatch that damns Alkazi's productions, with their awkward Nordic costumes and mouth-splitting names on a warm Brown language, is there because he insists on reliving the White Man's ready-made experience and thrusting it roughly at the Indian elite through the proxy mode of translation. He has always felt safe, with his White security blanket, safe enough to press serious script-writers into the less-than-worthy enterprise of 'dyeing' it to present to us as an Indian 'purdah', in shades of linguistic saffron and green.

I am not the only one to mount this attack on Alkazi. But earlier I used to wonder: how is he so invulnerable to this constant drone of criticism? Is he carved in granite? And there it was: granite. The ultimate male director's refuge, an overdose of masculine 'yang'. 'I must be strong and stick to my way because if I fall I will never get up again.' But it is *normal* for artists to fall, again and again, but we just know we have to get back up, shaken, humbled, *educated*, by these shocks. We *learn* because we allow negative experience to transform us. We grow and change *because* we are vulnerable.

If there is one nightmare which has the power to paralyse me with fright, it is of finding myself on a set, directing a script in an Indian language I feel unconfident in, wondering what the crew thinks of my presence in the production, too 'locked' to reach out and *lead*, seeking solace in mere

technological expertise. But the dream ends happily – I am dashed to pieces by my own crew and reborn as a director who can 'feel' the language of the script. Alkazi's rock-like façade has allowed him to *remain* the fully-formed foreigner who once came to India, and this, *this* is what has made him hold back and resist 'inflicting' his own human warmth on an 'Indian' production. Alkazi solved his nightmare by encasing it in an intimidating level of literary Urdu: intimidating both to the crew and the intended audience. But, of course, you cannot *create* in a medium you do not feel you 'own'. You can only exist on borrowed ideas, and manipulate outer form by remote control. But – you can never be said to 'fall'.

And what about the fakeness of an elite Indian audience who pretends and pretends to understand and enjoy what is 'ours' in a tiresome game of 'ghar-ghar', since French-watch-plays-in-French, and Chinese-watch-plays-in-Chinese, and English-watch-plays-in-English? It is ironic, but we are probably the only audience left on earth that struts into the hall in fancy non-western designer-clothes – sarees, shalvar-kameezes, khadi kurta-pajamas, pashmina shawls – and the only audience on earth that ends up feeling inadequate on account of our diffidence about our 'own' language. It was not Mehdi-Sahab's decision to stage 'Three Greek Tragedies' in Hindustani. His was only the artist's task of writing the very best possible script given the absurdity of the situation and the falsity of the audience that must be the patrons of his inspired work.

Falsity. Because I *know* I will have to hear the indignant whine that 'most of us actually understood everything'. And with this self-deception the downside within us will only go on. Because I *know* that if I 'froze' some of the phrases in the script and asked this audience to explain, I would get, at best, a glimpse of meaning shrouded in mist and uncertainty. I *know* they do not read novels in Urdu. I *know* they do not read newspapers in Hindi. Yes, there are many-many people all around us who *do*, but we have done our best to disempower them and render them invisible. Invisible and unconfident. There is no other way for us to make sure that all the goodies of globalisation come to us alone. And our penance for this selfishness and iconoclasm is that we will roam the earth half-blind to a beauty that only the 'invisible' among us can truly enjoy.

This is not just my imagination: I have heard that the young cast of actors had precisely *this* honest reaction when confronted at first with the script. But, amazingly, they were given the power to change anything 'too difficult' – provided it did not lose the meaning and rhythm of the original script. So these representatives of modern India 'lived with' the script as a flexible thing, and played around with it, only to fall under its spell in the end, as I

did. They decided to change nothing, because they understood, in the end, that any lesser script would fall far short of what the original version demanded, in terms of complexity, sophistication and beauty. And *this time* one was amazed to hear a cast one had heard before enunciating Urdu scripts as though they were awkward gymnastic exercises, *this time* dripping language in shades of love. The sense of alasp in the beautiful Urdu phrases came as much from the actors as from the script-writer.

Some ancient Buddhists have likened enlightenment to the cracking of a mirror, allowing man a glimpse of a truer reality behind it. For the same reason, the ancients were wary of perfection, because a perfection in just one tiny sector of reality could not

fail to show up the other workings every where else. My last review of an Alkazi effort was easier to write. The script-writer, then, was different. And the script, then, was bad, the language unliving. In 'Three Greek Tragedies' Mehdi-Sahab has removed that as a factor in my reckoning. And now the arrow of blame points straight back at me, and at the director, and at the rest of the audience, for the silly games we have been playing up to now.

And I am left here remembering one glimpse, long ago, of Mehdi-Sahab sitting in his timeless-looking room with his books, his eyes shining with the compelling clarity of innocence, and I wonder if the world in his language was not a better world, after all.

Domestic food shortages, therefore, reveal tensions have grown and are bound to grow further, initiatives in policy-making and determining the direction of the economy have passed into the hands of the owners of foreign capital and their global institutions. Investment flows and price movements have aimed at restructuring the economy in tune with a design for aggravating income disparities and opening up the Indian market for foreign capital, goods and services. Prices of specific commodity groups and fiscal concessions have been so adjusted as to increase the purchasing power of the elite segment of the population for the high priced goods and services. It has now been established that the percentage of the population below the poverty level has grown, the middle classes have been squeezed and those enjoying affluence, a very small number, have become more affluent.

Import of sugar and recently also of edible oils has suddenly been found to be a soft option by the government because of the burgeoning exchange reserves which it is unable or unwilling to use to step up investment and promote growth of the economy. With inflation touching higher and higher levels week after week and no sign of the budgetary deficit, especially the revenue deficit being brought under control, the budget of the union government to be presented in the middle of March is obviously posing severe dilemmas for the union finance minister. Manmohan Singh, in addition, has to reckon with crippling political-electoral constraints. He has been 'advancing false alibis for the failure to achieve macro-economic stabilisation and promote growth impulses in the economy. Rather than admit the inherent contradictions and infirmities of the so-called economic reform programme and the methods adopted by the government to implement it, he has sought to blame the 'slippages' in the performance' of the economy in the last three and a half years on exogenous factors. The large buffer stock of food grains and the build-up of the foreign exchange reserves may still be applauded by interested quarters to be a bright patch in an otherwise grim economic scenario. But the food stocks and the exchange reserves are not likely to be used as real assets for price stabilisation or for promoting growth and generating employment. The only way to price stability and economic growth is to enhance the rate of domestic saving and step up investment under a well-conceived order of priorities, economic and social. The rate of domestic saving has actually declined under the economic reforms regime. Despite the diversion of saving to the private corporate sector through the mechanism of stock exchanges and trading in shares and stocks, investment in the economy remains subdued.

The upshot of these conditions is a further shrinking of already small demand in the domestic market - small relative to the needs

NEW DELHI

Inflation: Finance Minister's Forgotten Promises

B M

Official policy is now guided by the notion that there is no way, at least for a long time to come, to pull the economy out of the mire of stagflation. It has, therefore, settled for keeping inflationary pressures within what may be just tolerable limits for the upper and middle classes, though the mass of the people are hit hard.

THE inflation rate showed a declining trend for a brief period after the launching of the market-oriented economic reforms in the middle of 1991. But it started climbing up again from as far back as the middle of 1993-94. Administered prices of several sensitive commodities, among them food grains and petroleum products, had to be raised under the new policy dispensation. Side by side, the fiscal deficit of the government had to be cut, which drastically scaled down investment in both the public and private sectors. There have, therefore, been fluctuations in the rate of inflation. But the general tendency has been for the rate to go up. The upward pressure on prices is now gaining momentum because the policy options of the government have become more and more circumscribed for economic as well as political reasons. This is indeed very disconcerting for the Congress party when the general election to the Lok Sabha is due little more than a year hence and is causing much disquiet among Congress supporters whose ranks are fast thinning as can be seen from the results of the state assembly elections.

Finance minister Manmohan Singh promised in the middle of 1994 that he would bring inflationary pressures under control within three months, well before the end of the year. This promise held good for hardly three months. Afterwards, he seems

to have become totally indifferent to the rise in the inflation rate. He has become a helpless spectator for the simple reason that the assumptions on which he was relying have turned out to be misplaced. Market forces obviously do not in general work in the interests of the consumers in underdeveloped economies, especially the mass of consumers with low incomes. Owners of capital, the producers and traders, however, find easy opportunities to enhance their profits under market-oriented policies. Manmohan Singh seems to have reconciled himself fatalistically to this position. Official policy is now guided by the notion that there is no way, at least for a long time to come, to pull the economy out of the mire of stagflation. It has, therefore, settled for keeping inflationary pressures within what may be just tolerable limits for the upper and middle classes, though the mass of the people may be hit very hard, even as the rate of economic growth remains sluggish.

The notion that fiscal concessions for the private corporate sector and the middle classes would give positive results and boost investment and growth too has turned out to be fanciful. The upshot of the market-oriented adjustment policies has been helpless dependence on massive inflows of foreign capital to provide investment funds and supply of goods to meet expectations of a thin top stratum of the population. This has been the experience of other developing

of the mass of the people. This is bound to discourage market-oriented investment, even in the private sector, by both Indian and foreign business interests. Side by side, public authority has lost the ability as well as willingness to mobilise resources for investment – either for education, health services and development of human resources, as loudly promised, financial or for augmenting supplies to satisfy essential consumption needs. Investment in energy, transport and intermediate goods to strengthen and enlarge the material infrastructure for growth too has been grossly neglected. It will be misplaced to expect that the budget for 1995-96 will reverse these trends. It is more likely to be inspired by gross political opportunism, especially so after the electoral setback for the ruling party and in view of the general elections to the Lok Sabha which are due to take place in early 1996, if they do not have to be advanced to sometime in 1995 itself. The budget will further expose the total poverty of leadership of the union government. There will be a side-stepping of all meaningful policy initiatives. Even those who glibly talk of a populist budget to win votes may find themselves disappointed. All that may be proposed is large disinvestment of the capital of public sector undertakings, while avoiding any cut in food and fertiliser subsidies.

While appropriate corrective measures will have to wait till a government enjoying the mandate of the people takes charge after the Lok Sabha elections, in the intervening period groups of vested interests, domestic and foreign, will manipulate policies and administrative action in their favour and against the needs of the people. The increasing pressure on the budget-makers for enlarging the scope of import-liberalisation, including for consumption articles, will have significant economic and social implications. There will be a further deepening of recessionary conditions for domestic industry exposed to foreign competition. The inability of the economic reformers to deliver the bonanza for the middle classes they promised when they embarked on the IMF/World Bank structural adjustment programme has become stark in the fourth year of its implementation. This presents tricky choices in the making of the budget for 1995-96. The economic reforms programme, it may be noted, was supposed to be completed in a period of three years, but it has yet to really take off. In the meantime, the government headed by Narasimha Rao has lost the political will as well as authority for meaningful policy-making.

The prime minister who has been thrown into the position of having to function virtually in a caretaker capacity is under contrary pressures from many quarters. The cabinet expansion which he finally resorted to has not improved his position. Even Rao's

protest, who for long avidly awaited the cabinet reshuffle, have not been able to find anything refreshing in it. It has been merely suggested that the cabinet expansion may hopefully enhance Rao's authority within the government and the faction-ridden ruling party. But this too may turn out to be a vain hope. That there was intense wrangling over the allocation of portfolios is a reflection of the state of affairs in the Congress party. Ministers, old and new, sought more influential or remunerative portfolios, while the prime minister found it necessary to

continue to retain direct charge of a large number of portfolios, among them defence and industry which certainly require full time attention and care. That Rao has kept the industry portfolio under his charge is really intriguing. The fissures in the Congress party at all levels have visibly sharpened after the cabinet expansion. That the ailing Dinesh Singh had to be retained as minister without portfolio was a pathetic admission of the constraints, political and personal, under which the prime minister is functioning.



AGA KHAN FOUNDATION

Requires a
PROGRAMME OFFICER
(Education)

Aga Khan Foundation, a non-denominational development agency based at Geneva, has programme interests in Health, Education and Rural Development. The Foundation in India currently supports programmes implemented by NGOs in Gujarat, Maharashtra, Andhra Pradesh, Rajasthan and Delhi. Its particular emphasis in Education are Early Childhood Development and School Improvement.

The *Programme Officer (Education)* is responsible for developing and appraising project proposals, including budgeting, monitoring, documenting, evaluating and networking with other international organisations, NGOs and Government. The person should possess: a) an advanced degree in Education/Social Sciences/Management; b) 3-5 years experience in education development work in an international agency/major NGO or academic/research institutions; c) excellent oral and writing skills in English; d) ability to work as a member of inter-disciplinary team; e) strong administrative and people skills; f) willingness to travel extensively in India.

The challenging position is Delhi-based and offers an attractive compensation package commensurate with professional skills and qualifications.

Applications with full curriculum vitae, contact telephone/fax numbers and names of two referees, should reach the **Chief Executive Officer, Aga Khan Foundation, Sarojini House, 6 Bhagwan Dass Road, New Delhi 110 001, within 10 days** of this advertisement. Applicants should be in a position to attend interviews in March 1995.

Aga Khan Foundation (Incorporated in Geneva, Switzerland)

Funding Higher Education in India

Jandhyala B G Tilak

While stressing continued subsidising of higher education, a recent seminar also favoured fee hike for modest cost recovery and corporate financing of educational institutions.

RECENTLY, the University Grants Commission (UGC) has brought out a Report of the Committee of Funding of Institutions of Higher Education. The committee was headed by Justice K Punnayya. The All India Council of Technical Education (AICTE) has also brought out a similar Report on Mobilisation of Additional Resources for Technical Education under the chairmanship of D Swaminadhan. Though these two reports came out independently of each other, as parallel reports, there are also several common arguments and suggestions on wider policy issues as well as specific procedural issues in these two reports. Though the main focus of the UGC report was on central universities and other institutions of higher education, its suggestions and recommendations are applicable to most higher education institutions in the country, including state universities. Besides, these two reports provide corrections to several general misimpressions about, say for example, on the levels of subsidisation and cost recovery in higher education in other countries, and thus contribute to informed policy-making in higher education in India. The UGC and the AICTE are also actively engaged with the implementation of the recommendations made in these respective reports. Having been brought out after the introduction of the new economic policies in the country, these two reports spell out the need for various new strategies in funding higher education, that have serious short, medium and long term implications. At this stage, it is generally felt that a discussion on these two reports would be very useful, providing valuable inputs into policy planning of higher education in the country, besides raising a public debate, on several issues raised in these reports. These two reports taken together, present an integrated approach to the problems of financing of higher education in India. With these in mind, the National Institute of Educational Planning and Administration has organised a two-day seminar on Funding of Higher Education in India on January 23-24 to discuss problems relating to financing of higher education in India, based on these two reports. More than a score of senior academics and heads of institutions (from several universities, and institutions of higher education like the Indian Institute of Technology and Indian Institute

of Management), policy planners from the Ministry of Human Resources Development, University Grants Commission, members of the two committees, and others participated in the seminar. During the one-and-a-half day seminar, several important issues were discussed intensively. The context of the discussions were the two committee reports but the discussions were not restricted to the reports. The issues covered include the role of the state, the role of the market or the private sector, principles and practice of grants by the UGC, extent and scope of cost recovery in higher education, particularly the role of fees, scholarships, loans, special taxes, etc., and generation of internal resources by institutions. The discussions also pondered on specific details. There was much consensus on many macro-level and micro-level issues, and there was also much divided opinion on several other major issues and specific procedural details and institutional arrangements.

SUBSIDISING HIGHER EDUCATION

The discussions proceeded on a familiar but a questionable premise of limited resource base. It was argued that the government does not have adequate funds, fiscal resources are restricted; and tax revenues are relatively inelastic, and hence public resources for higher education will be limited. As Atul Sharma stated, there is a fiscal crisis in India, with the tax system being highly inelastic to the needs of the economy. It is an irony that on the one hand, the government claims high economic growth during the last one or two years, and hopes to reach a higher rate of economic growth in the near future as an important outcome of adjustment policies, with increased levels of capital inflow from multinational companies and bilateral and multilateral organisations, increased levels of private investment, and high probability of availability of more resources with the government as a result of dis-investment in public sector undertakings. At the same time on the other hand, it is forecasted that the education sector, particularly higher education, will continue to be engulfed with the problems of severe degree of financial inadequacy. According to N C Mathur, even if 6 per cent of gross domestic product (GDP) is allocated to education as promised by the prime minister

in the past, higher education will face increasing financial crisis. Hence the need for mobilisation of additional non-governmental resources.

There was a consensus amongst the participants on the need for continuation of the dominant role of the state in funding higher education. As the two committees have strongly recommended, the state should consider it as a main responsibility to subsidise higher education, and make a firm commitment to fund higher education, including technical education. The subsidisation of higher education by the state was argued to be necessary on a variety of grounds. With globalisation and liberalisation of domestic economy, demand for skilled manpower will increase significantly. Currently only about 5 per cent of the relevant age group population is enrolled in higher education institutions in India, compared to above 70 per cent in US and Canada, more than 30 per cent in South Korea and several European countries, and more than 20 per cent in several developing countries such as Philippines and countries in Latin America, viz, Cuba, Costa Rica, Panama, Chile, Argentina, Bolivia, Peru, Uruguay, Venezuela, etc. With inadequate highly educated manpower, globalisation will not be meaningful and beneficial to the Indian economy. Secondly, it was strongly felt that for ensuring equity and social justice, public investment in higher education becomes very important. As D N Rao convincingly argued, higher education is the only instrument of social mobility in India and hence for upward mobility of the weaker sections of the society, it is necessary that state liberally subsidises higher education. Higher education is probably a better and more effective instrument of ensuring equity and social justice than many other direct measures. Besides, two theoretical arguments are also relevant here. Externalities, including inter-generational externalities, associated with education are substantial, even if all of them cannot be quantified. In case of higher education and technical education that are regarded as specialised human capital, the dynamic externalities will be particularly significant. Higher education adds to the stock of knowledge of the society. State subsidisation of education will be necessary to capture these externalities. Significant reduction in state subsidies will result in below social optimum investment in higher education. With imperfect information flow of the kind we have, the 'merit' argument also seems to be particularly relevant in India. Many could be ignorant of the multi-faceted benefits of higher education. Imperfect knowledge necessitates public investment in higher education.

Further, as S N Mishra argued, all societies in the past did fund accumulation of

knowledge. Higher education widens the horizons of knowledge and thus adds to the stock of intellectual knowledge of the society, which is very important. Besides, there are several important but not necessarily marketable disciplines of study (e.g., arts, humanities, social sciences, research, fundamental sciences, high technology, etc.) that need to be rather fully financed by the state. If state subsidisation does not favour such disciplines, there is a danger that these disciplines would perish, as market forces would not be interested in them. For the complete development of the individuals and societies, these areas of study are as important as other tradable areas, if not more. C S Jha suggested that many courses in higher education can be divided into three categories, viz., fully funded by the state, partially funded by the state, and self-financing courses. Such a classification can be attempted on the basis of the critical importance of a given area, its marketability, and the costs of education. From this it would be clear that besides arts, humanities and social sciences, several other vital areas of study need to be fully funded, several areas need to be partially but substantially funded and very few courses can be totally self-financed.

With respect to state financing of higher education, the UGC committee has recommended few important measures. The most important measure suggested refers to unit-cost formula based grants mechanism to the universities, according to which most of the state grants will be related to enrolments. The formula was welcomed by many as an important measure of significant improvement over the present *ad hoc* system of grants. Such a formula is hoped to be equitable and efficient as well. However, it was noted that the use of the formula requires detailed estimates of several important components of the costs of higher education in each institution. This may require, Amrik Singh observed, massive training of staff in the UGC, universities and other institutions of higher education. Besides, it is felt that it is not necessarily an efficiency promoting measure, as the enrolments do not indicate any level of efficiency of the system. Tapas Majumdar cautioned that it may induce the institutions to enrol more and more students, including less qualified ones, or it may induce the institutions to report fictitious inflated enrolment numbers in their reports. While the weaknesses of the formula were well noted, it was agreed that this would be an important and significant improvement over the present system. It is also necessary, according to Jha, to develop a set of specific parameters for measuring efficiency of the universities. After all, efficiency in the universities is different from efficiency in private sector industries. Many highlighted the need for evolving procedures and

guidelines for overall improvement in the system and these measures, if found reliable, could be linked to grants, so that the whole grants mechanism becomes efficiency-oriented. In this context, social audit of the university systems was also suggested.

The need for detailed and elaborate data base was strongly felt by many. It was noted that the statistical information system in the UGC (perhaps as well as in the central and state governments) and in the universities need large-scale improvement. Tapas Majumdar warned that without a strong, reliable and updated statistical information system, policy-making and planning in higher education becomes extremely fragile. It is a pity that though the UGC regulations link yearly grants to a university to the submission of financial details of the preceding year, these regulations were never strictly adhered to, resulting in a wide gap in the data base for several years in the recent past. It should be realised that the costs of mis- or inadequate information are high. In this context, many stressed the importance of making not only the government bodies and institutions, but also the students aware of the costs of education, the extent of subsidisation, and the present levels of cost recovery. The need for transparency at all levels is obvious. Transparency will improve the efficiency levels considerably. Detailed statistical information system should be able to help in accurately estimating the total costs of higher education, the components therein, the subsidy being provided to each student under various heads, etc. Such information is crucial in making sound policies regarding financing of higher education. V P Garg noted that this might require substantial changes in the format of the university budget statements.

COST RECOVERY IN HIGHER EDUCATION

While every one agreed on the need for continuation of the critical role of the state in funding of higher education, there seemed to be some consensus emerging on the need to raise more resources outside the government. Important resources in this regard include fees and loans. Tapas Majumdar argued that support for low fee structure in higher education was meagre. Fees have to be raised, essentially because, they have not been subject to systematic revision. They are not only not linked to inflation, but also they have been left unchanged for several decades in many universities. Secondly, it was reported that there was willingness to pay for higher education among a majority of the students. Referring to a study conducted at the Indian Institute of Technology at Madras, V S Raju observed that as many as 75 per cent of the students were ready to pay a fee of something like Rs 40,000 per year for education in IIT,

compared to the present level of less than Rs 1,000 per student, and that the remaining 25 per cent would also be ready to pay the same, if loans were made available. It was felt that this willingness on the part of the students and parents is not tapped enough by the educational institutions. Thirdly, it was also stated that high fee structure would improve internal efficiency of the system, by compelling students to demand high quality education, though this need not be necessarily true: if it were true, the capitation fee colleges should be offering very high quality education.

Further, the fees paid in higher education has no correspondence to the fees paid in school education. While students pay very high fees for primary education (particularly in private schools), there is no reason why they should not be asked to pay reasonably high fees for higher education. Amrik Singh suggested that the fee paid in the school for each student should be taken as the minimum level of fees to be charged for higher education. Though there seems to be much sense in such a proposal, it may be noted that only 5 per cent of primary school children go to fee-charging private schools. Even if one takes the actual students and not their proportion, there would still be large number of students whose education would have to be fully subsidised. Another desirable suggestion in this regard refers to some form of differential fee system in higher education according to the undergraduate, postgraduate and research levels of higher education. An increase in fees also corrects the regressive nature of financing of higher education out of general tax revenues, a substantial part of which comes in the form of indirect taxes paid by the poor. As Atul Sharma observed, since higher education is still a privilege of the rich there is no justification in financing higher education out of general tax revenues.

The UGC committee has suggested that all costs of universities and institutions of higher education should be broken into three components: academic (teaching and research) costs, academic support costs (libraries and laboratories), and student welfare costs (hostels, etc.). The committee opines that attempts should be made to recover near full costs with respect to student welfare costs, substantial proportion of academic support costs, and *reasonable* or *meaningful* proportion of academic costs from the students. Yet, few have argued for a steep increase in the fees, and a high cost recovery ratio from the students. Both, the AICTE committee and the UGC committee, have pleaded for raising the cost recovery rate to about 20-25 per cent of recurring costs, and that this level should be reached gradually. The UGC committee suggests that the cost recovery rate should reach 15 per cent in five years, and 25 per cent in a

span of 10 years. Amrik Singh found this feasible, as quite a few cases have shown that increase in fee rates do not attract any serious resistance from the students and parents. This can be done by hiking fee of selected items (e.g., examination fee, educational development fee, laboratory fee, library fee, computer fee, and occasionally tuition fees), and of selected groups of students (e.g., the new comers). Such a modest cost recovery ratio (20-25 per cent) is desirable compared to 50-100 per cent cost recovery from the students, since the former does not substantially affect the access of the weaker sections to higher education. Jandhyala Tilak argued against high cost recovery rates as it would further tilt higher education in favour of the rich.

Strong arguments were also made in favour of modest cost recovery rates based on international evidence. As the UGC committee documented, even in so-called market economies, students bear only a small fraction of costs of higher education: nil in Germany, less than 5 per cent in France, less than 10 per cent in Japan, and less than 15 per cent in US (in mid-1980s). In fact, as Dinesh Mohan pointed out, introduction of fees and raise in fee in higher education were not a global trend. These are confined to a very few countries (like US under president Reagan and Britain under prime minister Thatcher). In fact, if the present levels of cost recovery in higher education in India are about 15 per cent, as Jandhyala Tilak and a few others claim, the present levels in India should be treated as higher than in many European and developed countries. But if the fee contributions form only negligible (1-2 per cent) proportion of costs in central universities, as reported by J L Azad, there is a case for increasing the fees in these institutions. Further, Tilak commented that the actual incidence of fees and other costs of higher education in other countries is much less than what the estimates on cost recovery indicate, as there exist effective student aid mechanisms, supported by the state. For example, the incidence of fees on home students in the UK is practically nil. Dinesh Mohan also referred to the historical evidence that couple of decades ago higher education was provided free in many developed countries; and this contributed to the economic growth of developed countries. Instead of comparing the current Indian situation with contemporary situation in other countries, valid comparisons should be between present conditions in India with conditions prevailing 20-50 years ago, if not earlier, in developed countries. A historical reading of social factors is disastrous. Dinesh Mohan argued that if lessons are to be drawn from the history of developed countries, it is simple: provide free higher education to everyone and also provide liberally direct subsidies like scholarships and other types

of financial assistance to cover students' direct and even opportunity costs. In this context the inter-sectoral relationships between several layers of education also need to be taken into account. It was argued that fees in higher education has an adverse effect on the demand for not only higher education, but also on demand for secondary and even primary education, as secondary and primary education is mainly demanded not to secure employment (as school education does not offer any employment opportunities), but to seek entry into higher education later.

Along with increase in fees, the participants also argued for elaborate and well designed scholarship and loan schemes. It is indeed surprising that the AICTE committee and the UGC committee have only recommended very limited free and concessional studentships for the weaker sections (5-10 per cent of the total number of students). Majumdar agreed that these proposals might require upward revision, based upon actual number of students in higher education belonging to weaker sections of the society. The need for strengthening the scholarship scheme was also stressed. A case of well designed scholarships and freeships was emphasised, as fee is inherently regressive in nature and effect, and to counter this effect, a very efficient scholarship system is needed. There is no second opinion about it. Jandhyala Tilak further observed that since fee is at the entry point into higher education, and scholarships are received by the students during (and sometimes even after) studies that too with no certainty, the restrictive effect of fees has to be taken into consideration, while designing the scholarship schemes.

Many participants were highly favourable to student loan programmes as an effective mechanism of financing higher education and of safeguarding the interest of the weaker sections. But the over-enthusiastic optimism in favour of student loan programmes has been questioned by some on the basis of international evidence and Indian experience. It was noted that loan programmes requires an efficient capital market. Besides, it requires huge investment in the short and medium terms and hence it cannot be a short-to-medium term solution to the problem of finances (the AICTE committee suggested a capital base of Rs 3,000 crore to set up Educational Development Bank of India for floating soft loans); and even in the long run it might not be a strong solution to the problem of funding higher education, as loan recovery rates are depressingly low even in industrialised societies. As a recent World Bank study on Higher Education reported, average loan recovery ratio (including default and administrative costs) ranges between 2 per cent in Brazil and 67 per cent in Sweden and Barbados. According

to Tilak's calculations only 5.9 per cent of the total loan amounts could be recovered between 1963-64 and 1987-88 in India.

The principle of selective subsidisation, i.e., targeting the subsidies to the weaker sections, came under attack from economists like D N Rao, who favoured universal subsidisation instead, since targeting of subsidies has often proved to be problematic and inefficient, contributing to the accentuation of inequities and injustice in the society. Dinesh Mohan argued that the present system of scholarships for poor is inherently inequitable: as the poor should be meritorious to receive scholarships and stay in higher education, while no such conditions exist for the rich.

There was also repeated reference to brain drain and the extent of enormous loss of national resources involved therein. The loss includes not only investment loss, but also loss of skills. While investment loss can be checked through some measures of cost recovery like lump sum payment at the time of emigration, or tax on brain drain, and other measures, it would be difficult to recover loss of talent or skill. Dinesh Mohan regards the bias in enrolment distribution in favour of the upper income classes as the principal factor responsible for the whole problem of brain drain.

NON-GOVERNMENT FINANCES

Both the UGC and the AICTE committees have recommended several measures to augment resources by institutions from corporate sector. Important measures include allowing the institutions to keep the internally generated resources with themselves to be used for the development of the institution.

ATTENTION

Scholars/Readers

For your requirement of Rare, Out-of-Print and New Books and government publications on India, write to or visit:-

Prabhu Book Service

Sadar Bazar
Gurgaon, Haryana 122 001, India
Tel: on STD 0124-320588
From Delhi only 8-320588

Branch Office:

30, Hauz Khas Village,
New Delhi - 110 016

We are also interested in purchasing single books/individual collections/whole libraries of antique/rare books. Books signed by Mahatma Gandhi, Jawaharlal Nehru, Indira Gandhi, Rajiv Gandhi, Tagore and other nationalist leaders are of special interest.

and liberal tax concessions to the donors. The former proposal is to encourage the institutions to generate on their own resources from non-governmental sector, and later one to encourage the donors to make contributions to higher education institutions. The committees have also proposed matching grants and other incentives to the institutions to match the internal generation of resources, as an additional incentive. These proposals were widely welcomed by the participants of the seminar. However, while some expressed much optimism, some were not so optimistic. V S Raju argued that the industrial sector was ready to make huge investments in higher education and research and development, but the higher education sector was not ready for the same. By offering tailor-made programmes, the institutions of higher education can generate substantial amount of resources from industrial sector. N C Mathur also saw an existence of such a scope, and suggested that generation of resources from industrial sector should start with Regional Engineering Colleges to produce demonstration effect on other institutions. On the other hand, some argued that given the past experience on the interests of the corporate sector in research and development activities, despite protection accorded to them by the government, one should not be highly optimistic about these proposals. Bashiruddin Ahmed also noted that there are several self-financing courses that can be started to generate sizeable resources. At the same time, the dangers in relying too much on such courses should be taken note of. Institutions may end up with emphasising self-financing courses, and ignore other vital areas. The links between profit seeking industrial sector and non-profit making higher education sector need to be forged with caution and utmost care.

There are some institutions that do generate a very high level of resources from non-governmental sector. Amarlal Kalro mentioned that 70 per cent of the resources at the Indian Institute of Management, Ahmedabad were internally generated through fees and other contributions. It was also noted that this was possible by being highly selective and elitist. While such elite institutions are necessary for development and to maintain excellence, and that such elite institutions should not be subject to common denominators, such levels of resource generation might not be possible and should not be attempted in higher education in general. Dinesh Mohan argued that while resources can be generated from industrial sector by organising skill upgradation courses, and requiring industries to make a one time contribution to the institution concerned for employing a graduate of that institution (similar to

jump sum payroll tax), it is necessary to note that higher education is not just for factory-based employment. It is for the development of individuals, for social development, social transformation, and it is for its own sake. The approach to financing of higher education has to take this into account. Rao cautioned that the predominance of management-based approach to the problems of financing higher education was not desirable. Under the present euphoria in favour of markets, there is a danger to miss the distinction between goods like higher education and goods like soaps and cars, and this will be proved costly in the long run. P Thakur also warned that too much reliance on market-oriented measures will be counter-productive as there are chances of educational institutions becoming mainly money-raising institutions.

There is a familiar argument that many higher education institutions are inefficient. Raja Raman remarked that these institutions were providing poor quality education, imparting no skills, and serve at best the screening and labelling functions for the benefit of the labour market, and hence, do not deserve more funds. But Dinesh Mohan responded that these higher education institutions were inefficient as the public investments made in these institutions are so inadequate that these institutions could not provide anything better. Inefficiency is rather the outcome of low investments made in education, and inefficiency should not be treated as a reason for low levels of public investment in higher education institutions. C S Jha stated that high quality education costs high; it requires higher level of investments, and the state that stresses on high quality and excellence should invest accordingly a good amount of resources in education.

The scope for more efficient utilisation of resources in higher education institutions was also dwelt upon by many. Bashiruddin Ahmed and Anand Sarup felt that much of the incidence of the financial crunch could be avoided by avoiding mismanagement in the utilisation of existing resources. Substantial savings could be effected by better management practices in the utilisation of the given resources. The UGC committee has suggested a normative pattern of spending resources on various activities: 60-65 per cent on teaching and research, 10-12 per cent on academic administration, and 20-25 per cent on auxiliary services, other departments, etc. Expenditure on non-essential activities should be reduced substantially.

There were several suggestions regarding augmentation of resources in higher education. Some proposals refer to special taxes, or earmarked taxes and education cess on industries. While many favoured

such taxes, theory of public finance does not favour earmarked taxes since the theory does not link issues of raising resources with issues of utilising resources. Besides, such taxes restrict the degrees of freedom of resource planners.

Many agreed that choices are indeed limited: the government has to finance higher education substantially; it cannot reduce its role. What is needed is the need for educating the government, politicians, policy-makers and planners. As Raja Raman argued, the rationale for state financing of higher education need to be made explicitly clear, showing how social benefits from higher education percolate down. Informed policy choices can be made only by properly educating the policy-makers. But there are also valid compulsions to attempt at raising resources from non-governmental sources. Hence the search for an optimum mix of government and non-government finances for higher education, and many participants strongly felt that this mix should be rather severely skewed in favour of government finances for obvious reasons.

To summarise, a few important policy suggestions emerged loudly and clearly from the seminar. They are: (1) The state cannot abandon its responsibility of funding higher education, and shift it to market forces. The state should continue to play a dominant role in financing higher education in India. (2) There is need to improve the mechanism of UGC/ government grants to universities and institutions of higher education. Grants mechanism based on unit cost formula is a minimum needed reform in this direction. This requires estimation of costs of education in great detail. (3) Efforts can be made to raise resources from non-governmental sources to supplement governmental resources, without affecting equity and efficiency in education. (4) One important measure in this regard is a modest and gradual increase in fees to cover about 20-25 per cent of the recurring costs of higher education, along with introduction of a well designed scholarship and student loan programmes. (5) Another important measure refers to generation of resources through voluntary donations, and other contributions from corporate sector, through tax incentives on one side, and incentives in use of these funds by the institutions on the other side. (6) A basic need of the whole system is a strong, reliable and up-to-date statistical information system in the UGC, AICTE, central and state governments and higher education institutions. (7) All aspects of financing of higher education – grants, costs, fees, cost recovery, scholarships, other direct and indirect subsidies, generation of other internal resources, etc., – should be completely transparent.

Rebellion, Repression and Reform

Carol Upadhyia

The army crackdown on the Zapatista rebellion in the Chiapas and its subsequent withdrawal in the face of popular opposition underscore the instability and weakness of the government of president Zedillo who is forced to walk a tightrope, balancing his promises of electoral, party, judicial and economic reforms against his obligations to the old guard of the PRI who saw him into power.

ON February 9, president Ernesto Zedillo of Mexico, after two months of attempted conciliation and apparently frustrated by accusations of his government's weakness, ordered a crackdown on the rebel Zapatista National Liberation Army (EZLN) in the southern state of Chiapas. The army was ordered to move into the region to execute arrest warrants for five Zapatista leaders, including the charismatic 'Subcomandante Marcos'. The justification given for this move was the discovery of stashes of weapons, ammunition and explosives during raids, which according to the government indicate that the rebels were preparing for armed attacks in Chiapas and elsewhere. The government also seized documents which revealed the identity and 'bourgeois origins' of the rebel leader, who has always used a nom-de-guerre and appeared in public wearing a mask. (Zedillo's 'revelation' is nothing new, since Marcos himself has said in interviews that he comes from an upper-middle class, non-Indian background in Mexico City.) The government alleged that several other leaders were linked to urban terrorist groups of the 1970s, and on this basis the president claimed that the group's leadership and goals are "neither populist [nor] indigenous". These accusations were meant to strike at the core of the movement, which represents the struggle of the indigenous Mayan Indians for political, economic and cultural rights.

In the first army action in a year, government troops drove deep into rebel territory, reaching the guerrillas' best-known jungle stronghold of Guadalupe Tepeyac and easily consolidating control over a dozen Chiapas villages and towns because they encountered no resistance. But in spite of sending in 2,500 troops, 33 aircraft, 30 tanks and 32 armoured vehicles, the army was unable to capture Subcomandante Marcos; one of the five rebel leaders was held and the capture of another was claimed but not confirmed. The Zapatistas appear to have staged a strategic retreat: the army found several Chiapas towns all but

abandoned, and rebels were seen marching in columns into the jungle-covered mountains to the north. In response to the action, Marcos pledged to wage a long drawn-out guerrilla war if the clampdown continued.

The deployment of troops was a very unpopular move, as several large demonstrations in Mexico City showed. Perhaps in response to this opposition, on February 14 the president, calling the operation a 'success', did another about-face by cancelling the search for the rebel leaders, offering amnesty, and proposing to reopen negotiations. In an apparent attempt to appease the rebels, the governor of Chiapas, Eduardo Robledo Rincon, who the rebels say was elected fraudulently, stepped down. In another conciliatory move, the government allowed a human rights inspector into Chiapas, who confirmed that the army used torture on those arrested, seven in all, to extract 'confessions'. Besides the resignation of the governor, the rebels are demanding the withdrawal of troops before talks can begin.

Zedillo's turn-around may have also had something to do with the results of the elections held on February 13, which went against the ruling PRI (the Institutional Revolutionary Party). The National Action Party (PAN), a centre-right party, won the governorship of the state of Jalisco and control of the state legislature and a majority of city halls. The vote was hailed by some as the fulfilment of Zedillo's promise of fair elections and greater democracy in Mexico. (These elections followed two days of rioting by protestors in the state of Tabasco against the allegedly fraudulent election there of the PRI governor Madrazo.) The election was the first since the devaluation of the peso in December and the subsequent economic crisis which forced the country to appeal for international aid. The vote, according to analysts, could be the first in a series of PAN victories; given the disarray in the PRI, the party has a chance to win control of Mexico's lower house of Congress in the 1997 federal election. Three other states, all PAN

strongholds, have gubernatorial elections this year.

Mexico is hardly a democracy in practice. A strong centralised bureaucracy has ruled the country since the revolution, and the PRI has retained its hold on power for 66 years by using fraud, force and public funds. The Zapatista rebellion, among other things, represents pressure for democratic reform, and the rebels have received wide support from other Mexicans on this count. The feudal attitudes of ruling party bosses in states like Chiapas have contributed to the discontent. Having treated Mexico as its private fief for years, the PRI is beginning to see the results when elections are conducted fairly. The rebellion in Chiapas may actually have achieved one of its aims, by pushing Mexico towards a more democratic system.

But the Zapatista rebellion is not only about democratic reform; to some observers, it represents the indignation of Mexico's poor over free market reforms. Even supporters of reform acknowledge that the new economic policies have increased the already-huge disparities of wealth. Sixteen per cent of Mexico's population is officially classified as living in 'extreme poverty', and another 28 per cent as 'poor'; most of the poor live in the countryside, and the state of Chiapas is the poorest of all. Economic reforms have not benefited the peasantry; for one thing, the government phased out agricultural subsidies, including those on maize, the staple diet of the peasants. In January 1994 at the start of the rebellion (which significantly was launched on the same day that NAFTA took effect), Comandante Marcos denounced NAFTA as a 'death sentence' for Mexico's Indians. The Indians are also opposed to the recent land reforms, aimed at freeing up the market for land, because the original land reforms to distribute land to the peasants never really took effect there. Many Indians have lost their lands to cattle barons with connections to the PRI, and many remain landless in a region of large estates. Salinas' anti-poverty agency, Solidarity, was created to channel resources to the poor agrarian regions, but the money received has not offset low prices for coffee, the state's main commercial crop, and the withdrawal of agricultural subsidies. Rather disingenuously, president Zedillo blamed the recent economic 'meltdown' on the Zapatistas, whose activities are supposed to have put pressure on the peso and the stockmarket. But he has yet to recognise that the same economic (and political?) policies that led to the meltdown also have created the social conditions that sparked the movement.

Even more than a peasant rebellion about agrarian issues, the movement represents a pan-Mayan cultural uprising that

encompasses the rest of Mesoamerica as well – their demand is for Indian political and cultural autonomy. Half of the population of Chiapas is Mayan in language, culture and ethnicity, and the Mayan Indians have suffered centuries of oppression and discrimination in Mexico and other countries at the hands of the non-Indian population and the state. The Indians in Guatemala have been engaged in political struggle for indigenous rights; it should come as no surprise that the Chiapan Indians are beginning to awaken.

These recent events, on top of the economic disaster (which significantly followed the

installation of a cabinet full of foreign-educated, market-oriented economists – Zedillo himself has a PhD in economics from Yale), underscore the instability and weakness of the present government. Zedillo is forced to walk a tightrope, balancing his promises for electoral, party, judicial, and economic reforms against his obligations to the old guard of the PRI – the 'dinosaurs' – who saw him into power. It remains to be seen whether, from such a weak position, Zedillo can proceed with the promised democratisation of Mexico and also address the legitimate demands of the Zapatistas without again resorting to the use of force.

to work on their lands, particularly during peak agricultural periods. With workers losing wages and factories losing production, this could not be a sustainable solution to the problem of meeting the labour requirements of agriculture.

The leasing-out solution emerged in the village. As a result the village has four specialised agricultural households, producing crops for sale and operating an average of 37.25 mu each. But more than 80 per cent of the village land is to be devoted to production for village consumption. This land cannot be leased out for commercial farming. Finally, the availability of outside labour was also limited.

A VASS was set up providing mechanised agricultural services to the farmers. The VASS is itself owned by the village collective, as are all the other enterprises (electrical fan, enamel-insulated wire and silk thread factories and a fishery unit) in the village. The VASS was set up with indivisible equipment acquired from the old commune. Initially the VASS only provided agricultural supervision and operated equipment that could not be used by household farms. But over time the functions of the VASS increased to cover a wide range of agricultural operations. These vary from land preparation, water management, farm input provision, plant protection, field drainage, rice nursery and fertiliser application to harvesting and transplanting. Due to lack of adequate and reliable machinery, rice transplanting and harvesting have both remained problems.

The VASS in order to keep its full-time workers occupied during the slack agricultural periods has taken up contracts for related construction works. The VASS carried out the construction and maintenance of the irrigation system and roads. At other times the VASS workers are taken up in the village-owned factories or provide transportation services.

With the uniformity of crops grown in the village, the VASS in effect carries out most of the agricultural work in the village. There is now no question of a lag in extension, as the trained workers of the VASS themselves carry out all the operations, supplemented by the labour of women and the elderly.

Land on which consumption crops are to be grown are distributed to households on the basis of the number of its adult members. But from the earlier situation of family members performing all the labour, the growth of VASS functions has led to the village collective itself (in the form of the VASS which it owns) providing most of the agricultural labour required. The village collective, through its Village Agriculture Development Fund (VADF) as it is, already undertakes all the investment in agriculture. The further growth of

Emerging Alternatives in China

DN

The self-proclaimed collective of Nanjie village and the virtual collective of Weinan fall into the category of common property systems. They are property and so involve the exclusion of non-owners from their benefits. They are different from the old communes in that their external relations are those of the capitalist markets within which they exist, while their economic relation to the state is basically one of delivering some amount of grain.

PROBLEMS in maintaining agricultural, particularly foodgrain, production and neglect of essential investment in agricultural infrastructure, along with problems of environmental degradation are well known features of present-day China. With the dismantling of the communes and the introduction of household distribution of land there are obvious problems in mechanising agriculture. One way out of this situation is through the emergence of a lease market for land. Some households would lease out land and become effectively dispossessed labourers; while there would be a centralisation of production on larger farms. This is the classic process whereby rich peasants and capitalist farmers emerge. To foster such a development there have been changes in the agrarian law to make it possible for long-term leasing of land.

The dismantling of the communes not only broke up the production units in agriculture, it also ended the social security and welfare systems, shattering the 'iron rice bowl'. Shortfalls in the provision of health and education services and their availability to the rural and urban poor have been reported.

In the context of capitalist market developments it is necessary to note the emergence of alternatives to the above processes, alternatives which seem to provide a better deal for the producers.

A study of Weinan Village in Wu County of Jiangsu Province (south-east China) points out that in order to resolve problems of mechanisation and modernisation of agriculture, a Village Agricultural Service Station (VASS) has come into existence. (This account of Weinan Village is based on Jun Zhou's Master's thesis, 'The Agricultural Service in Small-Farming Systems: A Study of Wu County, Jiangsu Province, PRC', at the Asian Institute of Technology, Bangkok.)

With the household responsibility system there emerged an acute problem of labour shortage. Households economised on the use of labour by substituting purchased inputs for those that had to be collected manually. In the place of the earlier practice of dredging up river sludge for fertiliser (which used to be done over half a year) farmers substituted chemical fertilisers. As a result the ratio between organic and inorganic fertiliser decreased dramatically from 1:2.9 in 1980 to 1:16.2 in 1992. China's famous stress on organic fertilisers was wiped out by the household farming system. Herbicides were used to reduce labour requirement for weeding.

While women and the elderly are the main farmers, most others are part-time farmers, also working on the enterprises owned by the village. These enterprises arranged 'agricultural vacations' to enable the workers

industry, by increasing the demand for labour, would push up the opportunity cost of the women who are now left as the sole whole-time family farm workers. The VASS would then take over all the agricultural operations of the village, leaving a household system only in name.

Already agriculture provides just about 1 per cent of the income of the village. Meant basically for subsistence (besides the sales to the state) agriculture is in effect a supplement to the income earned from the village-owned factories and other enterprises. (The situation bears a resemblance at one level to what one finds in plantations in many parts of the world, where unused lands are given to the families of workers to produce crops to supplement their wages. Of course, there is big difference in that the plantations are not owned by the workers, while the village enterprises in this case are owned by the village collective.) Since land is held on the basis of the number of members in a family, there is an equity in the distribution of foodgrains, at least part of which is not related to the income that the workers earn from the village enterprises. Further, with the basic foodgrains being produced in the village and not being subject to distribution through the market, the spectre of inflation that looms over China is partly kept at bay in Weinan village.

If Weinan village has virtually abandoned the household system of farming, Nanjie village in Linying County, Henan Province, has formally abolished the household responsibility system. A report in the *Far Eastern Economic Review* (November 17, 1994, on which the following is based) says that Nanjie abandoned the household responsibility system after working it for six years. In this period agricultural production fell by 50 per cent. After reverting to communal production village agriculture has reached record levels. But in common with Weinan, in Nanjie too agriculture accounts for barely 1 per cent of village income. The rest comes from various village enterprises. The village collectively owns 26 enterprises.

Migrant workers in Nanjie are three times the village's own population. But their wage rates are reported to be even higher than those paid to Nanjie's own workers. As at Weinan, workers get a portion of their income in kind, so that inflation is not a problem.

What Nanjie workers get as direct entitlements does not depend just on the number of members in a family (as it does in Weinan where grain entitlements depend on land allotments). Evaluations of social factors, such as cleanliness, studiousness of children, political participation, etc, are the basis for the distribution of welfare benefits. Overall, the village has the highest per capita income in China.

While it is necessary to investigate the relations between the ruling elite (of the party and managers) of the village-owned enterprises, on the face of it, there is not that separation of the workers from the means of production characteristic of capitalism. These are not the state enterprises that were supposed to be owned by the whole people. They are owned by a group of people, defined as the (adult) residents of a village. The enterprises are private property. Not individual property, which anyway is not even characteristic of capitalism with its joint-stock companies. But this is not a simple corporate village entity, since there is not a disjunction between workers and owners. If (and it is a big if) there is not a separation of party officials and managers as a stratum from the workers, then there would not be a stratum or class of non-working owners (as the owners of a joint-stock company are).

But there are some non-owning workers. This is revealed in the distinction between local and 'guest' workers. Certainly, the guest workers would have no part in the political affairs of the village. Or, in determining the use of surpluses for accumulation, etc. In economic terms, there are differences in the benefits the two categories get. At Nanjie, those of the village get superior housing. Free education right through to college is unlikely to be availed of by guest workers. In Weinan, village workers get a portion of income in the form of grain from land; while guest workers would have to buy all of their requirements

on the market. Thus, even if guest workers are better treated than, say, Palestinian guest workers in the Israeli kibbutz, there are still important differences in the benefits that accrue to workers who are owners, and workers who are not also owners. (This is reminiscent of the situation in Munda villages in Jharkhand, where residents who are not of the original land-clearing clan, do not have the same status as the descendants of the original clan of village founders. Given that Chinese villages are largely clan-based, is this more than a mere similarity?)

The self-proclaimed collective of Nanjie village or the virtual collective of Weinan fall into the category of common property systems. They are property, and so involved the exclusion of non-owners from their benefits. They are different from the old communes, in that their external relations are those of the capitalist markets within which they exist, while economic relation to the state is basically one of delivering some amount of grain (amounting to far less than 1 per cent of village income). But while operating within a capitalist market and thus having to abide by its laws of competition, accumulation, etc, can ownership of enterprises by its workers enable the workers to secure a better position in the market, internalise at least some externalities and introduce more equitable methods in the internal distribution of income within the enterprise? A deeper study of the newly emerging trends in China would enable one to answer these questions

New Book from	MD	Publishers of the Humanities, Natural & Social Sciences
INTEGRATED HORTICULTURE DEVELOPMENT IN EASTERN HIMALAYAS		
By A N Sarkar		
This book attempts to address to various concerns, developmental options and priorities in horticulture and allied fields through an integrated and holistic approach, in the Eastern Himalayas. A systematic, scientific and planned development in the region has been analysed. The book is of great interest of academicians, planners, development workers, entrepreneurs and industrialists in the region, country and abroad.		
1994, xiii, 292p, 32 plates, col ill, bibliography, index; 25x19cm ISBN 81-85880-40-9		Rs 800.00
Send your orders and write for complete catalogue to :		
M D PUBLICATIONS PVT LTD 11 Darya Ganj, New Delhi-110 002 Tel. : 3273347, 3271378, 3285830, 3268045 Fax : 91-11-3276542 Cable : INDOLOGY		PUBLISHERS DISTRIBUTORS EXPORTERS

New Trends in Sociology in France

M Coornaert

Sociology in France is undergoing great changes; the rejection of older paradigms has thrown up new problems. Some aspects of this transformation and its causes are outlined in this note.

FOR a sociologist engaged in research for many years, it is obvious that sociology in France has undergone and is currently undergoing great changes. There are many signs of this transformation: the use of new words, the renewal of concepts (one example among many others: the concept of 'identity' was practically unheard of when I first began as a sociologist). Themes have changed and so has the overall problematic, in urban sociology, for instance, the 'after 1968' period was strongly marked by the theme of 'segregation', which in turn gave birth to a new way of tackling social relations in the city. The emergence of this concept was both linked to the objective reality – the inflow of foreign workers, immigration, etc – and to a specific ideological and political background, that of 'urban struggle', in which many urban sociologists were engaged. Yet, nowadays, the issue of 'segregation' is receding (even though some of us continue to study its effects and characteristics) while the theme of 'exclusion' is taking over. At the same time, the overall problematic is being displaced from 'city' to 'society' at large, the city being the place where exclusion is being 'created', generating problems exceeding by far the limits of the city – unemployment, training, education, and so on. Nowadays, those among us who call themselves urban sociologists are speaking of the 'dual society', 'first' and 'second' rate economy, and social justice. As a consequence, the very framework of the analysis had to be reconsidered while sociologists were compelled to reconsider the criteria and categories they had been using in the past. Such changes, directly related to the changes that are taking place in society, put rather squarely the famous question asked by Max Weber about the relation between science and politics. But we shall return to this later on.

There are many other examples of these changes. If, for Durkheim, 'anomie' was one of the central themes of reflection of the past few years, a vast quantity of studies and investigations have flourished around the issue of the 'social link', an expression hardly ever used as such in the past. Judging by the essays dedicated to the issue, the

so-called academic social studies are clearly coupled with philosophical interrogations: thus the question, "Why is the social link missing in our society?" (an issue which is generally tackled by the negative) is coupled with another, "How do we recreate the social link?", with a clear tendency to focus on the elements of social, political and economic life that may help recreate the missing social link. As a consequence, whole series of studies have been conducted around these 'solidarity links' in their various forms, and how these links are being weaved in, one is compelled to resort to concepts so far unheard of, such as 'solidarity economy', for example, in order to study the new services implemented in neighbourhoods, new industrial relations between companies and salaried workers, new forms of employment and management, etc. Also, full attention has been given to these 'networks' and the links they create between individuals, neighbourhoods, and different categories of social 'actors'. Whole series of investigations are being conducted on these networks, exploring transportation, communication, and daily life in a common perspective.

At the same time, in a different area of social life, the surveys conducted around companies and labour practices and organisation have equally developed alongside the changes affecting the very links that exist between workers and companies. In France, the company was traditionally considered by labour sociologists as the place where the 'working class' was being 'created'. Yet a recent survey revealed that employees no longer identify solely with their company; it is no longer the only place where they can achieve a goal. In fact they tend to seek resources elsewhere, in other areas of social life. Some sociologists consider this phenomenon a small revolution. Equally, and due to various factors, labour relations in large companies have undergone profound changes – hierarchy and authority are no longer what they used to be, and they require new terms and conditions. Participation, equal relations, shifts in responsibilities, and broader information are elements that sociologists must take into account and study, elements which, in

turn, sociologists contribute to developing through debate and communication.

Here again, the bond existing between science and society stands at the very heart of an extremely vivid and tense debate – the standpoint of the scientist vis-à-vis his field of investigation, his observees and interviewees. The relation between society and sociology is a major issue – depending on the importance given to the topic, the idea of sociology as a science takes on its full meaning. Broadly speaking, it can be said that 'academic' sociology was born of a need for objectivity and veracity, which required that the observer or scientist remain an 'outsider'. In fact, one among the most eminent founding fathers of sociology, Durkheim, and others with him, were haunted by the idea of breaking off with metaphysics and philosophy and, in this particular case, with social philosophy which was, in their view, unable to meet the requirements of sociology as a science. Their ideal model was the natural sciences, or, to be more precise, experimental sciences. Thus the celebrated formula, taken up in turn by many, although with a variety of interpretations: "Treat social facts as objects". We also know the debate initiated by such authors as Dilthey, regarding the difference between the human sciences and natural sciences, and the path opened by Weber, among others, leading to comprehensive sociology and the necessity to take into account the characteristics proper to social phenomena and all human actors involved in the social process. Over a long period of time, and even during the 1960s, French sociologists, regardless of the various trends, considered the 'outsider's standpoint' as the only guarantee of truly scientific work.

Yet, in practice, things were not so simple, even less so when the very conditions of investigation urged the investigators to break the golden rule. Indeed, for a great many reasons, a large number of investigators, be they 'public' (that is government-paid) or private, were caught up in the machinery of contractual research. While French society was experiencing profound changes, some governmental bodies were putting up ambitious research programmes (under the guidance of some illustrious investigators), that provided the financial means necessary to carry out fieldwork otherwise impossible. Although supposedly free to carry out their surveys as they pleased, investigators were often imposed deadlines, as well as other more subtle constraints – concerning the questionnaires and the themes proposed – which, one way or the other, contributed to subordinate scientific investigation to what is currently

known as the 'social requirements', often to the prejudice of rigorous methodology and to the benefit of approximate, albeit 'interesting', results. It is my view that much of the disarray expressed by French sociologists is due to the fact that investigations are being conducted in a somewhat hectic manner, without any capacity for accumulation (which is not the case in biology or physics, for instance, where investigations are carefully conducted over long periods of time), without proof and counter-proof procedures (cross-examination). Under such circumstances, even well-conducted investigations have suffered from non-renewal of contracts, non reproducibility, lack of comparative work among different studies conducted around the same theme. Often when one reads the reports one feels the lack of distance (despite the preliminary declarations and other preambles of the author), and even those who claim to be rigorous are not altogether free from ideological sidings, especially when the quarrel, not only between the different schools, but also between the various political trends – between 'marxists' and 'American empiricists', or the 'conservatives' in the proper meaning of the word – was, to say the least, scathing.

In any case, over the past 10 years it has become commonplace to hear that French sociology is undergoing a crisis, the absence of a duly established and universal paradigm, the need for a general Theory (with a capital T), except for some who consider their own sociology as the only one (in this respect, Pierre Bourdieu is a past master), the lack of universal references. It is true that there are many different trends, each with its own set of references and own sources but the word 'crisis' seems a bit strong.

As I have said earlier, sociology has undergone profound changes, changes that are directly related to the transformation of society itself. Yet it is precisely the very task of sociology to understand what is going on in society. Many sociologists were shocked to discover the gap existing between the conclusions they had reached and social reality at large or in its minutest manifestations. Was it not a sign that their postulates, assumptions, and methods of investigation had to be revised? And indeed, such discrepancy was often interpreted as a sign that old patterns, concepts and methods of investigation were outdated. Here again I shall give an example, even if it may seem incidental. Grossly speaking, due to the fact that many sociologists were Marxists, society was considered a compound of classes, and often a two-class compound. Yet, even if it is generally assumed that social classes are a compound

rather than a simple reality, it became more and more difficult to speak of a 'working-class', especially when the surveyed population was one of white collars, when middle-classes labelled as such seemed to be in the making, when new categories were emerging, working together as a combined and dynamic movement (I won't use here the word *group*) endowed with a consistent approach and a desire for collective action, as was the case of the executives which were the subject of a well known book. Thus there was a need to revise categories and nomenclature, and for the two-fold task carried out over the past few years – that of definition and reflection. The need for reflection has brought together specialists from different areas of the social field – statisticians, economists, sociologists.

It is interesting to note here that, of late, collaboration between these different areas has been reinforced, and that the encounter between such areas as history, philosophy and sociology is much more common than it used to be, the existing frontiers appearing all too rigid and somewhat artificial when the surveys compel the surveyors to take the multidimensional aspects of social life into account. Thus, for example, the whole nomenclature of professional categories is being currently revised for a better and more accurate grasp of the different types of population, taking into account criteria – job, income, place and type of dwelling – far more complex than in the past. In the first place, the new criteria allow a better and more accurate study of the social compound of the different units – cities, neighbourhoods, companies, etc. They also offer a broader explanation of the present and the possible future behaviour of actors. One is often tempted to speak of 'social recomposition', taking into account the changes brought about by the organised types.

This work of reflection has led some sociologists – namely, those anxious to preserve methodological theory – to reconsider their modes of classification: some of them question how categories come into being and the consequences of this or that formalisation; others question about alternatives, taxonomy or not, for instance, others question the relevance of the notion of category in sociology by comparing the various, more or less vague, terminologies in use, and by dismantling the various forces involved in the construction of the said categories. It could be said, in other words, by quoting Durkheim once more, but from a critical point of view this time: If we are to treat social facts as objects, we ought to keep in mind that the categories we refer to are compounds.

Since I cannot give here a thorough account of the various trends that offset the very idea of a united sociology in France, I shall restrict myself to one issue only which, in my view, is a major one: the concept of action in relation to the knowledge sociologists have of actors, their impact, and their practice. This is a major issue in my view because it is directly related to the idea of society itself – as a whole, as a system, or even as a multiple compound whole coherence, complementarity, and also compatibility and incompatibility are to be taken into account. It is a major issue also because it compels sociologists to reconsider the bonds between macro- and micro-sociology, one of the cornerstones of traditional sociology. Regarding this issue, today's sociologists speak of an epistemological break-up. What do they mean by that? Why such a break-up? What are its causes?

Of course, categories are already being reconsidered, alongside an attempt to grasp the different social units in the process of daily life (and in France, more and more emphasis is put on daily life, with many different trends, from Henry Lefebvre to Maffesoli, as well as all the essays concerning the "history of daily life" – a certain way of using and weaving history into the social canvas, which is a rather innovative approach and which, in itself, constitutes a break-up. But more profoundly, it is the very pattern of sociology – either new or traditional – that are being put into question. In other words, it is critical sociology. For many sociologists, working individually or in teams, and despite their differences, the theoretical formulation of these 'socio-logical trends' has a common postulate (or belief): society forms a whole, a unit which works according to mechanisms in which individuals are involved in an external causality, excluding the subject as capable of any creative activity or intention. Durkheim, his associates and followers, say it is strictly 'social', thus avoiding all references of the past: humanism, psychologism and idealism. By viewing society as a whole, some sociologists say that we have created an ontology, that of 'holism'. But it is not altogether free from a certain 'voluntarism', a desire to consolidate a society on the move, because of industrialisation and the new forms of capitalism – which in itself constitutes a sort of break-up with the ambition of a pure science. On the other hand, this vision of society as a universal mechanism is insufficient, because even Durkheim, when investigating the reasons for suicide, is tempted to resort to anthropology in order to identify the contingencies linked to the emergence of such phenomena, and to personal experience.²

As to critical sociology, either that of the 1960s and 1970s onwards – strongly influenced by Marxism – or that of Pierre Bourdieu, it proceeds according to a certain ontology, an ontology of the subconscious replacing that of the 'great whole'. This sociological trend equally considers that individuals are overwhelmed by society, reduced by it to the role of simple agents.

This trend stems from a principle of external causality which acts as a driving force for the functioning and development of society. The social forces lead social beings within a global project, that of domination, in order to achieve stability and ensure reproduction. Even when Bourdieu insists on practice, it is a practice which finds its expression in a *habitus* embodied by socialised agents caught in the illusion of free-will. For Bourdieu, this illusion of free-will is, to a certain extent, the necessary mechanism ensuring the well-being of collective life. Since French sociology is still bearing the hallmark of Bourdieu's work, it is only natural that his concepts and methods should come under attack from more recent innovations. If one readily admits the part of truth in his work, one also discovers its limitations. When, for example, parents organise the curriculum of their children, drawing a career plan for them, they rarely realise that the choices they make freely are in fact pre-determined and linked with their own history and social position. However, today, this kind of assessment can only result in a neutralisation of sociology, denying it any capacity for explanation. But above all, it seems to me impossible to consider only he who is endowed with the title of sociologist as capable of revealing the unknown; moreover, when common agents are deprived of the capacity to grasp the processes in which they are involved – not to say that he denies them the least part of personal intention – by what miracle an agent, who is not a sociologist, could agree with the vision presented by the sociologist. We are here in the presence of a conjuring trick which deserves an epistemological reflexion of which no hint has been provided so far by Bourdieu, the great decipherer.

Another major trend in France, also crossed by sundry currents, is that of Crozier and Boudon, among others, who have always rejected the holistic vision of society. To them, individuals are, on the contrary, rational actors, capable of strategy, of rational choices. Inspired by Anglo-Saxon utilitarianism, the file-leaders of this trend, have attempted to demonstrate, both through fieldwork and through major organisations, how the 'actors' played their own game according to interests they were either trying to optimise or maximise, or to combine according to specific goals.³ Yet, here again, even if one is referring to supposedly rational individuals – a

socialised version of the *homo economicus* – the critics have attempted to demonstrate that the system as a totalising unit outweighs the individualistic concept. Here again, through reflexion and research, one is compelled to moderate the structures of rationality taken as models.

These hasty incursions lead me on to the present propositions, which tend to offset the postulates and certainties of the past. These propositions, I believe, can be summarised thus: first, "There is a plurality of social worlds" or "There is not one society but a variety of societies". The second point which is felt as an urging obligation as well as an intimate conviction, is: "There aren't only socialised (or mechanised) agents. There are subjects, practical and endowed with intentions that are not only the expression of interest. Society begins where individuals cohabit – for good or bad, as enemies or friends, where actors attempt to co-ordinate their lives, their paths alongside other individuals. Individuals are actors, as says Boltovskoi, who do not live in just one sphere, but in various worlds."

These propositions create a whole range of new tasks and new possibilities for sociologists. Among these new possibilities one in particular is interesting by exploring action, interaction and connection between the various actors (partly the heritage of Grossman and of American interactionists), it is, or it would be possible to bridge the impossible gap, that exists with traditional theories, between micro- and macro-sociology.

By discarding the idea of a single society and taking into account the plurality of worlds while returning to the sources of the logic of action, it becomes possible to understand how co-ordination was impossible and becomes possible. Two authors, Boltovskoi and Thevenot, take the example of a conflict in a company. In this case, each one of the actors starts acting according to his or her own rationale. The worker who has made a mistake will incriminate the bad quality of the material, or the lack of proper instructions; the foreman will blame the inefficiency of workers; the inspector will blame the organisation and the working conditions; the employer will put forward economic reasons detrimental to working rates. As each one of them pursues his or her own rationale, a settlement seems more and more out of hand while the whole affair is turning into a dialogue of the deaf. It is the task of the sociologist who has failed to solve the conflict to discover the reasons of each one of the actors and the rationale of the world in which he or she operates. And, first and foremost, if the sociologist wants to understand, he must consider each one of the participants as a serious person, aware of what he or she is doing and capable

of expressing and voicing his or her demands. The first and foremost condition, as I said, is therefore to get rid of one's prejudices according to which agents are not actors but objects deprived of conscience, and to accept plurality.

Also, one should not merely focus on the demands of the agents, but grasp the agents in their encounter with objects – here the gas tank. But this would take too long to develop, even if it seems to me essential to point out the introduction of objects as elements of proof and counter-proof in the confrontation of actors.

In fact, it is a new definition of the word *action* which is at stake here. In this particular case, it is clear that French sociologists have sought inspiration in the Anglo-Saxon model. The traditional analysis has attempted to tackle action in a new manner – step by step, sequence by sequence. To follow the procedure in such a manner is not easy, it raises a number of methodological problems, but these in turn contribute to the renewal of the procedure.

To study society by understanding how actors make decisions, how they move along, hesitate, demand, ... leads to other consequences – to accept that a 'diffuse' rationality may exist. Some authors work in this direction, attempting to describe the emotional elements that summon up the actors (of Boudon in his latest studies).

Last, a vital issue is at stake, that of language, with its complex dimensions of understanding and communication. In the wake of Max Weber's ever increasing influence, many a sociologist has returned to Weber's work, sometimes with diverging views, and have contributed in turn develop comprehensive sociology in France. As to communication, the influence of Habermas, especially in his last essay, 'The Act of Communication', is very sensible. Here again, it is a certain conception of sociology which is at stake.

These trends have rekindled the interest in social practice, a social practice which has been both neglected in the past and considered as fundamental by some young and not so young specialists, that of argumentation: in order to reach an agreement, one must argue; to advocate one's demands one must argue. Thus, seeking inspiration in areas outside sociology – linguistics, philosophy – some sociologists have published essays around the theme of action in which they put the emphasis on the different aspects of argumentation. Aware of the criticism surrounding their work – accused of neglecting their own speciality, of not giving enough attention to social facts, of concentrating solely on theoretical problems – they argue that without thorough investigation the everyday work of the sociologist will lack the necessary basis.

In order to follow the process step by step, and to consider actors as allowed a certain margin of action, not so much in the classical sense of the term freedom, but as the expression of uncertainty, compels one to reconsider the observer-observee relation. Instead of superbly taking the outsider's position, the observer is compelled to adopt a method of investigation which does not avoid the encounter with the observee. Touraine had already implemented a 'participating sociology'. Even if the latter has undergone setbacks and sidings through a misinterpretation of the two categories of partners, it has nonetheless showed the way out of a certain outdated and conventional approach – that of objectivity-exteriority – linked to the very concept of causality in society matters. Once improved, the method allows one to sharpen both the terms of the encounter and the elements as wagers of veracity. In this respect, in a recent essay F. Puket puts forward the idea of likelihood in order to qualify the relationship that exists between situation, utterance and interpretation. At the same time, he puts the emphasis on the fact that the method is the wager of the theory, and that a theory without a method will end up in the pantheon of pure ideas. And in turn a method without a theory is meaningless: one may proceed to a great number of factual analyses, yet one will end up with 'clouds', clouds that will never go beyond a certain level of comprehension if the theory is not there to underline them, and force the searcher to put his or her conclusions to the test.

The link between theory and method has always been a headache, even for the most illustrious of sociologists. In fact, break-ups and sidings often interfere with complex reasoning, sophisticated method and interpretation usually based on reliable data. In this respect, Berthelot has undertaken a very interesting task in order to grasp the links existing between paradigms, theoretical constructions and conclusions, bringing forward the evidence of how, in order to cover up a flaw, such or such author has operated a kind of 'camouflage', by using either tools or concepts that are exterior to the issue in question.

These considerations lead me on to one point which seems to me quite remarkable: as more and more sociologists reject a holistic view of sociology, they become increasingly aware of the links that exist between macro- and micro-sociology, of the continuity that exists between them, even if the latter is sprinkled here and there with voids and flaws. They have come to accept the social actor no longer as a dummy, but as a human being capable of common sense, reasoning and feeling. These sociologists increasingly feel the need to turn themselves towards new approaches, other than those offered by strictly conventional sociology. In today's

sociology, one currently resorts to philosophy, history, and human sciences in general, but also to technical analysis. By opening up to novelty, sociologists have ceased to intellectually confine themselves to their own country. It is amazing to see the number of foreign references – American, German, English – to which they resort. Equally, to tackle the world of labour, justice (a theme much in favour nowadays), state, and social justice, French sociologists have stopped referring to French sociology, to turn to sociology in general.

Is there a crisis? Without any doubt if one is attached to one general theory on society when there isn't any, and because of the absence of universal paradigms. But the task is gigantic, multiple, dynamic, because changes are constant, and changes are the most difficult thing to tackle, in particular for those among sociologists who believe that there can be no society without stability. A huge task that breaks up with the models and habits of the past by the emergence of a reflexion that goes beyond the limits in which scientist-sociologists would like to confine sociology, by implementing new approaches so far unheard of.

At the very heart of society lies action, but for sociologists who are willing to take part in the debate about the reasons for action and not about its causes, action is not the simple result of social mechanisms, nor is it deprived of meaning. Action, either

individual or collective – and at one point or the other both come into accord – cannot really be explained nor understood if one refuses to admit that it conveys a meaning. Action leads up to problems that exceed by far 'scientific' sociology, on questions of justice, ethics, responsibility – concepts that have been dug up and reconsidered as inherent and essential to society. Society is not – as many searchers of the new generation have become aware – an object, and those who envision it as such are sure to fall short of their goals, because, in other words, they refer to something which is not society.

Notes

- 1 One example of the changes occurring in the identification of social units is that of the family. Naturally, the term keeps its traditional meaning, but nowadays it includes other types of organisation and relation. With the extension of divorce, with the emergence of single-parent families, of relations so far unheard of between various members of split-up families, it has become necessary to revise the pattern of these units, their behaviour as well as their consequences for social organisation as a whole, dwelling, work, family income, legal problems, etc.
- 2 Equally, in a recent debate, Bourdieu admitted that each individual is endowed with a margin of freedom, albeit narrow, that makes struggle, refusal of injustice, etc. possible.
- 3 Here the influence of the theories of games and systems appears clearly.

STRUCTURE AND ADMINISTRATION OF SALES TAXATION IN INDIA

– An Economic Analysis –
(1995-Second Edition)

by

Mahesh C. Purohit

Professor

National Institute of Public Finance and Policy, New Delhi - 110 067

Price Rs. 450.00 ★ US \$ 60.00 ★ Hard Cover ★ Pages XII + 303

★ ISBN No. 81-85930-01-5

Contents: Introduction; Fiscal role; Economic effects; Structure of sales taxes: Rate structure, exemptions, taxation of inputs, surcharge and additional sales tax, works contract and leases. Empirical estimates of incidence of sales taxes. Rationalising sales tax structure: Weaknesses of the existing structure, short and medium term reforms, an approach towards State-VAT. Inter-State coordination in sales taxes; Administrative organisation: Operation of the tax including evasion and enforcement; Management Information System; Summary and Policy imperatives.

Another valuable treatise from the same author on:

**Principles and Practices of Value Added Tax
Lessons for Developing Countries (1993)**

Price Rs. 250.00 ★ – U.S. \$ 30 ★ Pp 226-ISBN No 81-85930-00-7 – ★ Hard Cover

Quality Manuscripts from Authors in Social Sciences welcome



GAYATRI PUBLICATIONS

Post Box 8495, Ashok Vihar, Delhi-110052.

Madras: Not Benighted?

A R Venkatachalapathy

The National Movement in Tamil Nadu, 1905-1914: Agitational Politics and State Coercion by N Rajendran; Oxford University Press, Madras, 1994; Rs 275 (hb).

At last we have a coherent account of events in the swadeshi movement in Tamil Nadu. Based largely on relatively untapped colonial documents in the Tamil Nadu Archives, Madras, N Rajendran narrates in considerable detail the extent and outcome of the early nationalist movement in the Tamil-speaking areas of Madras presidency. Much in the manner of Philip Barrow and Lucy Lacuna (*pace* Bernard Cohn's *Anthropology and History: The State of Play*), Rajendran sets forth to fill in a major territorial gap in nationalist historiography. This, as we shall see below, explains both the strengths and weaknesses of the book under review.

The study is set out in seven short chapters. The first two, on early challenges to British rule in Tamil Nadu and economic conditions during the period of study, are the weakest, especially in terms of analysis and drawing interconnections. These prefatory chapters lead to the more substantive part of the study. Chapters 3 and 4 trace the rise of extremism and the spread of the swadeshi movement in Tamil Nadu. To stress his point, Rajendran takes up the vigorous nationalist activity in Tirunelveli district as a case study (chapter 5). In the final two chapters, he fixes the responsibility for the failure of the swadeshi movement at colonialism's door, and attributes the rise of revolutionary terrorism to its repression.

The book seems to be consciously set as a response to the Cambridge school, especially David Washbrook's rather abrasive comment that "between 1895 and 1916, scarcely a single anti-British dog barked on the streets [of Madras]".¹ But in his zeal to impute too much to the swadeshi movement in Tamil Nadu, Rajendran overstates his case and often slips into nationalist hagiography.

Rajendran prefaces his account with the assertion that he is only reacting to the conventional characterisation of Madras as being a 'benighted province' and then concludes, after 160 pages of minutiae and empirical detail, that "Tamil Nadu in the years 1905-1914 emerges from our study squarely within the mainstream of Indian nationalist history" (p 160). This may explain his liberal use of empty nationalist rhetoric like "the quest for political freedom" (p 120), "courage, integrity and intelligence" and "a sense of intense patriotism" (p 85). It is doubtful if this is the way to put mind back into history! In any case

this does little to explain or understand concrete historical processes. The book is written as though Bipan Chandra and Sumit Sarkar did not exist, not to speak of the subaltern critique of Indian nationalism and its historiography. Nor does Rajendran even consider the not insubstantial Tamil scholarship on this question.²

It would appear that the positivist manner in which the study has been structured precludes the raising of any probing questions. But for a brief foray into certain aspects of mobilisation (pp 49-57), no questions regarding the social base, programme or ideology of the movement and its protagonists are posed. Even the shifts within the movement, between moments of moderatism, extremism, and revolutionary terrorism (which often tended to overlap with several shades of grey - for instance, G Subramania Iyer's extremism was more ambivalent than Rajendran would have us believe), have to be sought out by the discerning reader. The moderates get a raw deal, their role getting only cavalier treatment. Surely, K R Guruswamy Iyer, M Gopalakrishna Iyer, Maheshakumar Sarma, not to speak of V Krishnaswamy Iyer and V S Srinivasa Sastri, deserved something better.

Further, Rajendran seems often to overstate his fitting-into-the-nationalist-mainstream thesis. The swadeshi movement, at least in Tamil Nadu, was certainly not that widespread and tended to concentrate in a few pockets, especially Tirunelveli district and, to a certain extent, Madras city. Rajendran seems to conveniently bypass this by writing an extended study of the movement in Tirunelveli, calling it a 'case study' (chapter 5). Clearly it was not just a case, but for all practical purposes, the very movement itself. Likewise, the prevalence of nationalist songs (pp 53-54) is seen to be an indicator of the creative power and strength of the movement, but no more than four poets other than the famed Subramania Bharati are named. This too actually masks the fact that A Shanmugam Pillai and Kandaswamy Kavirayar wrote no more than one swadeshi song each. Similarly, in the last chapter, while Rajendran waxes eloquent that the "anti-colonial struggle in the south became growingly [sic] clandestine and conspiratorial, with arising accent placed on individual acts of terrorism", all that actually happened was one solitary instance of the murder of a district collector! As

Bharati himself was to remark later, "The terrorist movement in the Madras presidency was still-born".³ Rajendran valiantly tries to piece together minutiae from confidential colonial records to paint a larger-than-life picture of the swadeshi movement in Tamil Nadu. Unfortunately, it did not possess the kind of intellectual resources, mobilisation and spread as found in Bengal. It made only a marginal impact on the later course of the movement in Tamil Nadu, unlike in Bengal where it was to make a deep (and creative) impression on subsequent generations.

This lands Rajendran in a difficult spot, having to explain the abject failure of the movement whose magnitude he has inflated. Colonial repression offers a convenient panacea to all his troubles. Intelligence-gathering mechanisms; strategies to inculcate government employees and Indian sepoys against the multiplying 'virus' of nationalism; the persecution and exemplary chastisement of extremist leaders; action against the press - all these are supposed to explain away the ultimate break-up of the movement (p 164). The picture of the colonial state that Rajendran paints is nothing less than panopticon of the Foucaultian variety! The "ever-vigilant police machinery" (p 158) of which Rajendran speaks so much needed 25 years to take note of a swadeshi pamphlet and proscribe it.⁴ At best it contained a few scores of dithering, and not exactly well-trained, policemen. As for prosecutions, less than a dozen extremists were tried and imprisoned for sedition. Only one journalist was imprisoned and another bound over on an undertaking. Only two periodicals were banned and less than a dozen publications proscribed. If this meagre colonial harvest of Tamil swadeshi scalps explain the failure of the movement, it speaks eloquently for the strength and magnitude of the movement.

Moreover, Rajendran appears to have taken colonial intelligence reports rather more seriously than even the colonial masters. He would do well to remember the pithy comment by one official regarding frequent reports from policemen concerning prevalent rumours and discussions in trains and other public places about impending large-scale insurgency: "They have to earn their keep." But such is his fascination for colonial 'confidential' records that even for his account of the Surat split, he prefers *Secret Police Abstracts* to contemporary observations by V O Chidambaram Pillai and Bharati. Similarly, his table on the passenger traffic carried by the Swadeshi Steam Navigation Company could have been more elaborate and illuminating, (by tracing, for instance, the weekly movements of ships) had he

cared to step out of government archives.

No doubt, it is a worthwhile project laying bare the fallacies of the Cambridge school. But I would daresay it would involve more of theoretical combat and less of grubbing at the archives. Ultimately, Rajendran's considerable skill and labour in culling data from colonial records would have proved much more useful if he had desisted from unconsciously succumbing to the nationalist myth of a uniform and homogeneous process of a monolithic nation-in-the-making. More than any other part of the Indian subcontinent, it is Tamil Nadu which has exposed the many chinks in the nationalist armour, in terms of region, language and caste. A study of nationalism in terms of these contestations could have yielded new insights. But, unfortunately, even when such opportunities crop up during the course of his narrative, Rajendran prefers to miss them. Therefore he is able to see the emergence of the Justice Party as only paving the way for "polemics to enter the discussion of Tamil Nadu's nationalist traditions, and obscure the past" (p 1).

Given this premise, Rajendran constructs a linear narrative that silences ambivalent and contestatory responses. For instance, he attributes the aloofness of Nadars (a numerically preponderant upwardly mobile caste, previously downtrodden) in the movement

in Tirunelveli to the district collector's attempt to stir up caste antagonisms (p 114), while the reality was far from being that simple. In fact, when one Sankaralinga Nadar, despite having regularly attended swadeshi lectures, expressed his misgiving, "If you get swaraj, you will ask us to do menial things", VO Chidambaram Pillai could only mumble an ambivalent answer.³ (Later in his life, VOC was to distance himself from the Congress and identify himself with the non-brahmin movement.)

Another line that Rajendran could have pursued is the relative absence of communal tension in the swadeshi movement in Tamil Nadu. Apart from the material basis for such amity, an analysis of the language employed by the swadeshi leaders could also have been attempted. The relative absence of Hindu religious idiom in the discourse of VOC and other non-brahmin leaders are useful leads in this regard. Recent studies indicate that Tamil Muslims were more comfortable with a Tamil identity rather than with a Hindu-Indian one.⁴ If such issues had been kept in mind, the result would have been a more analytical work shedding light on many contemporary concerns.

To conclude, Rajendran's work is meticulously researched and documented, but ultimately, only flatters to deceive. An analytical history of the early nationalist movement

in Tamil Nadu still awaits its historian, but it cannot be gainsaid that she would find Rajendran's book useful.

The book could have done with some more editing and proof-reading. (While the title refers to the years 1905-1914, the narrative stops in 1912!) An index would have been useful.

Notes

- 1 David Washbrook, *The Emergence of Provincial Politics: The Madras Presidency 1880-1920*, Delhi, 1977, p 233.
- 2 Especially the following works: Ragunathan, *Bharati: Kalamum Karuthum*, Madras, 1982 and *Bharatiyum Puratchi Iyakkamum*, Madras, 1987; A Sivasubramanian, *Ashe Kolaiyum India Puratchi Iyakkamum*, Madras, 1986; G Kesavan, *Bharatiyum Arasiyalum*, Madras, 1991.
- 3 'The Political Evolution in Madras Presidency' in R A Padmanabhan (ed), *Bharati Pudhaval Perumthirattu*, Madras, 1982, p 559.
- 4 See GO No 958-9, Public (General), July 11, 1932. The book in question, *Swadesa Chindu*, was published in 1907 but came to the notice of the colonial intelligence machinery only in 1932, when it was promptly banned!
- 5 GO No 1542, Judicial and Confidential, October 3, 1911. See the history sheet of VOC prepared by the CID.
- 6 See More's article 'Tamil Muslims and Non-Brahmin Atheists' in *Contributions to Indian Sociology*, 1992.

SAGE PUBLICATIONS

METHODS FOR DEVELOPMENT WORK AND RESEARCH

A Guide for Practitioners
BRITHA MIKKELSEN

This book is an indispensable, down-to-earth, richly illustrated guide to a variety of quantitative and qualitative methods for research and practice in development settings. Providing practical examples, techniques and tools for different types of studies, Britha Mikkelsen examines in detail both the concept of participation and ethical considerations in field work, and stresses methodological pluralism and dialogue in development planning. She supports her exposition with illuminating case studies, quotations and graphics.

The major part of the book is devoted to new rapid and participatory methods, viewing them as an important adjustment of or complement to other long-established qualitative and quantitative field study methods.

1995 ■ 296 pages ■ Rs 395 (cloth) ■ Rs 200 (paper)

INDIAN SOCIAL AND ECONOMIC DEVELOPMENT, 1994

An Index to the Literature
CENDIT

Indian Social and Economic Development has been designed to cater to the urgent need of providing a comprehensive abstracting and indexing service for all those engaged in the development process. This, the eighth volume in the series contains almost 500 entries divided into six areas—Ecology, Human Resources, Women/Children, Income Generation, Empowerment, and Debates.

Indian Social and Economic Development, Volume 8
1995 ■ 204 pages ■ Rs 250 (cloth)

Also available!

Indian Social and Economic Development
Volumes 1 - 7 for the years 1987 - 1993
Each volume is priced at Rs 250 (cloth)
and Rs 125 (paper)



SAGE Publications India Pvt Ltd

Post Box 4215, New Delhi 110 048

(Tel: 6419884, 6444888; Fax: 81-11-4472426)

AE-68, Salt Lake, Calcutta 700 064 (Tel: 377062)

27, Malony Road, T Nagar, Madras 600 017 (Tel: 4345822)

Labour, Law, Liberalisation

Radha D'Souza

Labour Law, Work and Development: Essays in Honour of P G Krishnan
edited by Debi S Saini; Westvill Publishing House, New Delhi, 1995; pp 221,
Rs 295.

THE sociology of law is a nascent subject in this country. When a subject is new, any effort to advance the subject is a positive contribution. Labour law, work and development is a vast subject encompassing many disciplines, such as law, sociology, economics and management. Since the putting into place of the new economic policies, labour has once again become a subject of acrimonious debate. While the proponents of the new economic policies would simply like to wish away the fact that there was a labour aspect involved in the whole process of liberalisation and globalisation, the opponents of the policies have, focused on the human costs of liberalisation forcefully enough to cause discomfort to the proponents. Be that as it may, labour has once again become a subject of debate. The book under review reflects this dichotomy and divergence of views.

It is interesting that the very structure of the book should embody such a divergence. Section 1 deals with the socio-legal issues related to labour power as such, both organised (Saini) and unorganised (Baxi). The second section is a more descriptive account of how the law and the constitution have worked for some of the most marginalised sections of our society such as bonded labour, agricultural labour and migrant labour. The two sections, comprising of five essays each, hang together as the underlying focus in both is the worker as a human being – a human being in the vortex of a gigantic legal machinery. The focus is on the way the legal machinery tramples on the individual worker qua human being.

Any understanding of social issues proceeds on certain epistemological premises, stated or unstated. Historical determinism has been an important tool of analysis in social discourse, but this smacks of a certain 'inevitability' in the course of events. However, historical determinism has been a most effective tool in describing the complexities and inter-relatedness of phenomena. Such an analysis deals with things as they 'actually are' rather than things as they ought to be. A normative discourse, however, is concerned not only with what things 'ought to be' but leads invariably to prescriptions on policies and actions. This may seem idealistic and impractical. Law more than any other subject can be said to possess a natural affiliation to a normative discourse and a pull towards prescriptions for action and improvement. Baxi's essay on unorganised workers provides important

insights into the workings of law as an instrument of 'unorganising' the workers. According to him, law "disorganises" labour due to the historical need for "primitive accumulation through agrestic serfdom, carceral exploitation of capital". Having understood the sociology of labour law in these terms, Baxi shifts the terms of discourse when he advocates law as an instrument of "production of politics" rather than allowing it remain "politics of production"; such a change according to him must be through the active utilisation of law as an instrument of change. If law is an instrument of the dominant class, can it be expected to 'empower' the 'disempowered'? This is a basic contradiction rooted in epistemology. If Baxi's essay raises the issue, the issue itself requires a more thorough examination.

Saini puts on a scientific footing what is already known to all those who are familiar with labour adjudication forums and how they work for the workers. That what is commonly known is established by proper research methodology is an important contribution, as it elevates what was hitherto 'subjective' knowledge to a more 'objective' plane. Saini confines himself to the lower forums for dispute settlement such as the conciliation machinery and the labour and industrial courts. His special focus on termination cases – how most of them are espoused by the workers individually; how they end up in monetary settlements; how this itself is an important means of weakening collective bargaining strength; the use of courts to disempower collective strength – is an important contribution in understanding how legal processes work at the grass roots. The Supreme Court itself has played an important role in bringing about this state of affairs. For example, in numerous termination cases, even after finding that the workman deserves to be reinstated, the Supreme Court has made exceptions and persuaded the workman to accept monetary compensation for 'pragmatic' considera-

tions. Such 'pragmatism' by the highest court sends definite signals to the lower judiciary. It may enhance Saini's work greatly to examine the role played by the higher judiciary in bringing about the state of affairs described by him in the essay under review.

It is significant that when the subject changes to globalisation, industrial restructuring and industrial relations law in the third section, the underlying premise in sections 1 and 2 undergoes a change. Now the terms of discourse change. It is no longer the workers as human beings and the effects of the new industrial policies on them, but the inevitability of the globalisation process, in the face of which the worker must somehow fade away. This hiatus between sections 1 and 2 and section 3 is significant in the present context, for the very subject of globalisation seems to carry with it a sense of doom for workers. The point is whether this must be so?

In this section Mamkootam's essay on 'Industrial Restructuring, Technological Change and Industrial Relations Law' begins by describing the impact of technology changes on work organisation and industrial relations. Having set out the premise, it is possible to postulate that given the kind of changes heralded by the globalisation process, it is inevitable that labour is subjugated by the iron rule of capital, and equally inevitable that labour resists such subjugation. Or it is possible to prescribe the best ways available to labour to adapt and survive in the new economic context. The essay avoids both courses and thereby evades the issues posed by globalisation. Kher, on the other hand, smacks of typical management jargon that one hears day in and day out at any meeting of personnel managers. While personnel managers may have their own reasons for viewing the courts as condoning misconduct as suggested by Kher, it would not be too much to expect an academic work in a collection such as the present book to show greater insight and understanding of how and why things are what they are.

Had the book put together essays on the globalisation process, industrial restructuring and industrial relations law, keeping the worker and the impact of these changes on him as the key thread underlying the essays, the value of the collection might have been far greater.

Back Volumes

Back Volumes of *Economic and Political Weekly* from 1976 to 1993 are available in unbound form.

Write to:

Circulation Department, *Economic and Political Weekly*
Hitkari House, 284 Shahid Bhagat Singh Road, Bombay 400 001.

DISCOVER THE WORLD OF HAR-ANAND BOOKS

HISTORY & POLITICS

- Bali, Yogendra & Bali, Kalika
THE WARRIORS IN WHITE:
Glimpses of Kooka History
- Chakravarty, S.R.
BANGLADESH UNDER MUJIB,
ZIA & ERSHAD
- Chakravarty, S.R. (Ed.)
FOREIGN POLICY OF BANGLADESH
- Chakravarty, S.R. (Ed.)
SOCIETY, POLITY & ECONOMY OF BANGLADESH
- Chandra, Bipan
IDEOLOGY & POLITICS IN MODERN INDIA
- Jain, R.B. & Bongartz, Heinz (Ed.)
STRUCTURAL ADJUSTMENT, PUBLIC POLICY &
BUREAUCRACY IN DEVELOPING COUNTRIES
- Jamaluiddin, Syed
THE STATE UNDER TIMUR
- Jhingran, Saral
SECULARISM IN INDIA
- Joshi, P.C.
UTTARAKHAND
- Lamin, Henry
ECONOMY & SOCIETY IN MEGHALAYA
- Kangai, Kumbirai & Kumar, Narendra
AGRICULTURE & LAND POLICIES IN ZIMBABWE
- Khan, Rasheeduiddin
BEWILDERED INDIA
- Kumar, Arun
SECRET WARS
- Romanovsky, N.V. & Imam, Zafar
RUSSIA UNDER HIGH STALINISM
- Shamuyarira, N.M., Kumar, Narendra & Kangai, T.J.
MUGABE'S REFLECTIONS
- Sinha, A.C. (Ed.)
YOUTH MOVEMENT IN NORTH-EAST INDIA
- Warikoo, K.(Ed.)
CENTRAL ASIA

ECONOMICS

- Bhalla, G.S. & Agarwal, Manmohan (Ed.)
WORLD ECONOMY IN TRANSITION
- Chadha, G.K. (Ed.)
POLICY PERSPECTIVES IN INDIAN ECONOMIC
DEVELOPMENT
- Chadha, G.K. (Ed.)
SECTORAL ISSUES IN THE INDIAN ECONOMY
- Devi, S. Uma
ECONOMY THEORY & METHODS OF REASONING
- Gandhi, P.J. (Ed.)
ECONOMIC DEVELOPMENT & POLICIES IN INDIA
- Gopal, Ajit S.
INSIGHTS OF AN INDIAN MANAGER

- Jain, Ashok & Others
INDUSTRIALIZATION IN INDIA & CHINA Rs.200
- Jha, L.K.
INDIAN ECONOMY Rs.250
- Ramachandran, K.S.
THE CHALLENGE OF ECONOMIC MANAGEMENT Rs.250
- Sheth, Pravin
NARMADA PROJECT Rs.295
- Singh, Ghanshyam N. (Ed.)
STRUCTURAL CHANGES IN INDIA Rs.350
- Singh, L.S. (Ed.)
ECONOMIC THEORY, POLICIES & DEVELOPMENT Rs.300
- Sinha, R.K. (Ed.)
PLANNING & DEVELOPMENT IN INDIA Rs.250

WOMEN STUDIES

- Chaudhary, Pratima
WOMEN'S EDUCATION IN INDIA Rs.250
- Chaudhary, S.N. & Chaudhary, Pratima
NATIONAL DEVELOPMENT & WOMEN Rs.150
- Devi, S.Uma
WOMEN, WORK, DEVELOPMENT & ECOLOGY Rs.150
- Friedrich Ebert Stiftung
WOMEN IN POLITICS Rs.250
- Kapur, Promilla (Ed.)
GIRL CHILD & FAMILY VIOLENCE Rs.250
- Kaushik, Susheela
FAMILY & RIGHTS OF GIRLS Rs.295
- Kaushik, Susheela
WOMEN & PANCHAYATI RAJ Rs.250
- Kumar, Shashi
RURAL WOMEN Rs.225
- Kumari, Ranjana & Dubey, Anju
WOMEN PARLIAMENTARIANS Rs.175
- Nath, Madhu Bala
AND THEN SHE STIRRED... Rs.150
- Pachauri, Saroj & Others (Ed.)
LISTENING TO WOMEN TALK
ABOUT THEIR HEALTH Rs.400
- Prasad, Nandini
A VISION UNVEILED: Women on Television Rs.295
- Sinha, Frances & Others
THE BLUE REVOLUTION:
Case-Study of Women in the
Inland Fisheries Sector Rs.150
- Sohoni, N.K.
STATUS OF GIRLS IN DEVELOPMENT
STRATEGIES Rs.295
- Srinivasan, Viji
INDIAN WOMEN Rs.250
- Srinivasan, Viji
WOMEN'S WORK EXPERIENCE Rs.195
- Verghese, M.A.
WOMEN ADMINISTRATORS IN EDUCATION Rs.125
- Venkatachalam, R. & Srinivasan, Viji
FEMALE INFANTICIDE Rs.150

HAR-ANAND PUBLICATIONS

364-A, CHIRAG DELHI, NEW DELHI
TEL: 6443445, 6465061, 6210136 FAX: 011-4826699

Dispossession, Degradation and Empowerment of Peasantry and the Poor in Bengali Fiction

Tony Beck
Tirthankar Bose

While within the mainstream paradigm of peasant studies the peasantry and the poor are represented as apathetic and passive recipients of elite ideology, Bengali fiction reveals a more complex pattern of dispossession, degradation and empowerment of the peasantry and the poor.

FEW social scientists have turned to the literature of the society they are studying for insights into that society. There are some very significant exceptions, for example, the historian E. P. Thompson's reference to Wordsworth and Blake in *The Making of the English Working Class*, or the same author's use of Fielding and Defoe in his analysis of early 18th century Britain, *Whigs and Hunters*. It is a pity that there has been so little use made of literary sources, particularly in studies of rural societies, because novels, stories, and poems can provide much information that is otherwise hidden from even the discerning social scientist.

In an attempt to tap this promising methodological resource, we are going to take a cross-disciplinary approach to the Bengal peasant and poor, viewing these curiously anonymous figures through the optics of literature and peasant studies. Such an approach is of course fraught with dangers and perils – different frames of reference, different disciplinary methodologies, and different bodies of theory. We have made things more difficult for ourselves by purporting to deal with representation, a subject that has received extended comment over the last 10 to 15 years and particularly since Said's publication of *Orientalism*.¹

Beck introduces the article by looking at what we already know of the poor and the peasantry from rural studies in India as a whole, straying outside of Bengal, and then writes briefly about the socio-economic framework in Bengal from the mid-19th century onwards, within which the peasantry and the poor had to carry on their everyday existence. This sets the scene for Bose to continue with an historical exposition of changes in the representation of the Bengal peasantry in fiction from the early 20th century.

I

The Obscured Poor and Peasantry

In the late 20th century the Bengal peasant, like his or her 19th century British counterpart, remains an obscure and obscured figure. 'Peasant' continues to remain a term of both abuse and affection (affection for example in John Berger's set of stories, *Pig*

Earth). Recently there has been much interest in peasant strategies and peasant revolt, what James Scott has termed "everyday forms of peasant resistance", as well as a rewriting of the historiography of rebellion and revolt in South Asia from the subaltern's perspective (Ranajit Guha 1981-1987). These revisionist accounts have partly illuminated one particular aspect of peasant society. But we continue to rely on Marxist terminology, and more recently on feminist terminology, to describe the structure of peasant society. As a result, we know more about modes of production, landholding patterns, differential mortality patterns and the sex ratio in villages, than we do about the way in which peasants think, feel and act. In addition, definitions of peasantry and the poor remain obscure. One reads of marginal, small, medium and large peasants, most of whom might however be considered poor in contrast to the urban middle classes. In this article we note the difficulties involved with the use of such terms, but we do not try to redefine what either of the terms 'peasantry' or 'poor' mean.

If the peasant remains half in light, half in dark, the poor are an even more shadowy and anonymous set of rural inhabitants. What is meant by 'poor' is increasingly debated from several angles and disciplines – for example, economics, nutrition, rural development, political science. Each one of these disciplines dismembers and reconstructs the poor according to its own principles. From the dominant economic perspective (for example, the hundreds of articles on the 'poverty line' in India), the poor person is the archetypal 'economic man', who is transformed from a human being to an income or set of ciphers which are insufficient to raise him or her above the tantalising poverty line.

Reasons for the obscurity of the poor are not hard to find. There is an urban bias against the village and the so-called animal brutality of rural life. If one can escape this, it is still difficult to contact the peasantry, let alone the poor. Living in villages in India for extended periods is not easy for outsiders who are used to city life, but who are likely to be the main interpreters of the village voice. Once inside the village, it is still

difficult to find and talk to the poor or to women. Then there is the difficulty of interpretation. Can we trust what villagers have to say? Can we even understand what they are saying, because their vocabularies and insights are so different from ours? How do we differentiate between hidden and public transcripts, to use Scott's (1990) terms, between the face the poor put on for outside consumption and their real feelings? How do we deal with cultural 'norms', such as women internalising patriarchal norms and feeling they have more self-respect if they comply with 'purdah' regulations? The concepts of false consciousness and 'mental metricism' [Sen 1985] begin to rear their confusing heads. Under this optic, individual village studies can be discarded from an intellectual perspective as being subjective, lacking a general overview, and being too far from scientific 'hard' knowledge.

RESULTS OF COLLECTIVE IGNORANCE

Is this obscuring of the peasantry and the poor simply neglect, or is it a manifestation of the political framework within which most students of village society operate? This is an important question. One of the 'meta-debates' concerning development in rural south Asia has focused on the characteristics of the peasantry and the poor. Should the peasantry be considered as moral or rational? Are the poor hard-working entrepreneurs denied opportunity, or are they lazy and apathetic? Debates around these issues are often based on hypothesis and assumption rather than analysis of existing situations, and their distance from reality means that they are conducted at the level of pre-conceived ideas. This is particularly a problem when such debates feed directly into policy-making at the state or national level, as they often do. For example, the state will conceive different development projects partly depending on the view its planners take of the poor. To flesh out these ideas, here follows an analysis of the way in which mainstream North American political science discourse represents the peasantry, the poor and village relations.

The most influential North American political scientists writing on India over the

last two decades, in particular Barrington Moore (1987), the Rudolphs (1987), and Francine Frankel (1971, 1978) have used moral economy theory to explain changes in peasant society in contemporary India. Less influential academic accounts, such as Greenough's work on the 1943 Bengal famine or Marvin Davis' work on village society in Midnapore, have taken the same approach, and the example which follows extends to Bengal as well.

Moral economy theory, as used by many writers concerned with changing societies in developing countries, was fathered by E P Thompson in his essay, 'The Moral Economy of the English Crowd in the 18th Century' (1971). Thompson's view of the moral economy was that the rich and poor were bound in a ring of mutual antagonism and need, and that the poor in late 18th century Britain re-echoed the patriarchal ideology of subsistence for all to which the rich purportedly held, by making constant demands on the rich to uphold their duty to the poor. Thompson focused on contestation over resources and ideology, and his representation of the English peasantry was of a radical group who were active in the making of their own societies.² One can note in this analysis of demands made on the rich by the poor a similarity to rich-poor relations as described in the writings of Mahasweta Devi, which are analysed in the second section of this article.

The North American political scientists mentioned have developed their own bastardised version of moral economy theory. They postulate that the penetration of capital into subsistence agrarian systems erodes patron-client relationships that may have been unequal, but provided minimum security for all. The disruption of this security, and the increasing differentiation caused by capitalist development, is then seen to be followed by rural instability and peasant protest.³

In Frankel's work the erosion of traditional patron-client ties during economic modernisation is a key concept. Although what constitutes the traditional is never clearly defined, her most common use of the term comes in describing a breakdown in past agrarian relations, as is apparent from the following discussion of the effects of the green revolution in India:

Occurring as these changes are in a local context characterised by an erosion in traditional ties, and an incipient polarisation on the basis of class, it would not be surprising if efforts by political parties to mobilise social discontent for power purposes would lead to increasing instances of class confrontation in rural areas (1971: 45-46).⁴

Rudolph and Rudolph also comment on the traditional nature of pre-capitalist agrarian ties in India:

Under forms of traditional domination, the legitimising ideologies and power asymmetries of local hierarchies sustained interdependence with relatively stable local social equilibriums. Legitimising ideologies sanctioned rights and obligations as well as duties and dependencies by linking putatively nonantagonistic strata in harmonious social order (1987: 384-85).

Moore (1987: 358-59) also invokes the same idea of the pre-modern harmony existing in 'traditional' Indian rural society.

The assumption of the existence of a pre-modern 'harmonious social order' rests on the view that the lower castes and classes passively accepted the ideology of the prevailing order. Frankel notes an attack on "...the traditional village system under which harmony was preserved by the mutual acceptance of ascriptive inequalities sanctified by the religious myths of caste" (1971: 116). In Frankel's work the poor are variously described as 'resigned', 'deferent', and "deeply conservative and inert, strongly committed to the traditional social hierarchy of caste, and largely reconciled to their impoverishment" (1971: 10, 107, 177). A similar view is also taken by Moore, who writes of the "passive acceptance" of their situation by the lower castes (1987: 335). In her more recent work, Frankel returns to a similar refrain:

Village studies show that... asymmetrical obligations among unequals were oriented toward ensuring subsistence for all members according to their ceremonial and productive functions. Religious symbolism became attached to the notion of a 'hierarchical collectivity' in which the use of concentrated politico-economic power was circumscribed by moral obligation... As a result, it is arguable that commands by the dominant castes were perceived as legitimate and evoked a high level of predictable compliance for the lower castes toward whom they were directed (1989: 1).

Let us return to this passage in a few moments. The Rudolphs write in similar terms of the modern agricultural labourer. "We infer that isolation accompanied by normlessness and apathy has replaced decaying mutual ties in many other local contexts..." The term 'normlessness' here, again implies that labourers simply echo elite norms (1987: 387).

As well as being conceptualised as passive receivers of elite ideology, the poor are seen as increasingly susceptible to organisation by forces other than the 'traditional'. As Frankel puts it: "...high rates of economic development may actually exacerbate social tensions, and ultimately undermine the foundation of rural political stability" (1971: 8). This leaves room for communist agitation and the possibility that the poor will become convinced by "...the Marxist political propaganda that fundamental

social change can only be accomplished by the complete overthrow of the existing property system" (1971: 185).⁵ The Rudolphs also warn that the "dissolution of traditional interdependence and absence of a reconstituted moral order" may lead to "undeclared civil wars", the leading characteristic of these being "spontaneous, leaderless violence against property and persons" (1987: 389-90).

A political scientist of a newer generation, Atul Kohli, in his book on democracy and discontent in India, also wheels out the same patient for surgery and follows closely what has now become the 'traditional' construction of Indian social and political relations:

Economic development has generated new patterns of division of labour that have undermined traditional caste authority. The spread of commerce has similarly replaced seemingly reciprocal patterns of exchange with the impersonal medium of money, again undermining the traditional bonds of 'solidarity' between social 'superiors' and 'inferiors'. Unequal economic gains have also generated new types of tensions that increasingly resemble class conflict (1990: 485).

And so on. We are presented here with the received idea about the Indian peasantry and the poor - a group that is deeply conservative, a group that accepts passively elite ideology, that is inert, and a group that is subject to irrational violence when aroused by communist or other organisation. This picture of a sleeping giant ready to awake and overturn the foundations of society is one that has haunted liberal social scientists for decades. From the perspective of the planner and politician, many of whom are as out of touch with the peasantry as Frankel and her colleagues, this sleeping giant is a Gulliver-like figure that has to be pinned down by various methods of social control - and this is what is meant by representations of the peasantry and the poor feeding into policy-making. Such extreme views of social relations cannot help but influence how external intervention to deal with village problems is determined.

CLOSER VIEW OF VILLAGE LIFE?

Let us return to that quotation from Frankel: "Village studies show that... asymmetrical obligations among unequals were oriented toward ensuring subsistence for all members according to their ceremonial and productive functions." Frankel unfortunately only mentions in passing one of the studies she is thinking about; but it is fortunate that there are a select number of ethnographies from South Asia that deal closely with the life and life-styles of the poor, and which challenge the standard representations of the poor that come from the world of political science. It

will be useful to mention a few of these and then summarise what is common in their findings. One thinks of Breman's study of changing labour relations and migration in Gujarat (1979, 1985), which is the only major longitudinal study from India we know of that specifically sets out to examine the condition of the poor within local power structures. Other excellent case studies are Jodha's work on poor people's perceptions of poverty in village Rajasthan (1989); and Mencher's research in Tamil Nadu on untouchables' 'rejection of brahminical ideology, a rare analysis of the view of the power structure of the exploited [Mencher 1975, 1980]. *Labour Pains and Labour Power* by the Jefferies and Lyon (1989), a study of gender roles, childbearing and patriarchal ideology in Uttar Pradesh, is a vital account of the complex nature of female oppression, much of it in the villagers' own words. Details of grass roots organisation among untouchables and women can also be found in Joshi (1986), Kishwar and Vanita (1984) and Illina Sen (1990). Oral history remains another important method for representing the viewpoint of the poor, but apart from the book *Untouchable* by Freeman (1979), and studies concerning poor people's uprisings [Stree Shakti Sanghatana on Telengana 1989; Cooper on Tebhaga 1984] no significant work appears to have been carried out in this area.⁷

What can one learn from this scattered evidence concerning poor people's priorities and how they experience poverty? First, it is clear from this literature that poor people do not always subscribe to the dominant brahminical or other ideologies. Rather, they assert their own identities, identities which are usually closely tied to the material circumstances of deprivation and exploitation in which they find themselves. Second, poor people feel sympathy for, and identify with, their fellow poor, and help other poor people where this is possible.⁸ Of course there are converse findings from village studies which show how untouchables or other subordinated groups have internalised dominant ideologies or do not support each other [Bandyopadhyay and von Eschen 1988; Moffat 1979], but these go against the trend of the ethnographic literature that has attempted to interpret the village through direct contact with the poor.

Of course all of the studies we have mentioned are interpretations of village society from the outside. Tirthankar Bose has reminded me that we rarely hear the indigenous voice of the peasantry or the poor, except occasionally in songs. But it is clear that the representation of the Indian peasantry and poor in peasant studies is itself an important area of contestation, important because how we choose to represent the poor determines to a large extent our actions towards them. The representations of Joan

Mencher and Jan Breman, who have spent time living close to the poor and peasantry in villages in India, rather than the political scientists who come with pre-conceived notions and ideological pretensions, seems to be more worthy of trust. These close accounts of the poor would contribute to an alternative kind of policy-making, one in which the poor are seen not as a dangerous sleeping giant but as a group that can contribute positively to the making of their societies.

SOCIO-ECONOMIC CHANGE IN BENGAL

The main point to note concerning socio-economic change in Bengal is that the peasantry experienced a secular decline in standards of living and quality of life from about the middle of the second half of the 19th century. There were a number of interlocking geographical, political, and economic reasons for this. During the 19th century, the river systems in West Bengal continued their move eastwards, turning West Bengal into a moribund delta. The construction of rail and road embankments from the middle of the 19th century, in the words of Sugata Bose (1986: 44-45), "played havoc with the fast deteriorating drainage system of the region", leading to decreasing soil fertility and stagnating yields. The number of agricultural labourers and sharecroppers grew throughout the 19th century; reasons for this included the influx to the state of large numbers of tribals who worked in plantations in north Bengal or clearing frontier regions; indebtedness which led to landlessness; and the displacement of rural artisans from traditional occupations. Declining yields and increasing population growth, particularly in the 1930s, were among the causes of the Bengal famine, and this secular decline has continued up until the 1970s at least. By the 1970s, landless agricultural labourers made up about 35 per cent of the rural population, and within these agricultural labourer households, female-headed households and widows, doubly oppressed by patriarchy and class, could be considered as the poorest. The Bengal peasant now finds him or herself in the unfortunate position of living in one of the poorest regions of India. Since 1977 and the dominance of the Left Front there have been improvements in the position of the poor in some areas, but this is the subject for another article.

II Through the Literary Looking-Glass

Despite the efforts of historians, economists and sociologists, the rural poor of India remain a problematic. We do know a great deal about the measures of hard resources that spell poverty, the political

acts (or lack of such acts) that characterise people in such conditions, and the social exchanges that bind them as a class. But the quantifiable data give us the profile, not the face of the human beings who live and die in India's villages. Who are the poor? It may be that we will never quite know the truth, especially within the confines of the social sciences. For that matter, I doubt that the resources of imaginative perception will lend veracity to any one conception of the poor, but at least the impersonalities of quantification may yield to portraits that claim engagement, a claim often of dubious virtue, for portraits represent the painter as much as the subject. Art, like science, views from the outside.

What is beyond doubt is that the poor confront the Bengali writer on every side. The experience of poverty, particularly rural poverty, is so central to the Bengali writer's psyche that it can only prove the centrality of poverty in Bengal's social experience. From Dinabandhu Mitra's play *Neel Darpan* and Bankimchandra's essays on the Bengali peasant to the fiction of Samarendra Basu and Mahasweta Devi, the poor have systematically displaced the idealised images of humanity that modern India inherited from its own classical tradition and from British literature. I have not counted plots, but it seems a safe bet that at least half the Bengali stories and novels written in the last hundred years deal with the poor. Does this persistent concern bring us closer to the poor? Or is it an obsession that distorts the representation? The answer will be ideologically loaded and will not serve the social scientist in the way Tony Beck hopes it might. But this at least is certain, that in Bengali fiction the poor have become a central site of imaginative action played out by contending social perceptions. This demands a sustained study, to which the present look at a few representative works can at best be a modest prolegomena.

It is fair to recognise that the literary representation of rural life has not always been a painful dirge. A sweeter strain can be heard in the pastoral tradition, which is of respectable antiquity and upheld by poets as well as storytellers such as Kalidas Roy, Jasimuddin, Rabindranath, Satyendranath Datta and Nazrul Islam. One of my favourite childhood books was *Bhombal Sardar*, a picaresque tale of a young boy's adventures in a Bengal flush with autumnal plenty. In more recent times Abdul Jabbar has written lyrically of life in the villages around Calcutta. But this comforting vision exists precisely because it sees the poor only as relatively disadvantaged, not as persons facing or in a state of total dispossession. In these works rural life is one of abundance, health and integrity, invoking memories of a mythologised golden age of pre-industrial India. Not surprisingly, these odes to

Recent Perspectives of Early Indian History

Edited by
Romila Thapar

Over the last couple of decades the study of History has gradually changed. History is no longer a mere study of the events of the past but its scope has broadened. Along with discoveries of new inscriptions and relics, hitherto neglected areas like socio-economic, environmental, ecological, linguistic and historical changes, have slowly come into focus in recent writings. This subtle but identifiable change in perspectives has led to History being regarded as a Social Science. One development resulting from this is the adoption of an interdisciplinary approach.

This volume of essays, serves as a unique guide to new interpretations of early Indian history currently being discussed by historians and other scholars working on India's past. Each chapter covers a specific theme from a chronological period. This volume is intended to draw the attention of students of Indian History to some of the recent work on the various aspects of early Indian History.

The time has come when the younger generation has to be told, in clear language, what was really noble and progressive in our ancient past, and what was reactionary, oppressive and unjust. They must know what they have to be proud of and what has to be renounced and rejected.

This book deals with the period from the Rig Veda up to, roughly, 1200 AD i.e. the arrival of the Afghans and the Turks.

A running conflict took place between progressive and conservative forces in all spheres of social life and thought during this long period. It was expressed in our economy, politics, social and religious life, philosophical and scientific development. The purpose of this book is to bring out this conflict and relate it to the contemporary struggle between progressive and reactionary forces in India.

ISBN 81-7154-556-4 royal hardbound x + 361 Rs. 175.00

Romila Thapar is a Professor at Centre for Historical Studies, School of Social Science, New Delhi. She has an interest in the social and cultural history of early India and historiography. Shareen Ratnagar, K. Meenakshi, H.P. Ray, Kunal Chakrabarti, Ranjan Gurukul, R. Champakalakshmi, B.D. Chattopadhyaya are other contributors of this book.

**Popular
prakashan**

Popular Prakashan Private Limited
35C, Pandit Madan Mohan Malaviya Marg, Popular Press Building, Tardeo, Bombay 400 034
Telephone: 494 1656/494 5294/4295
Fax: 493 8049 Grams: NANDIBOOKS



Branches: 4648/1 Ansari Road, 21 Daryagari, New Delhi 110 002. Tel (011) 3265245 • 16, Southern Avenue, Calcutta 700 026. Tel (033) 760 812 • 67 Patil Estate, Bombay-Pune Road, Pune 411 005. Tel (0212) 52088

Bengali joy pipe but faintly against the discordant notes of rural crisis in colonial and post-colonial Bengal. The glory of Rabindranath's, Nazrul's and Jibanananda's enchanting Bengal fades into darkness as they speak of the dispossessed.⁹ In our times this passage of the Bengali writer from delight and hope to fear and anger, a passage too from the romantic to the realistic, is perhaps best seen in Bibhutibhusan Bandyopadhyaya's uneasy yoking of life and death in *Pather Panchali* and *Ashani Sanket*.

Despite the idyllic image of rural life that is part of the tradition, the great majority of stories of rural Bengal are uncompromising in recognising poverty as the overriding condition of rural life. To the social scientist 'poor' may be a relative term, but there is little ambiguity in the conception of the poor in Bengali fiction. Poverty means dispossession. So powerful and widespread in this vision of the poor, so apocalyptic, that Bengali narratives become locked into an insistent plot pattern: peasant or artisan families that are barely scratching out a living in a failing economy within an inimical social organisation are faced with a crisis in the form of debts or sickness or famine, or often all of these together. As a result they lose what little they possess, surviving physically by selling themselves into functional slavery, the men becoming the landlord's or moneylender's creature and the women prostitutes. The social event is the break-up of the family which is a microcosmic representation of the breakdown of civil society. The moral event is the brutalisation of human beings.

Within this general format the poor are portrayed as one of three types. The most common is the timid, trusting peasant or artisan who knows the forces driving him/her to ruin but feels helpless in their grip. A second type is the man or woman reduced by want to a bestial level at which all human understanding have been eroded. The third type is the polar opposite in being not only aware of the nature of the threat but also resolved to oppose it. Not surprisingly, these constructions derive from separate ideologies, although they often merge into a complex pattern of shifting attitudes, from despair to militancy to hope.

THE DISMEMBERED VILLAGE

This complexity has lent as much variety to the conception of the poor as to narrative structures. A case in point is Tarashankar Bandyopadhyaya's *Panchagram* (Five Villages). The novel records through the eyes of a village schoolmaster, Debu Ghosh, himself of peasant origin, the accelerating decay of a vast area of rural western Bengal through the 1920s and 1930s. Debu, who has lost his wife and child to disease, now devotes his life to the welfare of his extended

community of poor Hindus, Muslims and outcastes, including individuals of particular vulnerability such as Durga, the village prostitute, and Padma, the abandoned wife of his blacksmith friend. The crisis of the community is one compounded by crop failures, epidemics and rising taxes. Traditional defences fail because the world of the Five Villages has changed, and landowners such as the parvenu Srihari Ghosh disavow the age-old duty of the rich to feed the poor, ignoring Debu's negotiating powers and even the moral authority of the brahmin patriarch Nyayaratna. Debu's people have neither the wherewithal nor the will to fight the crisis, and their downward slide into ruin becomes irreversible. Debu's political initiatives do not work in the face of this inertia. Nyayaratna's communist grandson makes even less of an impact. The economic decay of the community is reflected in its moral decay. Social sanctions against Debu engineered by Srihari Ghosh readily pass on charges of immorality even though the villagers continue to trust Debu. Realising that the redemption of the people can come only in a new age to be brought about by India's independence from British rule, Debu joins Gandhi's freedom struggle, goes to jail and returns to find his community still more weakened. Death has claimed many, agriculture barely survives because people have migrated to cities in search of work in factories, the Srihari Ghoshes are in still greater control. Yet a new generation represented by a brother and sister pair, Gour and Swarna, who were Debu's proteges, keeps Debu's flag flying. Rediscovering in them his vision he resolves to forge ahead, rebuilding his programme as well as his personal life by marrying Swarna.

The panorama of misery and failure in the novel seems to make the logic of decline unbreachable. Given the conditions Tarashankar so faithfully records (on the basis of intimate personal knowledge), what redemption can there be? Yet the tale ends on a meliorist note that can be the product only of the writer's ideological intervention. The narrator begins with a retrospective of the prosperity of the region but also lets us know that those days are gone. Then as now the land belonged to the landowner, not to the tiller who would pay rent with his produce as well as free labour, but on his part the landowner would forgive or at least defer revenue collections at times of want and finance public works. In that golden age even calamities proved the strength of society's moral fabric: "In times of want the landowners and the local rich used to help out" (p. 193).¹⁰ Tarashankar's historical assumption here is the same as that of what Tony Beck calls the "bastardised North American version" of EP Thompson's moral economy.¹¹ Now, however, the reciprocity of power and resource relations has vanished

and the legitimising ideologies have fallen into disuse. The owners no longer allow defaults. When they can they foreclose, often by shady legal proceedings aided by the corrupt police and government officials. The peasants, particularly the more spirited lower castes and the Muslim tenants, mutter their disaffection, but do so ineffectually. Debu Ghosh's efforts to achieve reasonable compromises fail because the system is too strong, the landlords are too rich and wily, they have the support of the police and district officials, and the peasants have no fallback savings or prospects to sustain them through a contest. Note that not only does Tarashankar have a clear view of the events constituting poverty, he also insists on demonstrating, even commenting on, their causes. At several places in the narrative he builds up the crisis to a point at which the militant stand taken by Raham Sheikh or Tinkari Mandal seems an unavoidable response. But at every such critical moment Debu's idealistic option of negotiating the community back to the golden age takes over, leaving his community gripped in its downward spiral. The iterative force of the view of Panchagram's decline is Tarashankar's own:

Allar duniya shaitane dakhai karya nile [Satan has taken over God's world]. - Raham Jamidarke rajshakti adhikar samarpan kariyacche [The state has surrendered its power to the landlord]. - author
Panchagramer manush sarbaswanta hoiya giyacche... prati barite bhangar dhariyacche [The people of Panchagram have become paupers... every household is breaking up]. - Debu
Manushguli jeno sah kemon hoiya giyacche [How strange everyone has become!]. - Debu [Bandyopadhyaya 1972, my translation: 73, 86, 287, 288].

How does this realisation lead to Debu's final vision of triumphant rural prosperity? Only an ideology committed to a self-deluding nostalgia can turn imaginative perception so completely inside out. The result is a fractured literary construct in which the realistic mode abruptly surrenders to the symbolic, images of ruined cottages fade out to make room in the novel's last sentence for the hero holding hands with his new love against a frame of "the sun arising out of the darkness - today's dawn marching through the moments, the hours, days and nights towards tomorrow's". Caught between hard reality and liberal sensibility, the novel takes on an ambiguity in regarding the pauperised peasantry that is rich as an imaginative product but no less troubling than the obscurity of the poor behind the social scientist's statistical smokescreen.

"IS MAN NO MORE THAN THIS?"

One of the alternatives to this meliorist view swings to the bitterest opposite. Even

in as early a work as Saratchandra Chattopadhyaya's *Srikanto*, the poor are frequently placed on a subhuman level. In Part 3, Chapter 12 of this influential novel, Saratchandra describes labourers uprooted from their villages and brought to work on the railway. Their reality has narrowed to filling the belly, copulating and dying. All human feelings have atrophied so that their only response to suffering – their own and that of others – is passive acceptance. The author's comment is: "This is what an animal is!... Such patience is subhuman." How did they sink to this? He explains: "These people have been alienated from all natural bonds of family and society so that they can endlessly toil... because unless human beings are turned into animals, animal labour can't be drawn out of them" [Chattopadhyaya 1985: 428-29; my translation].

The author's horror and disgust underscores a deep rage at what he discovers at the root of poverty. Merely implicit here, that rage comes to a sharper focus in Saratchandra's short story 'Mahesh', named after the central character Gafur's beloved pet buffalo. Gafur struggles under a double misfortune: he is poor and he is a Muslim. Instead of enabling him to feed his only child and Mahesh, the hardships he silently bears force him evermore into the punitive clutches of the village power structure. Finally, maddened by want and failure he lashes out at Mahesh, killing one of the two beings he loves most. Then, as he leaves the village for the town jute mill holding his daughter by the hand he looks up at the dark night sky and cries out: "Allah! Punish me as you please but remember, my Mahesh died of thirst. Nobody let him graze on the smallest plot of land. Do not forgive those who denied him the grass of your fields, your water to slake thirst" [Chattopadhyaya 1985: 1733].

In the grief and anger fuelling this passage we see a characteristic feature of Bengali fiction. Description here leads to explanation and marches on to a call to action; the author changes from witness to judge. Often, though, the weight of experiencing the poor creates a black hole from which the author's judgment cannot exit. Samaresh Basu's 'Aam Mahato' is such a tale. In it life is merely biological survival, in pursuit of which a rice-for-wife exchange is an instinctive imperative for the central character. Powerful body imagery fixes Mahato's dehumanised state in the viewer's eye: his near naked body barely senses the breeze and the sun; the rag he wears is stripped off him by the village policeman looking for hidden sheaves of rice. The only thought that stops him from bartering his wife for a rupee to the policeman is that she might bite and scratch the man who might then beat Mahato in revenge. Eventually he does barter her to a rich trader whose throat she tears out, and the story ends with the wife led away by the police as Mahato gobbles rice, his eyes playing in his

imagination over the rippling bodies of the sleek oxen he had lusted after in exchange for his wife's body. The insistent body imagery turns the human into the animal, sexuality into bestiality.

The process to which Saratchandra and Samaresh Basu bear witness is one of the loss of material possession, which forces on them the loss of all human dignity, freedom of action, perhaps even belief and eventually human identity itself. If there is ideology here, it is overwhelmed by experience which silences authorial comment. In these, the bleakest narratives of poverty, the poor are victims of a world that denies them even the minimal dignity that is implicit in the term 'decline'; because it is a process, decline implies a past state of relative well-being and worth. But in the examples given, poverty is not a process but a state. The human figures are human only biologically, not socially or morally.

Perhaps because imaginative perception can dive no lower into the decay of humanity, a different voice begins to be heard in Bengali fiction since second world war. The reduction of humanity is countered by the very pauperisation that denudes the human. Samaresh Basu himself represents this school well. His short story 'Pratirodh' begins by recalling the great Bengal famine of 1942. The famine is gone but the peasants are little better off because half of what they produce as sharecroppers is taken away by the landowner. They demand a two-thirds share (the historical backdrop is the Tebhaga movement), and although the forces ranged against them have beaten them into submission time and again, they band together and swarm upon the fields to take what is theirs: "They will fight, they will give their lives, but they will shake off their necks the burden of the ages." The landlord's thugs launch a spree of murder and rape but are driven away by the village women. Resistance triumphs but at a terrible cost in lives: Rahim is killed and Radha, a central figure, dies with her pregnant stomach slit.

RESISTANCE AND REDEFINITION

This situation becomes a common plot pattern in Bengali fiction of the 1950s. Samaresh Basu is in fact antedated by Manik Bandyopadhyaya in countless stories of rural life, all telling of the poor pushed to the wall and realising their only option is to fight back. They are no better led or equipped than Tarashankar's peasants, except that hunger and want prove too much for the legitimising ideology of subservience and fatalism to keep them passive. The hero of 'Mejaj' (hot temper) gets into fights with everyone over the slightest provocation, defies authority and beats his wife for fancied offences. Because of his visibility in resisting extortionate laws, the zamindar's men attack

his hut, tie him up and gang rape his wife. When they leave he shows no anger. Confounding everyone's expectation he persuades the villagers in the calmest tone to keep up the resistance, citing his wife's violation. Then one night as the thugs attack another family he pounces upon them and shows what 'mejaj' really means.

Yet another iteration of the same theme and the same plot pattern occurs in Nani Bhowmick's story 'Salimer Ma', which centres on the Muslim peasant couple Moin and his wife, the latter known only as their son's mother, Salimer Ma. Despite the hardships of successive crop failures and the death of his son, Moin holds on to his sense of what he thinks is Muslim family decorum, and is enraged at the thought of other men seeing his wife unveiled, as she would be if she were to take up domestic service. Maddened by poverty, he joins other sharecroppers to seize the crop against the threats of the leaseholder, Karam Ali. When Ali's thugs come to take the crop away, Salimer Ma holds the sheaves to her body. Even though they beat her and strip her she does not let go until the villagers come to her rescue. As she weeps at her dishonour, her fierce husband comforts her, the myth of female honour set aside in the light of a refashioned reality.

The construction of political reality that imposes this pattern on Bengali fiction is at least partly propagandist, inviting the poor

Another Outstanding Contribution by Prof. Randhir Singh FIVE LECTURES IN MARXIST MODE

Rs. 115

Contents: ● Crisis of Socialism: Notes in Defence of a Commitment ● Of Reservations: A View from the Far-Left ● Communalism in Contemporary India ● Terrorism, State Terrorism and Democratic Right ● In Memory of Punjab Revolutionaries of 1914-15

Earlier Publications
by Prof. Randhir Singh
OF MARXISM AND INDIAN POLITICS

Rs. 80

Contents: ● An 'Autobiographical' Note; ● Of Marxism Today; ● Politics - The Dialectics of Science and Revolution in Karl Marx; ● Marxists and the Sikh Extremist Movement in Punjab; ● Theorising Communalism in India; ● 'Visions for the Future': One View.

REASON REVOLUTION AND
POLITICAL THEORY

Rs. 275

Address your order to.

AJANTA BOOKS INTERNATIONAL

1-U.B., Jawahar Nagar,

Bungalow Road, Delhi-110007

© 2026152, 7258630 Fax 01-11-7132906

to militant action. It is not an accident that it was about the time that these stories began to appear that the Progressive Writers' League was formed with the express purpose of showing life as it was,¹² and at least for the large left-wing contingent it was a platform to call the proletariat to arms. The reversal of the earlier pattern of passive suffering to one of militant self-determination is only too obviously founded in the doctrine of the dispossessed having nothing but their chains to lose.

To give the doctrine social reality the writers focus on human figures that acquire a symbolic status in the process of telling the tale. The commonest figures are the Muslim peasant and the female because they survive at the very bottom of the social pile. The raped woman in particular becomes the symbol of the kind of suffering that is not an accident of history but a condition actually required by the power relations of an expropriative society. In the stories noted above, and many others, the agonies these figures suffer are demonstrated to be socially constructed rather than a product of fate or nature or innate flaws of character. Yet in a sense, the militant vision of these writers is self-defeating. Even as a description of rape arouses rage it invites mourning and concedes the disempowerment of the oppressed, which is offset by no energising resolution that might build upon loss. Radha's husband dissolves into tears, Salim Ma weeps: "The bandits shamed me." No re-affirmation of the poor's personhood arises on the wreck of self-esteem.

It was in the 1970s that an entirely new construction of the poor was achieved in Bengali fiction by Mahasweta Devi. Working in the tradition of activism and life-sharing among the poor, a tradition served by both Saratchandra and Tarashankar, Mahasweta shows us not only that being poor is a socially constructed state and thus open to transformation, but also that defeat and loss may paradoxically be victory and gain. The narrative and rhetorical strategies she uses lead to the perception that 'poor' is an arbitrary term filled with deadwood from outmoded cultural norms, which makes a redefinition of the self-in-society a necessary and possible precondition for the empowerment of the weak. This essentially subaltern view of society is radically different from the prescriptive imaging of reality we have noticed in other writers, which explains why we have in her fiction images that achieve an altogether different texture and resonance even though she uses the same figures of the peasant and the female.¹³ Probably her best known story in this mode is 'Draupadi', which narrates the arrest of the militant tribal woman Dopdi Mejhen and her interrogation by her captors led by a commander, an intelligent, educated man to whom she is an object of scientific political study. He treats her courteously through the

period he has decided requires civility, that is until dinner time, when he leaves instructions to make her pliable. In a lifetime of reading I have not come across a more forceful word than the Bengali word Mahasweta uses for the commander's instruction: "Oke baniye niye esho". The verb 'baniye' here is the same word as 'dressing' a chicken. Word and deed (of repeated, bloody rape) thus join into a semiotic event that carries an incomparably greater load than clinical description. The dehumanisation of the powerless seems even more irreversible here than in the narratives we have discussed. But in a triumphant irony the lowest point of Dopdi's life becomes the highest. After waking up from her post-rape coma she walks up to the commander:

Draupadi comes closer. Hands on hips, she laughs and says, "Your hunted woman, Dopdi Mejhen. You told them to make me up, so don't you want to see how they have made me up?"

"Her clothes—where are her clothes?"

"Clothes? What's the use of clothes? You can strip me, how are you going to clothe me? A man, are you?"

Draupadi advances on the commander, pushing him back with her torn breasts, and this is the first time the commander feels fear in front of an unarmed target, a terrible fear. [Devi 1987: 108, my translation].

Roles have been reversed, power relocated and human worth redefined. The inevitability of the plot pattern that is a mark of this type of narrative invests the central figure with a presence that fills the viewer's eye and then, instead of remaining a motionless emblem of grief and loss, that figure acquires control over her reality, assuming not just militancy but moral supremacy. The very objects of defeat become the weapons of victory. Note that Mahasweta is using the same narrative pattern as Manik or Samaresh and particularly the same symbol of dehumanisation, the raped woman.¹⁴ The difference is that precisely at the moment when the reader is asking, is a human being no more than this, the writer transforms that symbol into a trope which elevates the reader's perception to a redefinition of humanity by eschewing arbitrary constructions of worth into an icon of inalienable rights. In contrast to Manik and Samaresh, whose very sympathy for the violated poor turn them into subjects of patriarchy, Mahasweta's chilling disengagement accords the poor autonomy at the same time as it bridges the distance between the perceiver and the perceived. Uncharacteristically for Bengali fiction, the romantic idealisation of spirit over body yields to the revolutionary realisation of the dispossessed reclaiming their world.

In this perception of the poor pressed upon the reader, the poor cease to be the alien and metamorphose into the viewer in an

imaginative event, the remaking of the viewing self. Does this remaking have a social equivalent, a social policy implication? The temptation to think so is underwritten by long traditions of didacticist literary theory, from neo-Platonist to Marxist, and may well be a necessary position, but we must pass it by in the interests of pursuing the problems of representation. Its significance here lies rather in forcing upon literary as well as sociological scholars the intensity of the experience of poverty in Bengali fiction, which pulls into its orbit the narrator's sensibility to a point where the narrative teeters between the fundamentally separate potentialities of representation, one driven by a direct political agenda, the other by a cathartic recognition. These alternatives are reflected in the texts I have considered in this article, most powerfully in the works of Manik Bandyopadhyaya, Mahasweta Devi and Samaresh Basu.

Mahasweta Devi's work includes the modes and values of traditional Bengali fiction even as it transcends them. While all these stories are pre-eminently realistic, the narratives tend at critical moments to be caught in the meshes of authorial intervention whereby ideologically mediated conclusions are forced upon them. The revolutionary sympathies of Manik and Samaresh are no less controlling of the poor than the ameliorative romanticism of Tarashankar or the disgust of Saratchandra. The poor become the author's political creatures; in contrast, Mahasweta shows a way in which the poor may be seen as autonomous even as they emerge as the icons we build out of our own sense of worth.

Notes

- 1 The literature on Orientalism is extensive. For different perspectives, see Inden (1986) and Kabbani (1988).
- 2 In his recent volume *Customs in Common* (1991), Thompson reviews 20 years of use of moral economy theory, and states that the theory has now come of age.
- 3 Moore (1987) takes a different perspective from the other writers discussed, in that he views a lack of penetration of capital into subsistence systems as the reason for peasant revolt, because this leaves patron-client relations intact as a vehicle for peasant mobilisation. However, despite this difference, Moore's representation of the peasantry is very similar to that of the other authors discussed.
- 4 Frankel reiterates the same view elsewhere (1978: 8, 21, 26, 582; 1971: 38, 40, 208).
- 5 Seavoy (1986: 260) also suggests that the main characteristic of the precapitalist peasant is laziness, and Bauer comments on "the widely prevalent and readily observable torpor and inertia of the population of the Indian subcontinent..." (1976: 191).
- 6 For similar comments see Frankel (1978: xii, 3, 21, 580).
- 7 Representations of the experience of the poor can also be found in Marathi literature and

- songs [Miller and Kale 1972; Omvedt 1977].
- 8 This does not mean that there are no divisions among the poor (fostered by indigenous elites or otherwise), or that they do not compete with each other, as Breman's studies make clear.
 - 9 For a telling contrast, compare Rabindranath's 'He matah banga shyamala anga jhalicche amala pravate' with his 'Dui bigha jami', the first a paean to the deified Mother Bengal resplendent in the light of dawn, the second a tale of a rich rural landowner robbing his poor neighbour of his only property, a mere two acres of land, and sending him to jail in the bargain.
 - 10 All text references are to the editions cited in the References.
 - 11 A similar view of relationships is taken by Bankimchandra in 'Bangadesher Krishak' (Peasants of Bengal), but note that he attributes the erosion of reciprocity to the Permanent Settlement of land by the British [Chattopadhyaya 1970: 305].
 - 12 Formed on April 10, 1936 in Lucknow with Munshi Premchand as president, followed by the Bengal Progressive Writers' League on July 11. Tarashankar was a member for some years.
 - 13 For a sense of the categories that control Mahasweta's priorities, see Kalpana Bardhan's note [Bardhan 1990: 46, n 24]: "Mahasweta... was not sure whether she should give priority to speaking on women's condition over getting the tubewells [for marginal communities]."
 - 14 I limit my references to these authors as they are the most distinguished representatives of this particular tradition. But similar perceptions, perhaps of less gripping force, are widely found in contemporary Bengali fiction, particularly in the active little magazine arena.

References

- Bandyopadhyaya, Manik (1974): 'Mejaj' in *Manik Granthabali* [collected works], Granthalaya, Calcutta, Vol 11, pp 574-80.
- Bandyopadhyay, S and D Von Eschen (1988): 'Villager Failure to Co-operate: Some Evidence from West Bengal, India' in Attwood, D and B S Bavsikar (eds), *Who Shares? Co-operatives and Rural Development*, Oxford University Press, Delhi.
- Bandyopadhyaya, Tarashankar (1972): *Panchagram*, in *Tarashankar Rachanabali* [collected works], Mitra and Ghosh, Calcutta, Vol 4.
- Bardhan, Kalpana (ed) (1990): *Of Women, Outcasts, Peasants and Rebels*, University of California Press, Berkeley.
- Basu, Samareash (1977): *Aam Mahato*, Dey's Publishing, Calcutta.
- Basu, Samareash (1978): 'Pratirodh' in *Galpa-sangraha* [collected stories], Bishwabani Prakashani, Calcutta, Vol 1, pp 318-31.
- Bauer, P (1976): *Dissent on Development*, Weidenfeld and Nicolson, London.
- Bhowmick, Nani (1987): 'Salimer Ma' in Mihir Sen and Dhananjay Das (eds), *Pratibader Galpa* [Tales of Resistance], Sahitya Samahaya, Calcutta.
- Boas, S (1986): *Agrarian Bengal: Economy, Social Structure and Politics 1919-1947*, Cambridge University Press, Bombay.

- Breman, J (1979): *Patronage and Exploitation: Changing Agrarian Relations in South Gujarat*, University of California Press, Berkeley.
- (1985): *Of Peasants, Migrants and Paupers. Rural Labour Circulation and Capitalist Production in West India*, Oxford University Press, Delhi.
- Chattopadhyaya, Bankimchandra (1970): *Bankim Rachanabali*, [collected works], Sahitya Samad, Calcutta, Vol 2, pp 287-314.
- Chattopadhyaya, Saratchandra (1985): *Sarat Sahityasamgraha* [collected works], Ananda Publishers, Calcutta.
- Cooper, A (1984): 'Sharecropping and Sharecroppers' Struggles in Bengal, 1930-1950', D Phil thesis, University of Sussex, unpublished.
- Devi, Mahasweta (1987): 'Draupadi' in Mihir Sen and Dhananjay Das (eds), *Pratibader Galpa* [Tales of Resistance], Sahitya Samahaya, Calcutta.
- Frankel, F (1971): *India's Green Revolution*, Princeton University Press, Princeton.
- (1978): *India's Political Economy - 1947-1977*, Princeton University Press, Princeton.
- (1989): 'Introduction' in Frankel, F and M Rao (eds), *Dominance and State Power in Modern India: Decline of a Social Order*, Oxford University Press, Delhi.
- Freeman, J (1979): *Untouchable: An Indian Life History*, Stanford University Press, Stanford.
- Inden, R (1986): 'Orientalist Constructions of India', *Modern Asian Studies*, Vol 20 (3), pp 401-46.
- Jeffery, P, R Jeffery and A Lyon (1989): *Labour Pains and Labour Power: Women and Childbearing in India*, Zed Books, London.
- Jodha, N S (1989): 'Social Science Research on Rural Change: Some Gaps' in Bardhan, P (ed), *Conversations between Economists and Anthropologists: Methodological Issues in Measuring Economic Change in Rural India*, Oxford University Press, Delhi, pp 174-99.
- Josh, B (ed) (1986): *Untouchable! Voices of the Dalit Liberation Movement*, Zed Press and Minority Rights Group, London.
- Kabbani, R (1988): *Europe's Myths of Orient*, Pandora Press, London.

- Kishwar, M and Varsha, R (1984): *In Search of Answers*, Zed Books, London.
- Kohli, A (1990): *Democracy and Discontent: India's Growing Crisis of Governability*, Cambridge University Press, Cambridge.
- Mencher, J (1975): 'Viewing Hierarchy from the Bottom Up' in Beteille, A and T N Madan (eds), *Encounter and Experience: Personal Accounts of Fieldwork*, Vikas, Delhi, pp 114-30.
- (1980): 'On Being an Untouchable in India: A Materialist Perspective' in Eric Ross (ed), *Beyond the Myths of Cultural Materialism*, Academic Press, New York.
- Miller, R and P Kale (1972): 'The Burden on the Head is Always There' in J Michael Mahar (ed), *Untouchables in Contemporary India*, University of Arizona Press, Tucson.
- Moffat, M (1979): *An Untouchable Community in South India*, Princeton University Press, Princeton.
- Moore, Barrington (1987): *Social Origins of Dictatorship and Democracy*, Peregrine, Harmondsworth.
- Omvedt, G (1977): 'Revolutionary Music of India', *Journal of Peasant Studies*, Vol 4 (3), pp 243-57.
- Rudolph, L and S Rudolph (1987): *In Pursuit of Lakshmi: The Political Economy of the Indian State*, University of Chicago Press, Chicago.
- Scott, J (1990): *Domination and the Arts of Resistance: Hidden Transcripts*, Yale University Press, New Haven.
- Seavoy, R E (1986): *Famine in Peasant Societies*, Greenwood, New York.
- Sen, A K (1985): *Commodities and Capabilities*, North Holland, Amsterdam.
- Sen, I (ed) (1990): *A Space within the Struggle: Women's Participation in People's Movements*, Kali for Women, Delhi.
- Stree Shakti Sanghatana (1989): 'We Were Making History', *Life Stories of Women in the Telangana People's Struggle*, Zed Press, London.
- Thompson, E P (1971): 'The Moral Economy of the English Crowd in the Eighteenth Century', *Past and Present*, Vol 50, pp 76-136.

REPRINTS

* Great Famine and Its Causes by Vaughan Nash	Rs 200.00
* Indian Famine Commission-Report, 1880-1885	Rs 500.00
* Indian Famine Commission-Report, 1898	Rs 400.00
* Indian Famine Commission-Report, 1901	Rs 200.00
* Indian Famines: Their Historical, Financial and Other Aspects by Charles Blair	Rs 200.00
* Report on the Improvement of Indian Agriculture by John Augustus Voelcker	Rs 400.00
* Reports of Currency Committees	Rs 225.00
* Royal Commission on Agriculture in India-Report, 1928	Rs 500.00
* Royal Commission on Labour in India-Report	Rs 500.00

Please send your orders and write for complete catalogue to :



AGRICOLE PUBLISHING ACADEMY
208 Shopping Complex, Defence Colony Flyover
New Delhi-110 024 (India)
Phone : 694825

Improving Sales Tax Management in India

Mahesh C Purohit

Proper management determines the effectiveness of a tax system. Failure to properly administer the tax defeats its purpose and threatens the canon of equity. It increases evasion of tax and creates a parallel economy. Over the years there is an increasing realisation that in practice administration is law.

In view of the important role of tax management in achieving the objectives of the given tax policy, this paper analyses the features of sales tax management in India and suggests possible improvements in it. In doing so, it presents the organisation for tax administration, analyses the operation of the tax including management information system (MIS) and suggests plausible improvements in both administration and operation of the tax.

The policy prescriptions for improving sales tax management are particularly relevant in view of the proposed move to introduce a system of value added tax to replace sales tax in the states.

TAX administration plays a crucial role in determining the effectiveness of a tax system. Improvements in administrative procedures and organisation are important to tax payers as well as administrators. As Casanegra and Bird (1992) say, the subject of tax administration is extremely important both to those concerned with the key role increased tax yield can play in restoring macro-economic balance and to those concerned with tax policy and its effects on the economy in general.

Failure to properly administer the tax defeats its purpose and threatens the canon of equity because full payment is then made only by those whose elasticity of conscience is such that they cannot do otherwise [Oster 1957: 157]. It may further increase the evasion of tax because the large amount of evasion breaks the morale of the honest tax payers. Also, a poor quality tax management may collect large proportions from easy-to-tax sectors [Casanegra and Bird 1992] thereby further creating intersectoral inequity in the incidence of the tax.

In view of the important role of tax management in achieving the objectives of the given tax policy, this paper analyses the features of sales tax management in India and suggests possible improvements in it. Section I presents the organisation for tax administration. Section II analyses the operation of the tax including management information system (MIS). In analysing all these aspects it takes note of the past trends. The final section makes suggestions for plausible improvements in both administration and operation of the tax.

I

Organisation for Tax Administration

Sales tax administration in the Indian States could be analysed under four heads, viz, (i) Headquarters organisation; (ii) Administrative organisation; (iii) Enforcement organisation; and (iv) Appellate organisation.

Headquarters Organisation:

The organisational leadership of the Department is provided by the officers of

the Indian Administrative Service (IAS). However, in some states, where the tax yield is growing but has not made any significant mark, this leadership is not really forthcoming from the IAS cadre. The commissioner, who is a IAS, heads the department with no prior working experience of that organisation, takes time to get to know its working to be able to provide guidance for policy formulation. Thus, the tenure of the commissioner is important for efficient functioning of the department. However, a study of the tenure of the commissioners in many of the states reveals that the post is generally a transition for the incumbent in the IAS cadre. The posting in the sales tax department is tantamount to a stopgap arrangement. In some cases, it has been observed that the commissioner of the state lasts for a few months only. Under these circumstances, the department functions without any effective leadership. This is detrimental to its performance and efficiency. It is obvious that this practice needs to be changed, either by assigning the commissioner a minimum tenure in the department or by appointing a commissioner from the finance services in the state.

The administration at the headquarters is under the direct supervision of the commissioner. The commissioner is designated as commissioner of sales tax in Jammu and Kashmir, Gujarat, Maharashtra, and Delhi; as excise and taxation commissioner in Punjab, Haryana and Manipur; as commissioner of trade tax in Uttar Pradesh and as commissioner of commercial taxes (CCT) in other states. Notwithstanding the variation in the designation and nomenclature of the department, his functions and purposes in all the states are identical, except in Punjab, Haryana and Manipur where the work relating to state excise is also entrusted to this department.

Whatever the nomenclature of the department, usually in the hierarchy, immediately below the CCT there are additional commissioners of commercial taxes (ACCT) or senior deputy commissioners of commercial taxes (DCCT) or joint commissioners of commercial taxes (JCCT). These officers work directly under the superintendence of the

commissioner and exercise the powers delegated to them. Normally, one of these ACCTs works as incharge of legal section; the other is given the charge of enforcement or vigilance. The additional/joint/deputy commissioner is responsible for the work related to vigilance and tax evasion; and the joint commissioner is incharge of appellate and statistical work.

Next in line to addl/joint/deputy commissioners is the assistant commissioner (AC). Where the organisational structure is strong enough, the JCCT looks after the major sections of the department at the headquarters and the DCCT/AC assists the JCCT. In such cases AC is looking after the area/range/zone in which the state is divided for administrative purposes.

Administrative Organisation:

The administrative organisation of the department follows a two-tier system; the first is the division and the second is referred as circle, which is the ultimate unit for the administration.

The division is headed by joint commissioner (Adm). The distribution of administrative work by divisions is mainly on a territorial basis. Normally, there are 10 to 15 divisions in larger states and four to five divisions in smaller states. The third-tier known as circle, comprises a district. However, the formation of a circle is mainly on the basis of the overall workload. If the work in a district is not sufficient to form a circle, two districts could be joined together to form the jurisdiction of a circle. Similarly, more circles could be carved out of a district when the workload justifies it. There are also cases of formation of subcircles within a circle. This, of course, depends upon the workload in a particular circle.

The circle is generally headed by an AC. At the circle level, the assessment work is done by the AC and the commercial tax officer (CTO) who is assisted by the additional CTO as well as the assistant CTO. Commercial tax inspector (CTI) represents the lowest level of the basic administrative cadre of the department. The CTI assists the assessing authorities in conducting market

surveys, verifying the bona fide of the dealers, sending requisition for registration and looking into irregularities. Its role is crucial in administration of the tax at the grass roots level. In some of the states this designation has been abolished and the lowest level is that of ACTO in junior grade called ACTO-II. In these states, these ACTOs perform the field duties.

Enforcement Organisation:

The enforcement work is undertaken at the divisional level. In the organisational structure of the enforcement wing the AC is in overall charge of the enforcement work at the field level. However, at the headquarters level he has to report to the DCCT or to the CCT. The work of the enforcement personnel at the field level involves surveys and investigation of places of business, seizure of books of accounts, and reporting on malpractice. In order to perform these tasks, this wing collects information from various sources such as railway station, transport organisation and octroi post.

In most of the states checkpoints have been established by the department for the enforcement of the tax. The rationale for establishing checkpoint lies in the need for monitoring the flow of goods into the state through the main arteries of inter-state trade. The checkpoints record the flow of goods and keep the relevant circles informed about the import of taxable goods by dealers in their jurisdiction. They are located either at the borders of the state (termed as border checkpoints) or in the vicinity of the important towns within the states (known as internal checkpoints). The former could be termed as border checkpoints and the latter as internal checkpoints.

Appellate Organisation:

Because of the possibility of abuse of discretionary powers by the assessing authorities and of errors in the interpretation of law, the tax administration provides for the right to appeal, revision and reference. In most of the states there are three-tiers of appellate organisation. The initial appeal is made to the DCCT (appeal), who works as the first appellate authority. The work is territorially distributed. The DCCT works under the superintendence of the JCCT (appeals). A revision petition against the order of the DCCT can be filed before the JCCT (appeals). The second revision against the findings of the JCCT (appeals) is filed before the commercial taxes tribunal. In many of the smaller states this appeal is made to the revenue board. The tribunal or the revenue board consists of members from different walks of life. Normally they are drawn from the judiciary, accounts and taxation services.

Besides these regular channels of appeals, the CCT exercises *suo motu* powers of

revision either on his own or on the basis of the petition filed before him. In cases involving points of law, reference can be made to the high court. The judgment of the commercial taxes tribunal/revenue board is final.

II

Operation of the Tax

The basic procedure of tax administration and enforcement is determined by the structure of the tax. The existing structure being predominantly a tax on the first-sale in the state, the first seller (importer or manufacturer) pays the tax. All subsequent sales of a commodity (known as tax-paid goods) are exempt. Hence, enforcement of the tax entails two important tasks: (i) ensuring that the first seller pays the tax, and (ii) verifying that the following dealers have documentary evidence to prove that the goods are already "tax-paid". In contrast, the last-point levy which is in vogue in some of the states, is collected at the time of sale by the last registered dealer to a non-registered entity, that is, the collection of tax is deferred until the last stage. Accordingly, the task of checking relates to (i) ensuring that the last dealer pays the tax, and (ii) verifying that the sales have been made to a bona fide registered dealer.

The tax department employs two devices to carry out these tasks. First, all manufacturers without exception are required to be registered. This ensures that goods manufactured within the state could be captured at the first point.¹ Secondly, a road permit is used to import goods into the state.² The road permit is sent by the importing dealer to his counterpart in another state prior to the import of goods. The trucks bringing goods into the state are expected to carry back these permits for scrutiny and verification at the checkpoints. One copy of the road permit is then sent by the checkpoint to the concerned assessing officer. In principle, this system should ensure that all the major imports would be accounted for and hence tax is paid on them.³

To ensure that the earlier dealers in the last-point tax and the subsequent dealers in the first-point tax are not selling commodities which are not "tax-paid", the procedure requires issue of declaration forms. In the case of the first-point tax, the selling dealer issues declaration forms which testify that the tax has been previously paid on the goods sold. Those goods in respect of whose purchases, declaration forms are produced, are deemed to have already suffered tax and the concerned purchasers need not collect and pay tax on them. Likewise, in the case of the last-point tax, the purchasing dealer issues a declaration form stating that he is buying the goods for resale. The difference between the procedures of the first-point tax and that of the last-point tax is that whereas

in the former case the declaration forms are to be checked against purchases, in the latter case, the declarations are to be verified against sales to a particular dealer. In addition, the verification of the road permits against the returns of different dealers needs to be done meticulously.

Trends in Registration of Dealers:

The registered dealer is the cornerstone of sales tax administration. The total number of such dealers in India is estimated at three million.⁴ This includes approximately one-third of the dealers who are registered under the central sales tax.⁵ The number of registered dealers has increased by about one million during the last one decade. The distribution of these dealers is uneven among states. Five states, viz, Andhra Pradesh, Gujarat, Maharashtra, Tamil Nadu and Uttar Pradesh account for more than half of the registered dealers. The other states which have about one-third of the dealers include, Karnataka, Kerala, Madhya Pradesh, Punjab Rajasthan and West Bengal. The remaining 13 states together account for only one-sixth of the total registered dealers. The variation in number is explained by (i) the level of economic development, (ii) variations in the composition of trade and industrial structure and (iii) divergence in the exemption limit prescribed by different states.

Exemption Limit:

Different states prescribe varying turnover limits for registration of dealers. This limit, known as the exemption limit (or the taxable quantum), shows that most of the states kept this at a very low level in 70s. Gradually, the levels were raised according to increases in prices and incomes which led to higher turnovers. However, in some of the states the exemption limit continues to be extremely low. For example, Andhra Pradesh has no exemption limit, Manipur has an exemption limit of Rs 5,000 and Assam of Rs 20,000.

An overview of the composition of registered dealers and payment of tax by them reveals that a large number of small dealers pay a very small proportion of total revenue to the government. Most of the revenue is collected from a small fraction of total dealers falling in the higher turnover groups. The estimated average of all-states shows that 62.27 per cent of the revenue is collected from the dealers having gross turnover of over Rs 5 million. These dealers are just 2.1 per cent of the total registered dealers in the country. On the contrary, and more importantly, the dealers falling in the gross turnover category below Rs 50,000 are very large in number (68.4 per cent of the total) but pay a negligible amount of tax (6.5 per cent). Because of their sheer number, departmental work is disproportionately large in relation to their inconsequential contribu-

tion to the exchequer. This tantamount to frittering away precious manpower in an expensive exercise. In the interest of efficiency in administering the tax, it is therefore, important that the present exemption limit is raised to a higher level of Rs 1 lakh.

However, the treatment of the manufacturers and importers has to be different. Whether the tax be the first or the last-point, the transactions can be traced to their origin either through the manufacturer or through the importer. If the department could verify the sales and purchases through these dealers, evasion of tax could be avoided without any problem. Consequently, most of the states require these categories to be registered at a very low exemption level or without regard to any turnover level. This practice needs to be continued irrespective of its effect on the number of dealers under the tax net.

Registration Procedures:

As the number of registered dealers is crucial to an efficient tax administration, the procedure of registration is critical to the efficient tax enforcement. The existing procedure for registration requires the dealers to submit an application in a prescribed form (containing details about the business of the dealer) to the sales tax officer concerned. The officer in turn verifies the identity of the dealer, his source of a livelihood before commencement of the business, his financial position and his local and permanent address. In other words, the officer concerned is required to establish the bona fide of the dealer. However, it is noticed that in most states the registration certificate is issued without proper verification. Hence, the existing registration procedure, however transparent, is not conducive to efficient tax enforcement. Lack of careful verification of the bona fide of the applicant dealer allows fictitious dealers to crop up.⁶

Processing of Returns and Payment of Tax:

Registered dealers in general are required to submit quarterly returns and pay admitted tax on a quarterly basis along with the returns. Many of the states require that the dealer having a tax liability of Rs 2,500 per month or more should pay tax on a monthly basis along with a monthly return. The procedure for payment of tax requires filling in of the challan-form in quadruplicate. When the challan is submitted to the treasury, the third and fourth copies duly endorsed for payment are returned to the dealer. The 'original' copy is sent to the respective assessing authority while the duplicate copy is retained by the treasury. The dealer submits the copy marked 'quadruplicate' along with the return to the assessing authority. The return form at present in most states runs into a few pages. In addition, in many of the states the dealers are required to append

information on transactions of purchases and sales.

Assessments and Number of Authorities:

Assessment procedure commences after the receipt of all the returns. If the return is found correct, the assessing authority may accept it without calling for the dealer but if the return filed is not found proper, a notice is issued to the dealer to be present before the assessing authority to explain the disputable aspects. In practice, almost every dealer is called by the assessing authority. The assessing authority may adopt the 'best judgment assessment' after issuing the required notice, if the assessee does not comply with the requirements.

The trend in assessments shows that the number of assessments has been increasing over the years. While the trend in assessments among different states indicate a growth rate in the range of 1.3 per cent (in Karnataka) to 9.01 per cent (in Andhra Pradesh), the majority of the states have growth rates varying between three and five per cent.

The number of assessments is directly related to the number of registered dealer⁷ and, as is evident from the prevailing trend that the increase in the number of assessments over the years has not been commensurate with the increase in the number of registrations. Owing to the backlog in assessments there has been an increase in the arrears of assessments over the years. The cumulative effect of the pending assessments has been startling. Whereas, the pendency of assessments as percentage of number of registered dealers is as low as 5 to 6 per cent in Andhra Pradesh, it is as high as 90 to 95 per cent in West Bengal. In fact, in most of the states, it is between 30 and 50 per cent.

Trends in Appeals:

The trend of appeals instituted over a period of time shows wide variations among the states. Thus, the proportion of number of appeals to the number of assessments varies among states. Whereas this proportion ranges between 1 and 6 per cent in most of the states, in a few states this proportion shoots too high (25 to 30 per cent).

The trend in the institution of appeals reflects on the quality of assessment as well as on the administrative procedures. The obvious inference is that the larger the proportion of appeals instituted to the number of assessments, the worse is the quality of assessments or the administrative procedure. Some of the defects generally found are: (a) the penalties by the assessing authorities in many cases are more than warranted, (b) the 'best-judgment assessment' in most cases is not acceptable inasmuch as the deductions are not allowed for, (c) the assessing authorities at times commit proce-

dural mistakes, and (d) the fee for appeal is quite meagre. It is, therefore, important to examine the causes of appeals and their remedies.

Arrears in Sales Tax Collection:

Arrears of sales tax have been rising steeply over time in many of the states. The major part of the arrears relates to the general sales tax (GST). Arrears at the beginning of the year, as percentage of the total sales tax collection, amounted to approximately 5 to 10 per cent in many of the states. Another aspect of the arrears relates to the period for which they have been outstanding. In many of the states, one-fourth of the arrears relate to the earlier years.

Under the existing procedures, sales tax arrears are to be recovered as arrears of land revenue. However, in many of the states, the situation has been modified. The commercial tax departments have been entrusted with the work of recovery. These departments have consequently appointed sales tax recovery officers and the experiences of these departments have proved encouraging.

Cost of Collection:

The cost of sales tax administration is crucial to the efficiency of the department. However, the estimates of cost of collection⁸ of sales tax, show that in many of the states the cost varies between 1 and 6 per cent of sales tax revenue. Higher cost of collection in some of the states, like Maharashtra, is due to the strengthening of the anti evasion activities of the department but in states like Nagaland it is owing to the administration being at the initial stages of development.

III

Reform in Sales Tax Management

The analysis of organisation and the operation of sales tax presented above suggests that broadly speaking, the sales tax department, as any other tax department, performs two types of activities, viz. the functional and the institutional. While the former is performed to fulfil the purposes for which the department exists, the latter refer to the type of activities the department must concern itself with, in order to enable it to serve as a department. In fact, the institutional activities relate to the pattern of internal organisation that can directly contribute to success in the execution of the primary or the functional activities of the department. A proper and effective performance of these activities is, therefore, crucial to an efficient working of the organisation. With a view to performing both these activities efficiently, it is important to carry out some reforms in the administrative organisation as well as operation of the tax. In this section, therefore, we shall present such reforms.

New From **ashish**

PUBLISHERS OF THE
PROFESSIONAL
SOCIAL SCIENCES

Current Problems of Indian Economy: Mohd. Shabbir Khan	Rs. 400/-
Essays on Indian Economy: V. Lakshamana Rao	Rs. 250/-
Regional Disparities and Development in India: R.S. Tripathi & R.P. Tiwari	Rs. 500/-
Technical Assistance and Economic: The Indian Experience: S. Gurumurthi	Rs. 250/-
Structural Changes In Foreign Exchange Markets: Hiroya Akiba	Rs. 500/-
Poverty Alleviation In India: Policies and Programmes: Abdul Aziz	Rs. 250/-
Development Distance between Nations: Surendra J. Patel	Rs. 400/-
Women and Sustainable Development: An International Dimension: Krishna Ahooja Patel	Rs. 250/-



ashish publishing house

8/81, PUNJABI BAGH NEW DELHI-110026

PHONES : 500581, 5410924

Another Outstanding Book by

AJANTA

LOKMANYA TILAK: HIS SOCIAL AND POLITICAL THOUGHT

Shanta Sathe Rs. 350

Contents: • Introduction; • Swaraj: Justification; • Swaraj: Mobilization; • Swaraj: Connotation; • Tilak: Nationalism; • International Relations: Tilak's Outlook; • Debate on Social Reforms; • Social Philosophy

OTHER BOOKS IN THIS SERIES

• **RADHAKRISHNAN: HIS LIFE AND IDEAS** (K. Satchidananda Murthy and Ashok Vohra; Rs 250)

• **M. ASAF ALI'S MEMOIRS: The Emergence of Modern India** (G.N.S. Raghavan, Introduction by Aruna Asaf Ali); Rs 395

• **SRI AUROBINDO: A Modern Political Thinker** (Swaranmla Das); Rs 295

• **NEHRU: A Multi-Dimensional Personality** (N.L. Madan); Rs 160

Address your order to

AJANTA BOOKS INTERNATIONAL

1-U B, Jawahar Nagar, Bungalow Road, Delhi-110007

Q 7258630, 2926182 Fax 91-11-7132908

CLASSIC PUBLISHING HOUSE

260/61, S.M.S. HIGHWAY, JAIPUR-302 003 TEL: 563097

NEW ECONOMIC POLICY AND THE VULNERABLE SECTIONS

DR. PRADEEP BHARGAWA (ED) *Institute of Development Studies, Jaipur*
ISBN : 81-7193-060-3 (HB) Rs. 226/-

The book is a collection of articles on the New Economic Policy and its impact on vulnerable sections. The articles debate on the rationale and the imperative to change the economic policies and how the vulnerable sections are likely to be affected by accelerated growth as well as expected changes in the composition of growth. The articles explore the rationale for public interventions in favour of vulnerable sections, the strategy to be adopted and the design of such programmes, particularly how basic education and health services could be made more cost effective and more target oriented.

MINIMUM WAGES IN GOVERNMENT SPONSORED RURAL EMPLOYMENT PROGRAMMES

DR. DEEPAK GIANCHANDANI (ED) *Institute of Development Studies, Jaipur*
ISBN : 81-7193-024-7 (HB) Rs. 100/-

One of the important welfare measures taken by the State in favour of the disadvantaged sections is the institution and implementation of Minimum Wages. There has always been some controversy about the impact of minimum wages on the labour market. The consensus of opinion in the developing countries is veering around the view that where the market imperfections are rampant and interlocking of markets not very uncommon, state intervention in terms of the declaration of minimum wages helps in rationalising market processes.

A strong movement was launched by the workers on the famine relief type activities in the state, some of these covered by the Jawahar Rozgar Yojana, to obtain minimum wages.

FERTILIZER PRICING : Issues Related to Subsidies

DR. VIDYA SAGAR (ED.) *Institute of Development Studies, Jaipur*
ISBN : 81-7193-032-8 (HB) Rs. 218/-

The book is a collection of articles dealing with different issues related to fertilizer pricing and subsidies. The debate generated by the increase in fertilizer prices as emerging from the Stabilization phase of New Economic Policy forms the back drop of this collection.

Starting with a global fertilizer perspective in fertilizer pricing policies, the discussions trace the history and factors behind the rapid growth in fertilizer subsidies. While there is scope for a reduction in retention price by improving the efficiency of the fertilizer industry and the fertilizer distribution network, a healthy growth needs reasonable returns on its investment.

The burden of reducing subsidies, therefore, has to be borne by the farm sector and consumer of agricultural produce. The fear of decline in rate of growth of fertilizer consumption is not likely to be true if this is gradually done. However, the state on its part must continue to target its efforts for the weaker sections of farmers and consumers of agricultural produce.

SECULARISM IN INDIA

DR. IQBAL NARAIN (ED.) *Institute of Development Studies, Jaipur*
ISBN : 81-7193-076-X (HB) Rs. 270/-

Secularism in India: Some Questions

V.S. Vyas

Secularism in India: Some Reflections

Shail Mayaram

Manifesto of Man

V.R. Krishna Iyer

Redefinition of Secularism in India: Some Preliminary Reflections

Upendra Basu

Practice of Secularism in India

Aghar Ali Engineer

The Dispute Over Swami Vivekananda's Legacy

Rajni Bakshi

Minorityism, Majorityism and the Category of the Community

Sand Jhingran

The Indian National Congress and the Ulama

Shail Mayaram

Some Implications for Indian Muslims

Flavia Agnes

Redefining the Agenda of the Women's Movement Within a Secular Framework

Upendra Basu

The Constitution (Eighty) Amendment Bill: Politics and Religion

Virendra Narain and Rajen Mahan

National Consultation on Secularism in India

Registration of Dealers:

With a view to checking the entrance of bogus dealers, it is essential that the department undertakes a proper scrutiny of the dealers prior to their registration and only genuine dealers are able to procure the registration certificate. In this regard the procedure followed in the past by West Bengal is worth emulating. In this state, a special circle of the enforcement wing was created to carry out verification of the bona fide of the applicant dealer. This verification was in addition to the usual check by the office of the assessing authority. The registration certificate was issued to the dealer only when both the agencies, namely, the office of the assessing authority and that the special circle of the enforcement wing recommended it. Such arrangements are important to check the entry of bogus dealers into the stream of registered dealers.

Another procedural reform in the issue of a registration certificate relates to making sure that the dealer is certainly a bona fide one. For this purpose it is useful to ask the applicant dealer to produce a security bond as well as two good references. The bond could be of an amount of Rs 50,000 in the case of an individual proprietor and Rs 1,00,000 in the case of a partnership firm or a company. After the dealer establishes his bona fide to the satisfaction of the department, the condition of the bond may be waived.

Smooth Processing of Returns and Payment of Tax:

While recognising the fact that the requirements of monthly/quarterly advance payments are designed to ensure an even flow of resources into the treasuries throughout the year, it cannot be ignored that these provisions do cause difficulties to the dealers. With a view to minimising hardship, the following procedural reforms could be attempted: First, the monthly return and payment of advance taxes should be required for only those dealers whose tax liability per month exceeds Rs 5,000. Secondly, the monthly return should be a simple statement containing the registration number of the dealer, his name and address and the amount of tax paid. Finally, a combined return-cum-challan form should be adopted in place of the existing separate quarterly return form and challan in quadruplicate.⁹ All that the assessee has to do is to take the combined form to the treasury, make the payment, and obtain the return and one copy of the challan duly endorsed.¹⁰ He can keep one copy of the challan himself and submit the receipted return form to the assessing authority.¹¹

The procedure outlined above is much simpler than what the assessee is called upon to do now in many of the states. To further simplify matters, the proposed quarterly

return-cum-challan should provide for eliciting from the dealer information only on the value of total purchases, gross turnover, exemptions, net turnover and tax paid.¹²

Prompt and Proper Assessment:

The increasing arrears in assessment over the years and normal delays in assessment are a function of the number of assessing authorities and the involved procedures for assessments. As regards the number of assessing authorities, the increase has not been commensurate with the growth in the number of registered dealers. Accordingly, the number of registered dealers per assessing authority has been increasing over the years.

As regards procedure of assessment, there are two important lacunae. First, in many of the states, there is no legal binding on the department to complete the assessment of a dealer within a specified period. Thus, theoretically, an assessment could be postponed for any number of years. Such a state of affairs requires the dealers to preserve accounting records pertaining to several years. It is, therefore, necessary that there should be legal binding on the department to assess dealers within a specified period. Some states provide for such a limit of four to six years. This is a very long period from the point of both the dealers and the administration. Like the existing provisions under the income tax laws, this limit must be reduced to two years only. Secondly, the present practice of assessment is to call all the dealers liable to pay tax to the sales tax office. They are asked to bring their books of accounts and all other necessary documents. On submission of all the books of accounts the assessing authority verifies the accounts and the other relevant documents. It is, however, important to recognise that such verification and checking of the documents cannot be justifiably done for every dealer. It is essential to adopt different procedures with regard to small and large dealers. In this context, dealers with turnover of Rs 2,00,000 may be considered as small dealers [Government of India 1980] and a scheme for self-assessment be practised in these cases.¹³ In fact, some of the states have already gone in for this type of scheme but standardisation of such a scheme would be useful [Chelliah and Purohit 1981].¹⁴

While adopting the scheme of self-assessment, it is important to discourage attempts of the dealers to indulge in evasion of tax. This could be done by instilling in their minds awareness of the possibility of a random check by the assessing authorities. For this purpose, there should be a 1 per cent sample check of the accounts of the small dealers every year. Dealers falling in the sample category should be called to the office of the assessing authority and their

accounts are checked as thoroughly as those of the big dealers. It must be stressed that to minimise harassment and victimisation, samples should be chosen by the commissioner or his representative.

As regards large dealers, their accounts of sales and purchases have to be checked thoroughly. All documents such as purchase vouchers, cash memos, declaration forms and permits must be verified. For verifying the accounts as well as documents the assessing authority has to work expeditiously. However, it is found that the work relating to verification of documents (especially the declaration forms claiming exemption from tax and the documents received from the checkposts) is done only cursorily.

Experience shows that there are three factors responsible for such cursory checking. First, the number of assessing authorities assigned to complete the task is too small. This is corroborated from the fact that in most states, 98 per cent of the revenue is collected from admitted tax. Secondly, the assessing authorities in most states are either from the Finance Services or State Administration Services. In some states there is direct recruitment to the posts. Notwithstanding the different methods followed in the states, half of the assessing authorities are those who have risen through promotion from the lower ranks. Thus, the amount of training given to these officers leaves much to be desired. And, thirdly, there is no division of work in relation to administration and assessment. It is felt that the assessing authorities are normally pre-occupied with the administrative work relating to registration, market surveys, inspection, and issuing of certificates or other documents. Hence, they are not left with enough time to do justice to the assessment work.

The general experience of working of sales tax authorities in India suggests that the sales tax administration needs to adopt a new strategy for assessment. Apart from a sample check of 1 per cent of the small dealers, the assessment of very large dealers having turnover of Rs 5 million and above should be entrusted to qualified chartered accountants. This would mean hiring of such personnel by the department. These departmentally hired accountants would not be less qualified than those who prepare the accounts of the large companies. Hence, there would be greater chance of proper checking of accounts than what exists today.

More importantly, assessment of all the dealers (liable to be assessed) must be completed every year. As the evasion of tax is caused due to delay in assessment, it is essential that the assessment of the dealers is attempted in the year of filing the return. This would check the 'bogus dealers' getting into the system and would slowly 'throw' them out of the system.

Reorganising Enforcement Wing:

Tax evasion is indicative of lacunae in the administration of sales tax in India. It is felt that widespread¹⁵ evasion results in serious consequences for the tax system of the country. Apart from the fact that the tax yield becomes smaller and uncertain, the principle of equity in the tax system is also frustrated. Serious tax discrimination is introduced among enterprises taking part in the same competitive process. This affects the elasticity of conscience of the honest tax payers and ultimately increases tax evasion. Consequently, the effective rate of tax is reduced considerably and the nominal rates of tax are established at a much higher level. This further increases the unfairness in taxation, to the disadvantage of the tax payers who are either honest or unable to evade tax and, therefore, pay full tax.

The most important reform for checking evasion of tax is to strengthen the existing enforcement organisation. An organisational problem concerning this wing relates to police assistance. This is important in cases of search and seizure, attempting prosecution, and in the smooth working of the roving squads. As the existing enforcement wing does not have any assistance from the police within the department, it has to depend upon the police personnel who are neither properly trained in tax matters, nor take the tax matters in the same spirit as the staff of the enforcement wing does. In this regard the experience of the West Bengal government is worth emulating where the bureau of investigation has been provided with a police wing headed by a deputy inspector general of police (DIG). The police personnel help the bureau officials as and when required and conduct the prosecution cases under Indian Penal Code (IPC) and/or IPC/CrPC, as referred to them by the bureau of investigation.¹⁶ Keeping in view the experience of West Bengal, it is important that the enforcement wing should be reorganised in all the states to have an adjunctive police wing. The police wing should be headed by a man of the rank of DIG. But the work of the wing should be under the control of the CCT. All the police personnel deputed to the wing and working under the DIG should be specially trained to take up tax matters before they are sent to the enforcement wing. They should, however, continue to be in the police department for the purpose of their service career. This would strengthen the enforcement work.

Strengthening of Border Checkposts:

Another reform in administrative organisation is related to border checkposts. Although these checkposts play an important role, the manner of their working leaves much to be desired. First, operational facilities (such as weigh bridges, godowns, loadmen, telephone and even requisite fur-

niture) are conspicuous by their absence at most of the checkposts. Secondly, no facilities are available either for the officers working at the checkposts or for their families. And finally, the checkposts are not even housed properly; many of them are functioning in thatched sheds.¹⁷ Owing to such working arrangements the checkposts do not perform their jobs efficaciously. In fact, in most of the cases, hardly 5 per cent of the vehicles are checked and these too only cursorily. A visit to the checkposts presents a thoroughly disgusting scene: the vehicles are parked in a haphazard way, mostly blocking the vehicular flow and that too far away from the checkposts. The documents of the goods are submitted by the cleaner or other attendants. These documents are accepted without any verification. It would be a Herculean task to check all the vehicles, yet the present manner of checking is so cursory that it does not seem to serve any useful purpose.

In practice, it has been found that the system does not work as effectively as it is intended to. For one thing, the documents received from the checkposts being very large in number, the enforcement wing finds it virtually impossible to get even the majority of the transactions cross-checked. Secondly, the documents are not despatched promptly by the checkposts. In many cases it is found that at any particular time a substantial volume of documents is awaiting despatch for a long time for want of postage stamps. Such delays tend to defeat the very purpose of collection of information through checkposts.¹⁸ Finally, it is learnt from various states that at the time of assessment the documents received from the checkposts are not used effectively for cross-checking the returns because they are too voluminous.¹⁹

In order to eliminate the above deficiencies, it is important that the checkposts be properly staffed. Each checkpost should be in the charge of an officer of the rank of a CTO. Important checkposts should be manned by senior officers of the rank of AC supported by CTOs and ACTOs. In addition, each checkpost should have sufficient supporting staff of loadmen, as well as policemen. Other facilities such as residential quarters, godowns, weigh bridges and public telephone booths are crucial to the proper maintenance of the checkposts.²⁰ Finally, proper arrangements of the personnel should be done to enable the checkpost officials to send requisite information to the computer centre without any delay. This is crucial to the management information system for the tax administration.

Abolition of Internal Checkposts:

Although the importance of checkposts is to monitor the flow of goods into the state, the sales tax departments, in their zeal to

check evasion of tax, have created checkposts not only at the state borders but have surrounded a large number of towns with their virtual ring through checkposts. Such posts, normally known as internal checkposts, cannot be said to serve the purpose of monitoring the flow of goods into the state. They interfere with the flow of trade and traffic within a state and cause harassment to a large body of dealers, the majority of whom are not liable to pay tax. The existence of such checkposts does not contribute significantly to the checking of tax evasion. On the contrary, larger the number of checkposts, more is the waste arising from the stoppage of traffic. Even a conservative estimate shows that the money value of the loss of time suffered by the transporters due to checkposts are tremendous [Purohit 1986b]. However, the monetary loss of time suffered by the transporters due to the external checkposts is much less as compared to the loss caused by the internal checkposts.

It hardly needs pointing out that the operation of a large number of checkposts in a federation interferes with the free movement of goods within a country. More so, the existence of a larger number of internal checkposts within the state causes harassment to the business community. In fact, the administrators as well as the policy-makers generally agree that the checkposts are a source of corruption. Hence, it is a sound policy to keep their number down to the minimum. And, to begin with, all the internal checkposts must be abolished.

Reorganising the Appellate Wing:

The appellate organisation of the department is generally under the supervision of the CCT. In most of the states the first appeal is heard by the DCCT or the JCCT. However, it has been found that this person is concurrently having jurisdiction over the administration as well. In other words, the appellate work at this level is in effect under the supervision of the CCT. This, in principle, is objectionable. Any agency which is under the direct control of the CCT should not be vested with jurisdiction to hear appeals from the orders of the assessing authorities such as CTO. Justice should not only be done, but should also appear to be done and inspire confidence in the persons concerned. Issue of "orders, instructions or directions" is not the only form in which influence may be brought to bear on the judicial mind. The public is entitled to assume that the appellate authorities feel the pulse, and work according to the wishes of the department, and hesitate before taking a view which may not be palatable to the department [Government of India 1960]. It is, therefore, necessary that the appellate authority [i.e., the DCCT (appeals) or the JCCT (appeals)] should not be kept under the superintendence of the CCT. In this

regard it is suggested that a Tribunal on the lines suggested by the Taxation Enquiry Commission 1953-54 [Government of India 1955] be constituted. The Tribunal should consist of senior persons having judicial, accountancy and business experience. These changes may ultimately reduce the number of revision petitions by inspiring confidence in the minds of the public.

Also, it is seen that in most states, there is no time limit for the exercise of *suo motu* revision²¹ by the commissioner. This requires the dealer to maintain books of accounts for an indefinite period of time. In the interest of an efficient administration, a time limit of two years must be imposed.²²

Introducing MIS for Sales Tax:

Apart from the organisational reforms suggested above, it is also important to note that the commercial tax department has not so far built-up a proper information system. It has been observed that data collection in most departments is not properly done. At the headquarters organisation there is a statistical unit called the research and statistical wing but it is not properly manned or manned by untrained personnel. This does not help the department to have a proper information system. For this purpose, it should have an appropriate information base to cover all major aspects of tax administration. An information base of such a dimension is possible with the help of management information system (MIS), a recent advancement in computer technology. The MIS is designed to provide management with integrated, all-encompassing information on the working of the total organisation in order to facilitate the decision-making process. The MIS has interrelated sub-systems and built-in capability to transfer data between systems. The result is an output that provides management with meaningful data for effective controlling and administering of departmental policies.

Although the states have made a beginning in having an information system it is important to reform the system on the lines suggested below [Purohit 1986a].

First, it is essential for building up of the MIS that the data collection system and related systems of conducting surveys, etc., are brought under the control of an authority such as the deputy commissioner, research and statistics.

Secondly, it is important to have structural changes at the headquarters organisation relating to the research and statistics wing. This wing exists in many states but in most cases it is either unmanned or manned by untrained personnel. As the information system is becoming increasingly important, a research and statistics wing must be provided for in each state. It should be manned by a senior official from the department, and

support staff should include a fully-trained statistician. It is proposed that this person could be taken on deputation from the Directorate of Economics and Statistics in the state concerned.

Thirdly, it is important to make some changes in the system of documentation. For example, an interaction between the unit office where a quarterly return is submitted and the computer centre where data could be called from the return is necessary. For this purpose, a revised quarterly return should be introduced. A comprehensive annual return should be introduced to enable the department to obtain the requisite information.

Fourthly, cross verification of documents received at the checkposts is of utmost importance. Some of the states have already started a step further in this direction. For example, Karnataka prepares statements of documents giving receipts or despatches of the dealer. These statements are sent to the concerned assessing officer in the district. However, it is important that the computer be put to further use of cross-verification of all these receipts and despatches against the records available from the dealer.

Fifthly, in addition to collecting statistics from the returns and the related documents received from the checkposts, it is important to collect some information after the assessments have been completed. To collect such information a new proforma should be devised. This should be sent by the unit office to the computer centre giving further details about the assessment of a dealer as and when the assessment is completed. This should include information about assessed gross turnover, assessed taxable turnover, assessed tax, the year in which the assessment was made, information about reopening of the case and any other relevant information about appeals and appeal effects.

Finally, registration of dealers being the very foundation of the sales tax administration, it is important to consider the dealer as the basic unit for analysing tax data. Therefore, a Master File should be prepared in the computer for each dealer.

Training and Recruitment:

Another reform should be in the area of training and recruitment of the departmental personnel. The officers of the commercial tax department are generally drawn from State Finance Services. In some of the states even this service is not in existence. Where the recruitment is done through this service, the candidates are taken through direct recruitment as well as promotion; the proportion of the two is roughly equal. When a fresh recruit to a State Finance Services comes to the department, he is taken at the level of an ACTO. On passing a departmental examination conducted by the Board of

Revenue or any such authority, the ACTO is promoted to the rank of a CTO.

At no stage of recruitment or promotions, these officers are sent for training for the work they are required to do for the assessment of the taxes. In some of the states these persons do not belong to the tax department at all and the position is really pitiable for these persons who can go to any department within a period of two to three years. It is, therefore, of paramount importance that those who are posted to the commercial tax department are imparted proper training in the beginning of their career. The state should think of having well-trained personnel of taxation services in the states. By creation of such services it is possible to bring out a substantial improvement in the administration. It is not to suggest that those who are taken to the taxation should not be eligible to serve in any other department of the government from time to time but in order to have a scientifically managed modern tax system, it is necessary to have a distinct cadre which can accumulate experience and knowledge through specialisation in the field of taxation.

The training now given to the officers directly recruited in the finance service system of the state is absolutely inadequate. The course is for too short a period and there is not much of the economics or the accountancy in the course contents. It is important that the new recruits earmarked for the Taxation Services be given intensive training for a period of not less than six months. The proposed training programme should cover economics of taxation, systems of accounts, financial rules, tax laws and tax administration. The training should aim to enable the officer to understand the intricacies of assessment procedures laid down, and legal problems that have arisen or likely to arise in relation to the tax system.

Advisory Committees:

Finally, it is important to have an advisory committee at the state level for proper administration of the tax. Although in most of the states such committees do exist, these are not truly functional committees. The committee comprises political representatives, legal experts, business and trade representatives and the government officials. The committee is headed by the finance minister of the state. With this structure, the advisory committee should have been a very useful platform for the discussion of the problems related to both the structure and the operation of sales tax in the state. The effectiveness of the committee has, however, been weakened by the fact that the recommendations of the advisory committee are forwarded to the government without any empirical support. Since the government have rarely acted on any of the recommendations of the advisory committee

under the apprehension of losing revenue, the importance of the committee has slowly come down. With a view to strengthening these committees, it is recommended that the advisory committee should send the recommendations after empirically getting it tested through the research wing of the department.

CONCLUSION

The above analysis of the organisation for sales tax administration and of the operation of tax indicates that due attention has so far not been given to the crucial role played by these managerial aspects. Over the years there is an increasing realisation that in practice the administration is the law. Whatever rationale the structure of the tax may be, its real impact would depend upon how it is implemented. In view of the given sales tax management in the country, a thorough reorganisation of the administrative organisation as well as the operations for the sales tax in the country on the lines discussed above would not only help the sales tax department to comply with its functional activities but will enable it to fulfil its institutional functions. It is high time that we strengthen our sales tax management to enable the administration to pave way for the adoption of state-VAT to replace sales tax.

Notes

[This is a revised version of a paper submitted to the International Conference on 'Current Issues in Tax Administration' held on April 7-8, 1994 at the University of New Castle, Australia.]

- 1 Instead of covering all importers and manufacturers, some states, for the sake of convenience, provide for a low exemption level. That is, the importers and manufacturers above a particular turnover are required to be registered with the department.
- 2 Under this system the intending importers are required to furnish details of goods to be imported and on application by him a permit would be issued, copies of which could be carried by the truck operators who would be bringing the goods. The road permit contains information on the nature, quantity and value of goods to be imported.
- 3 This system prevails in many of the states. In some of the states the permit is restricted to select commodities only.
- 4 While computing this information some estimates have been made by extrapolating data for some of the states. Further, this information relates to all the states but includes Union Territory of Delhi which has about 4 per cent of the total dealers in the country. The other territories have an inconsequential number of registered dealers. For details see Purohit (1995).
- 5 As most of these dealers are also believed to be registered under the States' Sales Tax Act, the total number of dealers cannot be ascertained with exactness.

- 6 One of the methods of evasion of tax referred to as Bill Trading or Hawale Trading is practised through fictitious dealers. This would be avoided by a thorough check of the bona fide of the dealers.
- 7 In some states like Assam, the assessment is done twice a year. This causes the number of assessments to be much more than the number of registered dealers in the state. The practice of two assessments in a year is, however, of no use. It increases the workload of the department without any specific advantage for the administration. See for details Chelliah and Purohit (1978).
- 8 The available cost estimates are not exact. As most of the states administer a number of other commercial taxes, any calculation of the accurate cost of administration for sales tax alone is arbitrary.
- 9 A combined form of this kind has already been introduced in Maharashtra. In such a form there are two copies of the challan divided by a perforated line and at the bottom of the return there is place for the treasury to make an entry regarding payment of tax quoting the challan number.
- 10 This procedure could be eliminated for the convenience of the dealer if the payment is allowed to be made through cheques.
- 11 On the basis of the receipt of this information, the assessing authority would be able to help the computer centre maintain up-to-date records.
- 12 Maharashtra has introduced this return but it asks for too many details. Such details need not be asked for in the quarterly return.
- 13 One of the suggestions in regard to differential treatment of small dealers is to provide for compounding of tax liability. In fact, in many states, there are rules providing for a lumpsum tax to be paid by a small dealer until he attains a particular higher level of turnover than the exemption limit. This is, however, not the right way to help small dealers. If a dealer collects tax from the consumers, he should pay the amount in full to the government. But when the provision of compounding is accepted the dealer collects the tax but pays only an approximate amount of the collection. That is, he pays either more or less than what he actually collects [see Purohit 1975].
- 14 The scheme of small dealers should be carried on the basis of *Forfait scheme*, as followed by France. See for details Purohit (1993).
- 15 Various studies undertaken to estimate the evasion of sales tax suggest that it varies from state to state and from one commodity to another. The variation of estimates of evasion is from 5 per cent of the potential revenue to 85 per cent of the same. See Purohit (1995).
- 16 Similar help is available to the enforcement wing in Punjab where the commissioner administers state excises as well. The police help is available because of the state excise and not owing to the administration of sales tax. It is, therefore, important that in most of the states where state excise department is independent of sales tax, police assistance is provided to the sales tax department.
- 17 In Tamil Nadu, for example, 62 per cent of the checkpoints are housed in thatched sheds.
- 18 Some of the states, such as Uttar Pradesh,

have made arrangements for delivery of all documents every week through manual mechanism. The documents are put in envelope as per districts and manually sent to the divisional headquarters and then distributed to the respective districts. Hence the documents do reach the officers and to the file.

- 19 It does not seem proper to burden the enforcement wing with the task of cross-verification of the documents received from the checkpoints, as they have more important work to do.
- 20 The weigh bridges in states like Gujarat have been privatised and are in very efficient working condition. These bridges are extremely useful in having an estimate of the type of goods being carried by the trucks.
- 21 *Suo motu* powers refer to the power of the commissioner of reopening the assessment order which may be prejudicial to tax revenue.
- 22 Under the Income Tax Act, the commissioner can exercise *suo motu* powers for two years from the date of the orders sought to be revised.

References

- Barrea De, A A Immo (1965): 'Administrative and Political Problems in Raising Tax Yields' in OECD, *Government Finance and Economic Development*, Paris
- Bird, Richard M and Milka Casanegra de Jantscher (1992): *Improving Tax Administration in Developing Countries*, International Monetary Fund, Washington, DC.
- Chelliah, R J, M C Purohit et al (1978): *A Survey of Tax System in Assam*, NIPFP, New Delhi
- (1981): *Sales Tax System in Bihar*, Somaya Publications, New Delhi
- Fisher, J L (1961) 'How Much Does It Cost to Collect Sales Taxes?' in Report of the 54th Annual Conference, National Tax Association.
- Government of India (1955): *Report Taxation Enquiry Commission*, 1953-54, Vol III, New Delhi
- (1960): *Twelfth Report, Law Commission of India*, Ministry of Law, New Delhi.
- (1980): *Report of the Indirect Taxation Enquiry Committee*, Department of Revenue, Ministry of Finance, New Delhi.
- Purohit, Mahesh C (1975): *Sales Taxation in India*, S Chand and Co, New Delhi.
- (1982): 'Reforming Sales Tax Administration in India', *Indian Journal of Public Administration*, 27, October-December, pp 1-9.
- (1986a): 'Computersation of Sales Tax Data', *Management in Government*, Vol 17, No 4, January-March, pp 34-323.
- (1986b): 'National Issues in States' Sales Tax Structure in India', *Economic and Political Weekly*, Vol 21, No 7, February 15, pp 299-303.
- (1993): *Principles and Practices of Value Added Tax: Lessons for Developing Countries*, Gayatri Publications, New Delhi.
- (1995): *Structure and Administration of Sales Taxation in India* (Revised Edition), Gayatri Publications, New Delhi.
- Yocum, J C (1961): *Retailers Cost of Sales Tax Collection in Ohio*, Bureau of Business Research, Ohio State University, Columbus.

Indian Social Scientists and Critique of Secularism

Joseph Tharamangalam

In this paper the arguments of three critics of secularism – T N Madan, Ashis Nandy, and M N Srinivas – are examined, as well as their implications for India's pluralist society.

A GROWING number of social scientists in India are joining the debate about Indian secularism.¹ Mainstream social science has continued to defend secularism especially in the face of the threat posed by increasing communal politics and religious strife. But a small and apparently growing group of social scientists have called for a re-examination of Indian secularism, arguing that secularism may be the cause of, rather than the solution to, India's crisis. Critics such as Ashis Nandy and T N Madan reject secularism as radically alien to Indian culture and tradition and advocate a return to genuine religion and the indigenous traditions of religious tolerance as the best means to preserve and maintain a pluralist and multi-religious Indian society. Their ranks have recently been joined by the distinguished Indian sociologist M N Srinivas, who has called for a renewal of faith in god as saviour in order to meet India's cultural crisis. The objective of this paper is to critically examine the arguments of these writers and to assess their validity as well as their implications for the maintenance and defence of India's pluralist and multi-religious society, culture and polity.

DEFINITIONS

There is considerable confusion resulting from the bewildering variety of meanings that have been attached to the concepts of secular, secularisation and secularism. The concept of secularism is now so deeply entrenched in Indian academic, political and legal-constitutional discourse that it is necessary to clarify this and other related concepts. At least since the time of Durkheim, sociologists have recognised a universal distinction between the sacred and the secular. The sacred refers to a realm of reality that is mysterious, awe-inspiring, forbidden and set apart from the ordinary. This is the realm of god and religion. The secular or profane, on the other hand, refers to the realm of the mundane, work-a-day world. Mystical and cosmic religions, especially in the east, have sought ultimate knowledge and holistic experience that would resolve the dichotomy between the two domains and reveal the underlying unity of the One. It is very doubtful that such ideas affected the lives of ordinary

people greatly since people everywhere not only distinguished between the two domains, but used different means and technologies to deal with and to control the two worlds, using, for the most part, empirical means for mundane activities such as hunting, fishing and agriculture needed to satisfy their basic needs of subsistence. In any case, modern secular society stands at the other end of the continuum in separating the two spheres to a large extent banishing the realm of the sacred to the 'private' sphere. Although there is a wide range between the two extremes, nowhere do the mystics completely ignore the logic or laws of the empirical, secular world, and nowhere have the secularists succeeded in reducing the sacred entirely to the secular realm. It can be seen that both the distinction and the separation between the religious and the secular is universal although the degree of the separation varies very widely.

Secularisation is a concept used to refer to a multi-dimensional historical process generally associated with modernity. Modernity brings in its wake several important processes of change. The most important of these are: (1) differentiation at the level of institutions, structures and functions resulting in the withdrawal of religion from such social spheres as education and marriage; (2) the development of pluralism at the level of social groups (including religion) and world-views resulting in the pluralisation and relativisation of the world; (3) rationalisation as described by Max Weber, which refers to the emergence of a scientific-rational world-view that was eventually expected to strip society of its myths, mystery, miracle and magic, thus making it 'disenchanted'; and (4) the development of a critical consciousness that reveals the ideologies hidden in the institutional and belief structures of religion. The noted American sociologist of religion, Peter Berger, defines secularisation as a process: "in which religion loses its hold on the level both of institutions and of human consciousness" (1969: 107) and, in a later essay, as "the process by which sectors of society and culture are removed from the domination of religious institutions and symbols" (1980:24). Srinivas describes secularisation in India in a similar vein and

delineates some of its dimensions (1966:119).

Secularisation is not only a historical fact, however. It is also used to refer to a theory that attempts to describe the invariant relations in this process and to predict its direction. From Comte to Max Weber to more recent writers such as Bryan Wilson and Peter Berger, theorists of secularisation have engaged in debates about its universality, irreversibility and its progressive encapsulation of societies.

MODELS OF SECULARISM

Secularism is both a model of society and an ideology and, especially in the Indian context, has come to mean all things to all people. Broadly we can describe the following conceptions or models as ideal types of secularism in India.

1 The Official Indian (Nehruvian) Model

India is formally a secular democratic state. The Indian Constitution spelt out in several articles the main provisions regarding the secular state even before the term secularism was introduced into in 1976 [Smith 1963]. First, it guarantees freedom of religion to individuals as well as to religions (to "every religious denomination or any section thereof"). Second, it guarantees equality of citizenship, that is, no discrimination on grounds of religion (Art 15.1), equality of opportunity in public employment (Art 16.1.2), no discrimination in educational institutions (Art 29.2), and no communal electorates (Art 325), although there is special provision for reservation of seats for scheduled castes and scheduled tribes (Art 330.1 and 332.1). Third, it provides for separation of state and religion, that is, no special taxes for promotion of religion (Art 27) and no religious instruction in state educational institutions (Art 28.1.2.3). It is clear that the intention of the Constitution is neither to oppose religion nor to promote a rationalisation of culture, but merely to maintain the neutrality and impartiality of the state in matters of religion.²

This model of secularism is premised on at least a certain degree of secularisation of civil society, in the sense of disassociation between religion and society and the

relegation of religion, if not entirely into the private sphere, at least into some very limited domains of public life.

Secularism in this sense is also seen as a protector of minority rights. It is instructive that minorities in India, despite being intensely religious and sometimes even fundamentalist, are among the most ardent supporters of secularism, from which they primarily expect the impartiality and neutrality of the state. The alternative, as they see it, is Hindu domination of society, if not an outright Hindu theocratic state. Thus "...if secularism denotes only that a secular state should not be partisan in matters of religion, it is believed to be in accord with Islamic tradition which gives freedom to every citizen" [Haaqq 1971:47].

2. The Traditional Hindu Model

Many Indian intellectuals and leaders in India, especially Hindus, see secularism, by and large, in terms of the ancient Hindu ideas of religious tolerance and equality of all religions. The speeches and writings of these men abound in pious pronouncements to this effect. For instance, Radhakrishnan wrote in 1955: "It may appear somewhat strange that our government should be a secular one while our culture is rooted in spiritual values. Secularism here does not mean irreligion or atheism or even stress on material comforts. It proclaims that it lays stress on the universality of spiritual values which may be attained by a variety of ways... This (the unity of spiritual experience despite doctrinal differences) is the meaning of a secular conception of the state though it is not generally understood" [Smith 1963: 147]. In another context he (1940:316) stressed that the "...Hindu view is not motivated by any consideration of political expediency. It is bound up with its religion." It seems that Gandhi's opposition to partition was also based on religious grounds [Smith 1963:149]. "Partition", he said, "means a portent untruth. My whole soul rebels against the idea that Hinduism and Islam represent two antagonistic cultures and doctrines. To assent to such a doctrine is for me denial of God. For I believe with my whole soul that the God of the Koran is also the God of the Gita, and that we are all, no matter by what name designated, children of God."

It will be readily admitted that this Hindu model has made a generally positive contribution to the evolution of a tolerant and liberal religious culture that informs the consciousness of vast numbers of people, Hindu and non-Hindu, in India. The metaphysical basis of this model of secularism is the transcendent unity of ultimate reality. The One that is beyond thought, word and manifestation, and not

bound by any particular book, prophet or incarnation, relativises all historically existing religions and paths to god. However, it is well known that in Hindu social thought not equality but hierarchy characterises the contingent world of the many, the world of historical pluralism. Hierarchy governs not only statuses, functions, rights and privileges, but also truths, values and spiritual planes, ethical ends and spiritual attainments, and even disgust and exclusion as exemplified by the principle of purity and pollution. The religion of the untouchable or the unenlightened with its idol worship and animal sacrifice is 'equal' to that of the enlightened sage only in the ultimate and transcendental order. If all this sounds like a description of the caste system, that is precisely the point, all religions are no more equal than all castes are equal. By the same logic a person must not change the religion into which he is born since that is 'appropriate to his status' and consequently should be sufficient for him.

It is not surprising that this model of pluralism (or secularism) has proven to be inadequate to meet the needs of a modern India that is struggling to create a democratic and egalitarian society. No viable model of secularism can be built on terms defined by any one religious group, even if it is 'the majority community', especially so since its mode of toleration has historically included absorption, subjugation and marginalisation of religious minorities.

3 Secularism as Anti-Religious Ideology

This model of secularism is a doctrinaire ideology which sees all religions as an anachronism in modern society, an epiphenomenon that belongs to the superstructure and a survival of the past that will wither away with economic development and scientific progress. Though this type of secularism is in fact espoused by a tiny minority in India, this is the straw man that most anti-secularists fear and try to destroy. The protagonists of this view, which includes some orthodox Marxists, rationalists and atheists, see anything that is religious as anti-intellectual obscurantism. They attempt to speed up the natural demise of religion (quite inconsistent with their own theory, of course) through propaganda and even outright persecution and suppression of religion as was done under the Bolsheviks led by Lenin and Stalin.

THE ANTI-SECULARISTS

Today there is widespread concern that Indian secularism is facing a serious crisis, and that what came to be known as the

Nehruvian consensus has collapsed or is collapsing. We find an increasing use of religion in the social construction of ethnic and communal identity which is made the basis for the articulation of common economic interests and political mobilisation. There is also the construction of an unprecedented pan-Indian Hindu consciousness that cuts across caste and regional divisions. This has often been described as the 'Hindu backlash', the Hindu reaction against the political mobilisation of other religious groups such as the Muslims and the Sikhs. There is little doubt that these movements are responses to a wider cultural crisis associated with 'modernisation' that has also brought in its wake social dislocation and perhaps a pervasive sense of anomie. It is in this context that the attempt to re-examine Indian secularism is gaining prominence.

As with secularists, so too with anti-secularists, there are several kinds. I shall not concern myself with the communalist critics of secularism, whether Hindu, Muslim or any other variety, nor with the atheist-rationalist critics who see Indian secularism as a sell-out that compromises with religious obscurantism. There is also the silent majority, the millions of genuine religious believers who see secularism as a threat to their religion. The new critics of secularism that I examine here claim to speak on behalf of this majority. I shall discuss below the views of three representatives of this group, Ashis Nandy, T N Madan and M N Srinivas.

Ashis Nandy (1985, 1986) argues that secularism in India has exhausted its possibilities and is today positively harmful. According to him it is secularism and modernity that are the sources of the new religious violence. A 'gift of Christianity' and a child of modernity and colonialism, secularism is a product of western science and rationality and today functions as the ideology of the modern state which Nandy sees as the source of most contemporary problems. Nandy argues that it is the secular state and its elite, with its instrumental rationality and amoral and manipulative technocratic-managerial ethos, that has been responsible for the greatest atrocities of this century from the third reich to the gulag to Hiroshima to the anti-Sikh riots in Delhi. Thus Nandy's rejection of secularism is rooted in a two-fold critique: a critique of modern culture and society that approvingly and respectfully draws on the Gandhi of *Hind Swaraj*, and a critique of the secular state. In a posture of moral outrage, Nandy states that the Indian secular state has much to learn about morality from Hinduism, Islam and Sikhism, while Hinduism, Islam and Sikhism have nothing to learn from the secular state in this respect. As an alternative

to secularism Nandy pleads for the recovery of India's traditional religious tolerance which, he argues, must be freed from the imperialism of the western category of secularism. The greatest representative of such tolerance was Gandhi, but it is also still widely practised by the masses of non-modern, peripheralised believers as distinguished from the modern secular rationalists and the semi-modern zealots.

Much like Nandy, Madan (1987:748) states that "...in the prevailing circumstances secularism in south Asia as a generally-shared credo of life is impossible, as a basis for state action impracticable, and as a blueprint for the foreseeable future impotent". South Asian religions, argues Madan, are unique; they are "totalising in character, claiming all of the followers' life so that religion is constitutive of society". While he acknowledges that these religions make the distinction between the sacred and the secular, he argues that they arrange the two domains in a hierarchical order. It follows that these religions are incompatible with the ideology of modern secularism.

M N Srinivas' critique of Indian secularism appeared in a short article in the *The Time of India* in 1993. Unlike Madan and Nandy, Srinivas was not directly addressing social scientists or intellectuals and therefore his arguments are less theoretical and less detailed, and presented in his usually sensitive and eminently readable style. Srinivas finds secularism wanting because he believes that India needs a new philosophy to solve the grave cultural and spiritual crisis facing the country, and "that philosophy cannot be secular humanism. It has to be firmly rooted in god as creator and protector." Similarly, India and the world cannot afford the mindless consumerism that is being promoted by the media. The only realistic option, sustainable development, too "needs to be underpinned by a proper *weltanschauung* and that cannot be secular humanism" either. Srinivas' call is for a spiritual renewal and a renewal of faith in god as saviour. He is very much concerned about the corruption, materialism and consumerism which, he apparently believes, is a product of secularism. Underlying his critique there appears to be a nostalgic longing for a moral social order that is organic, harmonious and holistic in contrast to the individualistic, amoral, secular order.

CRITIQUE

As we have seen, both secularisation and secularism are multi-dimensional and complex concepts with multiple referents. These authors do not define their concepts systematically or clarify if they are rejecting all aspects of secularism or only some, and if the latter, which ones. When we examine

this issue systematically we find that these writers may be quite happy with several aspects of Indian secularism, especially those upheld by the legal-constitutional system.

First, I think it is fair to say that none of these critics would be in favour of a theocratic state that would bring the state, bureaucratic and legal systems under the domain of religion. Nandy and perhaps the others to a lesser degree are critics of the modern state, but until the state withers away or is radically transformed, all of them are very likely to be in favour of the three main principles laid down in the Constitution, viz, freedom of religion, equality of citizenship and separation of state and religion. They have not expressed their views on the thorny question of personal laws based on religion, but their anti-secularism is certainly not based on religious fundamentalism or sectarianism and so they are likely to be in favour of a sensitive and rational arrangement that can accommodate both religious pluralism and democracy in the country.

Second, it is equally unlikely that any of these critics would object to or be uncomfortable with the secular institutions of Indian society such as universities, hospitals, laboratories and scientific institutes in which most members of the Indian intelligentsia including themselves function. Srinivas, for example, is an exemplary model of a secular intellectual of India; a few comments about his role and work can illustrate the point I am making. Generally regarded as the doyen of Indian sociology and anthropology, he has been a tireless promoter of these disciplines, a teacher and practitioner of a sociology that is the very model of a rational, scientific, critical and 'secular' intellectual 'project'. Perhaps more important, he played the leading role in building the eminently 'secular' sociology department in Delhi University which has, during the past four decades, attracted some of the best faculty and students in the country regardless of caste, religion, theological persuasion, region or gender, far ahead of his time in this last respect. These women and men have engaged in rational debates about social issues including religion. When he raises questions about Indian secularism it is unlikely that he is questioning free and secular institutions of this kind.

Third, there are many social changes that have taken place in India generally associated with secularisation which the intelligentsia have regarded as 'progressive'. These changes have affected some of the most oppressive aspects of traditional religion such as widow-burning and untouchability. In his most recent essay, Srinivas describes the erosion of the practice of purity and pollution and the enlargement of the caste-based endogamous groups among the middle

classes of India. He certainly does not indicate any unhappiness with these changes. It is very unlikely that, on the whole, the other critics too would object to these changes. It is, of course, true that these oppressive religious institutions and practices have been criticised and attacked from within by religious reformers and protest movements. The most celebrated of these in modern Indian society include Ram Mohan Roy, Vivekananda and Gandhi. In recent years writers such as Ashis Nandy and U R Ananthamurthy have popularised the concepts of 'critical traditionalism' and 'the critical insider' to refer to these critics. However, there are two important respects in which these critics should be regarded as associated with secularisation of society. First, secularisation as a historical process has brought with it everywhere a new critical consciousness providing a certain impetus to the potential reformers. Second, as I have argued above, no society is purely religious or purely secular, both the distinction and the separation of the sacred and the secular is a matter of degree. Those aspects of social and cultural life that fall under the domain of the religious are never fixed and immutable. While in pre-modern societies protest movements have typically drawn on religion to unmask and reveal hidden ideologies and wily priestcraft, in the modern world they have drawn on secular ideas to do the same.

It seems clear then that the focus of these new critics is what was described above as the third model of secularism, viz, irreligious humanism and atheistic materialism. Madan, for example, devotes a considerable section of his paper to attacking Nehru and Nehruvian socialism, in effect confusing Nehru's personal rationalist convictions with the secular institutions that he helped to create for the country. While Nehru may have hoped for the eventual disappearance of all that he regarded as religious obscurantism, it is clear that nothing in the Indian institutions or policies aims at restricting religious freedom or suppressing religion. I have discussed this elsewhere (1991) in detail and will not pursue the discussion here.

A critique of the state underlies the writings of all the three. For Nandy the state itself is to be rejected with modernity, rationality and secularism; but his radical critique provides neither an alternative to the state nor an alternative model of the state. Srinivas does not engage in a diatribe against the state, but he links the 'licence permit raj' with the corruption, irreligion, materialism and the culture of consumerism that have destroyed the moral fibre of Indian society. His is a call for a new *weltanschauung*, or rather a renewal of faith in the old that would underlie the national effort in nation-building and development. It is not clear whether he

would have the state promote such a *weltanschauung* or merely like to see it permeated by such a value system and a spiritual ethos. Madan too is against the secular state, but does not suggest any alternative. It must be conceded that secularism in India today is too politicised and too 'statist', acting as an ideology of the state and an instrument of power. It is necessary to find ways to depoliticise secularism and to move it further into the domain of civil society. Nevertheless, one is left to wonder what could possibly replace the secular state. Given the fact that the modern state is not about to wither away and given the impossibility of resurrecting a presumed earlier society in which rights were guaranteed by 'dharma' rather than the state, it is necessary to ensure that the state is a democratic and secular one if rights and freedoms are to be guaranteed in the highly pluralistic societies of south Asia. In fact, it is difficult to see what the alternative to the secular state would be other than a theocratic state or a patrimonial one.

Madan's argument about the uniqueness of south Asian religions is empirically untenable, idealistic and reductionist and smacks of orientalist ideology. First, Madan himself is quite ambiguous about this dichotomy between western and eastern religions. He acknowledges the universal distinction between the sacred and the secular, but goes on to argue that the south Asian religions arrange the two domains in a hierarchical order. But he also states that "the world's great religious traditions do seem to speak on this vital issue with one voice". Where, then, is the radical difference? Apparently, only in post-reformation Christianity, especially protestantism. Madan argues, following Max Weber, that the reformation made a major departure in this regard. He quotes Peter Berger's classical statement that "protestantism cut the umbilical cord between heaven and earth" (1987:753). Secularism in the west, then, emerged from the dialectic of modern science and protestantism. Madan will readily admit, I think, that this is also the dialectic of modern capitalism, what Max Weber referred to as the rationalisation and the disenchantment of the modern west. Modern social science from the time of Marx and Weber has stressed the universalising character of this process historically, crossing borders from protestant Switzerland and England to catholic France and Belgium and then to the non-Christian societies of the east. The point is that it may not be the uniqueness of Christianity that explains secularisation in the west, but the logic of capitalism and industrial society. To be sure, this logic or this impulse may have originally had a special connection with

protestantism, but as Weber himself pointed out, this connection was a historical one and the dialectic of capitalism was capable of severing its connection with protestantism.³

Second, the dichotomy between the totalising character of south Asian religions and the compartmentalising character of western religions, even post-reformation ones, is a false one and is another version of the orientalist dichotomy between the spiritual east and the materialist west, the other-worldly religions of the east and the this-worldly religions of the west. The quotation from Gandhi that Madan provides to support this view, viz., "For me every, the tiniest, activity is governed by what I consider to be my religion" (1987:752) could equally have been from St Ignatius of Loyola or St Francis of Assisi. The language of Hindu and Muslim saints and mystics must be compared with that of Christian saints and mystics and not with that of rational, utilitarian philosophers and sociologists of the west. Monks and mystics in the most secularised parts of the west continue to strive for a life that is totally in the presence of the divine and to perform every single act informed by the right 'intention' of performing God's will. To take one example that I know personally a Jesuit is always and everywhere expected to strive to perform every act "for the greater glory of God", represented by the Latin logo, *Ad Maiorem Dei Gloriam*. It may be argued further that the new ecological consciousness among religious people in the west calls for a return to the holistic 'pagan' consciousness of the unity and connectedness of all things. But all this is in the mystical and theological realm, as is Madan's argument. Madan's interpretation of the pre-secular Indian society as characterised by hierarchies of domains in which the economic and the political were subordinated to the religious and theological is simply idealistic and reductionist. Not only does he, like Nandy, underestimate the extent of exploitation, strife and violence that existed in Indian society, but he assumes that theological ideas determine and explain the everyday life of individuals and the institutions and structures they create. One does not have to be a materialist determinist to see the insight in Marx's saying that it is not the consciousness of men that determines their social being, but that it is their social being that determines their consciousness.

Srinivas does not tell us why the *weltanschauung* needed to meet the crisis in India "cannot be secular humanism", but presumably implies that it is inadequate to provide the ethical or spiritual basis for the needed renewal. He simply assumes that morality and spirituality are necessarily religious. Keeping aside theoretical and

philosophical considerations about the relationship between religion and ethics, one could point out that the historical record is less than clear to determine whether religion has been an instrument in the creation of a more humane and just society. It is well known that inquisitions, crusades, witch-burning, genocides (both physical and cultural), widow-burning and untouchability have been practised by what must be regarded as highly religious (totalising in the sense of Madan) societies. What is worse, these practices were justified in the name of religion. In our own day we must presume that the 'hanging judges' of the Iranian revolution who presided over tens of thousands of executions of political and religious opponents, are religious men, but many of us will not necessarily see them as moral, spiritual or humane. Srinivas is aware of "the basic difficulty in bringing in religion..." and that "volumes have been written on the harm inflicted by established religion". But his solution to this problem is to call for the universal "philosophia Perennis" *a la* Leibnitz, the Upanishadic seers, bhakti saints, Sufis, and Jewish and Christian mystics. This is a very attractive position, and many intellectuals and seekers disillusioned with institutional religion will support him on this. The problem, however, is that sociologists, including Srinivas (1952, 1993), have long known that religion is not just a belief system but is, above all, a community (church) united by a common belief system as well as by a ritual life. The sense of community and identity is among the most central elements in the lives of the vast majority of believers. One may ask further if it is possible to have a religion that is not institutionalised, that is nothing more than a perennial philosophy. To the extent it is possible, the religion that comes close to this model is the privatised religion that we see in secular, humanist societies.

It is not surprising that intellectuals like Srinivas are deeply concerned about secularism, for in India today the debate about secularism is far more than an academic one. A sociologist who writes in support of or in opposition to the secular character of the nation, or to the ethos of secular humanism associated with it, bears a grave responsibility in view of the implications of her/his position. Historically, the struggle against caste oppression, patriarchy and communalism was associated with the possibility of a critique of religion that revealed the hidden ideologies protecting vested interests. A sociologist in India who rejects secular humanism without at the same time acknowledging the ideological character of religion will be seen by the secular sociologists as lacking a certain authenticity. Sociology itself is a child of the enlightenment and became possible only when the

historically contingent social and cultural domain could be separated from the 'natural' and necessary God-given order of things. Critical social science became inextricably bound with the basic 'project' of the enlightenment, human liberation premised on a critique of society. The history of social science from the enlightenment to Hegel, Marx, Weber and Mannheim has gone a long way in unmasking religion to reveal these ideologies. But sociologists and anthropologists have also discovered critical religion, the prophetic and utopian elements in religion that have given rise to religious reform and protest movements. At least since Weber, radical sociologists have recognised both the ideological and utopian elements in religion; few scholars today would reduce religion to false consciousness. In many parts of the world the critique of religion that was originally grounded in secular humanism has now been integrated into critical theories. Liberation theology, feminist theology, ecological theology and dalit theology are good examples of these. This is not unique to Christianity either. No one will deny that while Gandhi was a critical insider *par excellence*, he absorbed many elements of the liberal humanist critique of religion into his own thinking. Without this influence it is doubtful if he would have been able to separate untouchability, inequality, and other inequities from the essence of religion as he was able to do. Sociologists who call for a return to religion uncritically are ignoring the fact that India has a long way to go in liberating its people from the oppression of religion; that caste, patriarchy and communalism are still practised in the name of religion; and that demystifying society and unmasking myths continue to be part of the 'project' of critical sociology. If Srinivas is advocating an ecumenical religion that can accommodate all the religions of India as well as such oppressed classes as the ex-untouchables who harbour bitter memories of institutional religion, no one will seriously object to this. In fact, with all its sins and imperfections, secularism in the sense in which it is defined in the Indian Constitution appears to provide the best conditions under which such pluralist and ecumenical religions can flourish in India.

This brings me to my last point about the relationship between democracy and secularism. Do Nandy, Madan and Srinivas seriously believe that democracy would be possible in a non-secular India? Nehru certainly did not think so. If democracy requires a minimum consensus about the basic values and institutions of society and about the rules of the political game, could such a consensus be built on a religious basis in pluralist India, or anywhere else, for that matter? Will this be based on communal

electorates, a historical alternative that Indians remember with a deep sense of tragedy and independent India rejected at the very outset? Indeed, it is difficult to imagine the face and shape of a non-secular India without deep foreboding as one is hard put to find a single empirically existing model of genuine democracy that is also non-secular.

CONCLUSION

There is no doubt that a vast number of people in the world, including those living in the so-called modern secularised societies, are religious. The experience of what Rudolf Otto called the tremendous mystery (*'mysterium tremendum et fascinans'*), and a sense of connectedness with an immense reality of which we form a tiny part, create the universal experience of what we call the religious. Anthropologists and historians know of no society without religion, and few social scientists today would see secularisation as an irreversible and progressive process. It is also true that the crisis of our civilisation – the injustice, violence and mindless destruction of the earth – is renewing that deep sense of the sacred and that universal search for 'meaning'. Some scholars are even speaking about the re-enchantment of the world [Berman 1981]. Confronted with this situation, it is difficult not to be in full sympathy with those, like Srinivas, who are dissatisfied with a secular humanism that has failed even to address this deeply felt malaise. Nor can one be indifferent to the search for holistic life that can transcend the artificial dichotomisation of the religious and the secular. It would be difficult to deny that today secularism, and especially the privatisation of religion, acts as an ideology for institutionalised greed, materialism, corruption and the culture of consumption.

I am unable to see, however, what kind of a social and political order can replace India's secularism without causing serious rupture to those social arrangements, values and ideals in the country that most of us deeply cherish. These include its historical legacy of religious pluralism and its celebration of diversity, its ability to maintain a working democracy for half a century with considerable civic freedom, free inquiry and exchange of ideas, and the valiant struggle of its people against oppression based on caste, communalism and patriarchy in their struggle to build an egalitarian and humane social order. I believe that these difficult but enduring struggles have the best chance of success in a secular India in the sense in which I have described it. At least, this must be so until a better and viable alternative becomes available.

Notes

[An earlier version of this paper was presented at the World Congress of Sociology in Bielefeld, Germany, July 22, 1994. I am grateful to the participants of the Research Committee on the Sociology of Religion for their comments. I also wish to thank M N Srinivas and U R Ananthamurthy for reading the paper and providing their comments.]

- 1 I am referring here especially to sociologists and anthropologists. It is interesting to note that the debate about secularism in India has so far been very much dominated by historians, and to a lesser extent also by political scientists.
- 2 The simultaneous implementation of these three principles has been found to be problematic in all modern societies. A case in point in India is that of different personal laws followed by different religious communities. While this fulfils the principle of freedom of religion it can be seen as violating the principle of equality of citizenship. For example, Hindu and Muslim women do not enjoy the same rights to divorce, inheritance or economic support.
- 3 I am aware that a different interpretation of this issue has been advanced, notably by protestant theologians such as Harvey Cox (1966). According to this thesis, the historical movement towards secularisation and the establishment of the 'secular city' is inherent in biblical (Judeo-Christian) religion. Some support for this position has been found in the writings of Weber and Peter Berger, who draws on Weber, among others, also shows some sympathy for this position. Interestingly, some catholic theologians [Baum 1975:155] contended that this argument was informed by a specifically protestant reading of the scriptures and the historical evidence. Interest in the debate has declined in recent years. My own view, of course, is that such a thesis is not a tenable one.

References

- Berger, Peter (1969). *The Sacred Canopy*, Anchor Books, Garden City, N.Y.
- (1980): *The Heretical Imperative*, Anchor Doubleday
- Berman, Morris (1981): *The Reenchantment of the World*, Cornell University Press, Ithaca.
- Cox, Harvey (1966): *The Secular City*, Macmillan Co, New York.
- Haaq, Mushir Ul (1971): 'Religion, Secularism and Secular State: The Muslim Case', *Religion and Society*, Vol XXIII, No 3, September.
- Madan, T N (1987): 'Secularism in Its Place', *Journal of Asian Studies*, Vol 46, No 4.
- Nandy, Ashish (1985): 'An Anti-Secularist Manifesto', *Seminar*, October.
- (1986): 'The Politics of Secularism and the Recovery of Religious Tolerance', paper presented at the workshop on Theology and Liberation organised by PIPAL TREE, April 18-May 2, Bangalore.
- Radhakrishnan, S (1940): *Eastern Religion and Western Thought*, Oxford.
- (1966): *Social Change in Modern India*, University of California Press, Berkeley.
- (1993): 'Towards a New Philosophy: Renewing Faith in God as Saviour', *The Times of India*, July 9, Bangalore.

Total Factor Productivity Growth in Manufacturing Industry

P Balakrishnan
K Pushpangadan

IN our article [Balakrishnan and Pushpangadan 1994] we had argued that appropriate measurement of value added at constant prices is a prerequisite for the estimation of productivity. We had then proceeded to provide a demonstration of this principle by providing estimates of total factor productivity growth for Aggregate Manufacturing in the Indian economy. We observed that the measurement of value added has implications for the estimated growth of TFP. We consider it to be a reflection of the fact that our point has been taken seriously that our original paper has been replied to.¹ In this brief note we reply to our critics. Here we report the results of substantial further work on TFP growth in manufacturing industry. These results strengthen the conclusion of our original paper.

I J Ahluwalia (1994) commences her note with a suggestion of alternative titles for our article, all to do with the growth of value added in the manufacturing sector of the Indian economy. We believe that given what we had wished to convey, the title that was chosen by us is word-perfect. If Ahluwalia is more concerned with the growth of value added she needs to first address the arguments of Bhatia.²

• We are astounded by Ahluwalia's suggestion that a researcher is excused from a serious consideration of the concerned problem so long as the CSO has not 'found' reliable data for arriving at double-deflated value added. At least the CSO has stated the matter clearly: "The ideal method for working out the constant price estimates is the double deflation method."³ No such caveat appears in Ahluwalia's work. However, Ahluwalia has shown herself not averse to referring to the bias in the single-deflation methodology when it has suited her. For instance accounting for the slower growth of TFP for 'petroleum and coal products' during the 80s Ahluwalia takes recourse to arguing that her methodology "would necessarily result in undervaluation of the value added for this sector" [Ahluwalia 1991:39] where the relative price of inputs has risen very considerably. In this connection, the author has scrupulously suggested that "the results need to be interpreted with caution" [Ahluwalia 1991:38]. The reader ought to have been invited to exercise similar caution with regard to the results across the board, considering that it is eminently advisable.

Ahluwalia is mistaken in suggesting that in our exercise we freeze the "material use structure" as recorded in the Input-Output Transactions Table for 1973-74. To the contrary, with the express intention of capturing changes in the input-output relations, if any, we had re-worked the entire exercise of double deflation using a materials price index that is constructed with weights from the year 1983-84. The econometric results revealed that the absence of a positive turnaround in TFP remained unchanged. Not only was this issue discussed in the text⁴ but also the result was reported in Table 3. Ahluwalia has failed to appreciate the implications of the exercise as reported.

Finally, in our paper we had avoided any reference at all to the implications that our results have for the evaluation of policy. But this has not restrained Ahluwalia from expressing her view on the implications of the estimates of the double-deflated value added figures reported by us, divining the message that "we were ahead of China in the game of producing economic miracles". While we take the view that readers of our work are at liberty to read whatever they may wish into it, we do believe that comparisons with east Asia, though flattering, tend to be a little out of place for India, an economy where none of the pre-conditions⁵ identified with the spectacular performance in the east have ever existed. Moreover, it has not escaped our attention that of the close on 26 years starting 1959 for which she has estimated TFP, productivity peaked in 1961 itself [Ahluwalia 1991: Appendix 1, Table 1]. This has two implications. First, the so-called 'turnaround' in productivity growth during the 1980s can now be seen in perspective. Clearly, the point in time at which the sample period is split in order to establish a structural break needs to be reckoned with. Otherwise, the results are riddled with the doubt of having been influenced by a 'low base'. Secondly, carrying on in Ahluwalia's vein, if the estimates of total factor productivity provided by her are to be believed, Indian industry was most efficient at the height of the licence-permit raj. This in a tract that emphasises the importance of liberal policy regimes for TFP growth!

We now turn to the response to our paper by Bakul and Ravindra Dholakia (henceforth 'D-D') which, by contrast with Ahluwalia's, we find very substantial indeed, and consider a constructive intervention. According to

our reading, D-D make one important point. It is that the weights used in the construction of the index of materials price must be drawn from the segment of manufacturing that is covered by the Annual Survey of Industries, the source of our data on input and output values.

This is well taken. We had used the input-output statistics for the entire manufacturing sector, while ASI covers 'registered' manufacturing alone. D-D proceed to double deflation using what are claimed as appropriate deflators in that these pertain to registered manufacturing sector alone. The authors now produce decadewise rates of growth of the TFP estimates that follow. These figures point to a rise in the rate of growth of TFP in the 80s, the celebrated 'turnaround'.

We are unable to comment with any confidence on the results presented by D-D because they have not been explicit on the method they have adopted in the construction of the weights that they present. They state that they have 'estimated' these [Dholakia and Dholakia 1994], but the methodology is not stated. We remain sceptical as to what is possible under the present situation with regard to data availability and, therefore, as to the adjustments made by D-D to arrive at input-output statistics pertaining to 'registered' manufacturing. However, it did strike us, while eye-balling the data, that the weights produced by D-D are not very greatly different from ours (Table 1 in D-D), and that therefore the results ought not to be very different if the D-D set of weights were to be used in the construction of the materials price index. We therefore re-worked the exercise using the said weights while retaining the rest of the data as in the original. The price series and the resulting index of TFP are presented in Table 1 and the statistics of a test for a 'turnaround' are presented in Table 2 (under the column heading 'DD'). Note that the latter do not support the claim of a higher rate of growth of TFP since 1980. It appears, therefore, that there need not be any particular caution on the acceptance of our original estimates of TFP, at least not on the grounds of our having used inappropriate price deflators the first time round. Despite the fact that our original results on TFP survive the introduction of a new set of input-price deflators, a crucial variable in the exercise, we believe D-D to have raised a valid point. However, it would have helped their cause greatly if they were explicit about the data and the methodology they have adopted, across the board. As for the data, we would have liked to know where the capital stock and employment data is from. The methodology is not always clear either. For instance, we are not even able to

replicate their estimates (see D-D, Table 2: 'average rate of growth') of the rate of growth of real value added (VADD) implied by our study (reported in Table 2 of our study) when we fit (in our view, the best procedure) a semi-log trend equation to the data.

DESIRABILITY AND CONSEQUENCES OF DOUBLE DEFLATION

On the question of the desirability of double deflation we believe that the initial section of our original paper had unambiguously established the superiority of double deflation over single deflation as a procedure for obtaining value added at constant prices. In any case, the suggestion that nominal values be deflated by their relevant prices would appear to require no special justification. Quite simply, computing real value added by single deflation does not correct for changes in the relative price of inputs whenever they occur.

That real value added computed by double deflation – being an 'external average', in that it involves some negative weights – could acquire a minus sign does not worry us in the least, and, despite the proclamation by D-D, is no discovery. It can arise when current quantities are evaluated at fixed-base (relative) prices. Viewed from the perspective of Economic Theory, it is no mystery that differing techniques are not equally profitable at a constant set of prices. A solution to the measurement problem induced by this is provided by a continuous shift in the base of the price indices. All this has been long recognised,⁶ and has not been seen as a reason for second thoughts on the superiority of 'double' over 'single' deflation when estimating value added at constant prices, as evidenced in the practice⁷ of National Income Accounting in many economies.

Finally, since D-D have based their argument on the idea of a production function, we might add that it has also been established [Sims 1968] that the 'concept' of double-deflated value added requires no more stringent assumptions for its justification than the concept of 'real value added' itself. It is often forgotten that the latter is premised on the existence of a production function that it additively separable in value added and materials. Thus we have the extreme view of Sims: "The question is not really 'Is double deflation the right way to deflate value added?' but rather 'Does the notion of real value added make any sense?'" [Sims 1968:471].

SENSITIVITY ANALYSIS

However, even having assumed the separability of the production function, as hinted at above, the double deflation of value added as it is practised does introduce a measurement bias. This stems from the fact of the prices used being index numbers with fixed base. In principle, the solution is simple,

involving the use of Divisia indices [Bruno 1984: 26, footnote 26] that can be approximated by chain indices. The practical aspects of this procedure, however, are as yet insurmountable. Bruno, who as far as we know was the first to have raised this point, has suggested a test of the bias by re-working real value added "... with alternative choice of base year weighing (once using beginning of period and once using end period weights, say)."⁸ In the present context it would have the effect of testing for the sensitivity of the measure of TFP derived from double-deflated value added to the choice of base year for the prices. While admittedly only an 'informal' test, it is the best that can be achieved under the circumstances. This we have now done by using price indices base 1981-82=100 (as opposed to 1970-71=100 in our original paper), the input-price index having been combined with weights from the Input-Output Transactions Table for 1983-84. Notice that given the considerations of the need to match the date of the input coefficients with the base year for the price indices, the period of the study, and the availability of data for the Indian economy we consider this the obvious choice of elements for a comparison. The resulting index of input price is available from us upon request. The associated index of TFP is included in Table 1. The results of the test for a turnaround in productivity growth since 1980 are presented in Table 2 under column heading 'BP: II'. From this, note that the coefficient on the 'time dummy', testing for an acceleration of TFP growth from 1980, is negative, as it was in our original paper. In this sense, our original belief that the alleged improvement in TFP growth may be an artefact resulting from inappropriate measurement of value added is yet to be falsified.

For those methodologically inclined, we might add that we had in our original paper moved half-way towards correcting for the measurement bias due to double deflation by re-working our exercise using input prices with 1983-84 weights [Balakrishnan and Pushpangadan 1994: Table 3]. We did not however go the whole way by shifting the base of the price indices. This we have now done here. No doubt, the process must be continued as price indices with more recent base periods and input-output coefficients relating to subsequent dates become available.

Two final observations on our estimates are in order. First, it is easy to discern that the level of TFP differs according to the weighting pattern of the price indices, thus making it difficult to proffer any one series as the 'correct' one. This is a hazard of working with indices with discontinuous base years. Were price deflators available that would make it possible to undertake double deflation with price series incorporating a continuous shift in the base year, we

would have been left with one series. Secondly, it has been pointed out to us that the index of TFP based on value added computed by double deflation varies more (has a higher standard deviation) than TFP based on value added computed by single deflation,⁹ and that this signals a flaw in the methodology we prefer. However, this is

TABLE 1: TOTAL FACTOR PRODUCTIVITY

Year	TFP 'B-P: II'	TFP 'D-D'
1970-71	100.0	100.0
1971-72	82.7	75.8
1972-73	81.1	73.1
1973-74	75.2	87.3
1974-75	98.0	99.4
1975-76	97.4	86.2
1976-77	99.2	100.3
1977-78	113.6	108.2
1978-79	145.7	124.7
1979-80	117.7	116.6
1980-81	91.6	100.4
1981-82	107.7	117.6
1982-83	130.2	135.8
1983-84	139.8	133.2
1984-85	132.6	132.8
1985-86	136.1	124.9
1986-87	141.1	115.0
1987-88	136.7	119.1
1988-89	131.6	122.0

Note: 'TFP' is an index base 1970-71=100. 'B-P: II' is TFP based on real value added computed using 1981-82 prices and input coefficients for the year 1983-84. 'B-P: I' presented in Table 2 of Balakrishnan and Pushpangadan (1994), was based on value added computed using 1970-71 prices and input coefficients for the year 1973-7. 'D-D' is TFP based on real value added computed using 1970-71 prices with an input-price deflator implied by the weight presented by D-D (1994).

TABLE 2: TESTING FOR AN ACCELERATION IN TFP GROWTH

	'B-P: I'	'BP: II'	'D-D'
Constant	4.33 (61.57)	4.33 (64.00)	4.33 (56.16)
D ₁	0.60 (2.80)	-1.01 (-4.89)	0.37 (1.59)
Trend	0.05 (4.78)	0.08 (6.92)	0.04 (3.47)
D ₂	-0.05 (-3.17)	-0.09 (-5.50)	-0.04 (-1.88)
R ²	0.80	0.87	0.69
D-W	1.46	1.41	1.51

Note: t-ratios in parentheses. All estimation was done using 'PC-GIVE' version 6.01. The estimates are from a semi-log trend equation for TFP, with nominal value added having been deflated differently each case. The precise details underlying the calculation of value added in case TFP under 'BP: I', 'BP: II' and 'D-D' are outlined in the notes to Table 1. T=1970-8. 'D1' and 'D2' are dummies that test for shift in the level ('constant') and in the rate of growth ('trend') of TFP starting from 1980-81. See Balakrishnan and Pushpangadan (1994) for further details of data and method. All data are available from the authors upon request.

based on an incomplete understanding of the methodology of double deflation. The relative variation of the series on real value added is purely a question of the variation in the relative price of inputs. The proof of this runs in terms of comparing the expressions for the variance(s) of real value added under each definition (i.e. single deflation and double deflation). This was suggested to us by Bharat Ramaswami, and we may be able to trace the old envelope for anyone interested. Counter-intuitive as it might seem, in periods when the relative price fluctuates, value added computed by double deflation will vary more than value added computed by single deflation precisely because the former incorporates relative price changes.

CONCLUDING REMARKS

Dholakia and Dholakia are not entirely off-the-mark when they say: "The B-P study may be considered to raise a methodological point about the appropriate measurement of the real value added and the empirical exercise reported in the paper can only be seen as an illustration of the argument" [Dholakia and Dholakia 1994]. However, we also believe that, in the process, we have conclusively pointed out that the question of productivity growth in the Indian manufacturing sector is far from having been settled. First, there is the question of the behaviour of productivity itself. Three recent studies report conflicting results.¹⁰ Second, there is the relationship between productivity growth and the policy regime. The nature of this relationship for Indian manufacturing is not clear. We find ourselves in agreement with the management guru (!) Michael Porter who states: "The productivity in Indian industry is very low in terms of international standards and one of the reasons for this is the fact that till now reforms have concentrated on the macro-economy with the result that the micro-economic reforms have been ignored [Porter and Ghemawat 1994]. Given that there was so little reform in the 80s the claim that there has been an improvement in productivity during this period needs to be better understood.

Notes

[For research assistance we thank M Suresh Babu.]

- 1 We are also pleased to observe that the implications of the estimates of productivity growth reported by us have also begun to receive some notice. See Ghose (1994).
- 2 See Bhatia (1987, 1990). In retrospect, we have ourselves erred in not citing Bhatia's contribution to the question of estimating value added in Indian industry, work that precedes ours. Also, we have only now become aware of the perceptive review of Ahluwalia (1992) by Lochan which has argued for the need for double deflation in the estimation of value added in Indian industry. See Lochan (1992), p 113.
- 3 'National Accounts Statistics, Sources and Methods', CSO, p 26, April 1980.

- 4 "The sensitivity of the estimates of value added to the input-output coefficients used as weights in the construction of the input-price deflator.... was now examined." Balakrishnan and Pushpangadan (1994: 2032). Incidentally, a move further down this direction has been undertaken in this paper. Await the discussion of the results presented in Table 2.
- 5 Principally, very high (private) investment and growth of human capital. See the review of the World Bank study, *The East Asian Miracle* by Page (1994).
- 6 For a discussion, see David (1962).
- 7 See Bruno (1984). In fact, Bruno refers to the very practice of double deflation as leading to a measurement bias, which we turn to below.
- 8 Letter to the authors dated June 23, 1994, Washington, DC. Available on request.
- 9 See Table 3 of Balakrishnan and Pushpangadan (1994) for the estimates.
- 10 Mohanty (1992) reports a deceleration in TFP growth in the 80s. It is also interesting to note that Mohanty reports declining productivity in the presence of improved growth of output (value added). There is often a reluctance to accept this as a possibility. ICICI (1994) reports negative growth till 1987, after which a major turnaround is reported. This study is however plagued by the problem of having measured (while being aware of it) the labour input in value terms rather than in quantities. Moreover, its data base is limited to the segment of the private corporate sector that is financed by the ICICI itself. Finally, there is Shrivastava's most impressive doctoral dissertation from Boston University. However, the results reported by him are not conclusive. When the growth-accounting method as followed by us is adopted TFP growth decelerates (and is negative after 1985-86, the year seen by Shrivastava as coinciding with liberalisation. On the other hand, when a production function is fit a higher rate of growth of TFP follows from 1985-86. Nevertheless, we are pleased to mention that this study is the only other one to proceed via double deflation even though not consistently, nor is the weighting scheme for the input-price index made explicit, which must lead Dholakia and Dholakia to, quite legitimately, quibble a bit. See Shrivastava (forthcoming).

References

- Ahluwalia, I J (1991): *Productivity and Growth in Indian Manufacturing*, Oxford University Press, Delhi.
- (1994): 'TFPG in Manufacturing Industry', *Economic and Political Weekly*, 29, 2836.
- Balakrishnan, P and K Pushpangadan (1994): 'Total Factor Productivity Growth in Manufacturing Industry: A Fresh Look', *Economic and Political Weekly*, 29, 2028-35.
- Bhatia, D P (1987): 'Estimates of Value Added at Constant Prices in the Manufacturing Sector: An Erroneous Methodology', *Economic and Political Weekly*, 16, 721-23.
- (1990): 'Misleading Growth Rates in the Manufacturing Sector of India', *The Journal of Income and Wealth*, 12, 222-25.
- Bruno, M (1984): 'Raw Materials, Profits and the Productivity Slowdown', *Quarterly Journal of Economics*, 99, 1-29.
- David, P (1962): 'The Deflation of Value Added', *The Review of Economics and Statistics*, 64, 148-55.
- Dholakia, B and R Dholakia (1994): 'Total Factor Productivity Growth in Indian Manufacturing', *Economic and Political Weekly*, December 31.
- Ghose, A K (1994): 'Employment in Organised Manufacturing in India', *Indian Journal of Labour Economics*, 37, 143-62.
- ICICI (1994): *Productivity in Indian Manufacturing: Private Corporate Sector 1972-73 to 1991-92*, Industrial Credit and Investment Corporation of India, Bombay.
- Mohanty, D (1992): 'Growth and Productivity in Indian Manufacturing', *RBI Occasional Papers*, 13, 55-80.
- Lochan, R (1992): 'Productivity Growth in Indian Manufacturing by Isher J Ahluwalia', *RBI Occasional Papers*, 13, 111-15.
- Page, J M (1994): 'The East Asian Miracle', *World Development*, 22, 615-26.
- Porter, M and P Ghemawat (1994): 'Industrial Clusters Can Serve as a Catalyst', interview, *The Economic Times*, Madras, September 27.
- Shrivastava, V (forthcoming): *The Impact of Liberalisation on Productivity and Competition: A Panel Study of Indian Manufacturing*, Oxford University Press, Delhi.
- Sims, C (1968): 'Theoretical Basis for a Double Deflated Index of Real Value Added', *The Review of Economics and Statistics*, 70, 470-71.

STATEMENT about ownership and other particulars about newspaper ECONOMIC AND POLITICAL WEEKLY to be published in the first issue of every year after the last day of February.
FORM IV (See Rule 8)

- | | |
|---|--|
| 1 Place of publication: | Bombay |
| 2 Periodicity of its publication: | Weekly |
| 3 Printer's name: | Krishna Raj, for Sameeksha Trust |
| Whether citizen of India?: | Yes |
| Address: | 53/58,
A-6/3, Jeevan Bima Nagar,
Borivli (W), Bombay - 400 103 |
| 4 Publisher's name: | Krishna Raj, for Sameeksha Trust |
| Whether citizen of India?: | Yes |
| Address: | As above |
| 5 Editor's name: | Krishna Raj |
| Whether citizen of India?: | Yes |
| Address: | As above |
| 6 Name and address of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital: | Sameeksha Trust,
Hitkari House, 284 S B Road
Bombay - 400 001 |
| I, Krishna Raj, hereby declare that the particulars given above are true to the best of my knowledge and belief. | |

Dated March 1, 1995

(Krishna Raj)
Signature of Publisher

**TAX RELIEF
CAPITAL GROWTH**



EQUITY LINKED SAVINGS SCHEME

• Tax rebate u/s 80 of IT Act. • No Tax deducted at Source. • Easy liquidity after 3 years.

EARLY BIRD INCENTIVE

Applications received between

- | | |
|---------------------------|----------------------------|
| • 25.02.95 to
25.03.95 | 2.0% of the
face value. |
|---------------------------|----------------------------|

INSURANCE COVER

Level of Investment	Type of cover
• Below Rs.3000/-	JPA Cover upto Rs.15000/-
• From Rs.3000/- to Rs.5000/-	JPA Cover upto Rs.30000/-
• From Rs.5001/- and above	JPA Cover upto Rs.50000/-

- Face value of each unit is Rs.10/- (Rupees Ten Only).
- Units to be sold at Rs.10/- per unit for cash at par.
- Minimum application accepted for 50 units (Rs.500/-) and in multiples of 50 units thereafter. No upper limit.

RISK FACTORS • Mutual Funds and Securities Investments are subject to market risks and there is no assurance that the objective of the scheme can be achieved. • NAV of BOB ELSS'95 may fluctuate depending upon the factors affecting the capital markets • BOB ELSS'95 is only the name of the scheme and does not in any manner indicate the quality of the scheme, its future prospects or the returns. • The liability of sponsor of BOB Mutual Fund i.e., Bank of Baroda is restricted to the initial contribution of Rs.10 lacs and its past performance is not necessarily indicative of future performance of BOB ELSS '95. • Please read Offer Document before investing in the scheme.



BOB MUTUAL FUND

Helping you build a better life.

PROMOTER

Bank of Baroda

Investment Manager

BOB Asset Management Co. Ltd.

Maneckji Wadia Bldg., Nanik Motwane Marg, Fort, Bombay 400023

Registrar & Transfer Agents and Custodian

IT Corporate Services Ltd.

IT House, Opp. Vazir Glass Works, M. V. Road, Andheri (E), Bombay 400059.

OPEN TILL 31st MARCH '95



KANPUR DEVELOPMENT AUTHORITY **OFFERS** **AN IDEAL COMMERCIAL SITE** **FOR**

A "Complex" to make things "easier" for traders and "better" for the metropolis. Fully developed area of City, Centrally located with all general civic amenities.

A straight offer to Builders.

To improve upon the present Urban-Geography of the various commercial activities, the Kanpur Development Authority is planning to provide alternatives through a variety of multi goods commercial complex site for show rooms, shops, offices, Hotel, Restaurants and Residential apartments on upper floors at excellent location,

FAZAL GANJ, KALPI ROAD, KANPUR



DESCRIPTION OF LAND

Property Number	- 123/736 (Part), K.D.A. store site
Estimated Area	- 14,376 Sq. metres
Max. Permissible Ground Coverage	- 50%
Max. Permissible F.A.R.	- 200
Max. Permissible storeys	- one Semi Basement and Six floors (Max. 20 mts. height)
Reserved Auction rates of the land	- Rs. 2800/-per Sq. mts.

The disposal of the commercial land is proposed to be done through auction. The booklet containing details regarding registration, rules, terms and conditions will be available on sale from 20.2.95 to 20.3.95 on payment of Rs. 500/-, but out-stationed desired by post on crossed D/D of Rs. 510/- in favour of "Kanpur Development Authority, Kanpur".

Person interested in participating in the Auction will have to deposit a Bank Draft on any Scheduled Bank for Rs. 10,00,000.00 (Rs. Ten Lacs) in favour of Kanpur Development Authority, payable at Kanpur by 20-3-95. The Registration money will be adjusted in the account of a successful bidder and to others, it will be refunded on the spot.

For further details interested builders/promoters may contact Mr. J.P. Singh, Jt. Secretary K.D.A., Motijheel, Kanpur. Phone : Office : 294992-93 Fax : 0512-210881

CHANDRA NIGAM
 Secretary

S. R. LAKHA I.A.S.
 Vice-Chairman

ECONOMIC AND POLITICAL

WEEKLY

Sameeksha Trust Publication

Rs 15.00

Vol XXX No 10

March 11, 199

■ **MONEY MARKET: PANGS OF
READJUSTMENT**

■ **INDIA-PAKISTAN RELATIONS:
PEOPLE'S INITIATIVE**

■ **CPI (M): WAITING FOR IDEOLOGICAL
RENEWAL**

■ **MODELLING DEVELOPMENT
PRIORITIES**

■ **CONSERVING BIODIVERSITY: NEED
FOR STATUTORY SUPPORT**

■ **SOUTHERN AFRICA IN NEW
INTERNATIONAL ORDER**

■ **OUTER MONGOLIA'S LESSONS FOR
ECONOMIC REFORMERS**

■ **TELEVISION, SOCIAL REFORM
AND LITERARY IMAGINATION**

**POLITICAL ECONOMY, AGRARIAN QUESTION
AND COMPARATIVE METHOD**



UNION BANK OF INDIA

(A Government of India Undertaking)

ANNOUNCES

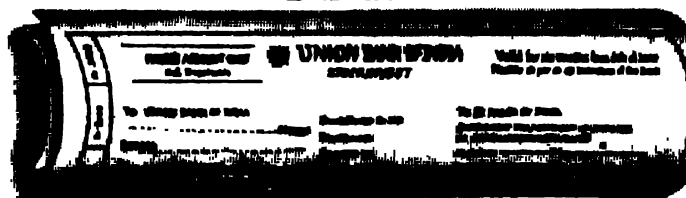
STOCKINVEST LINKED DEPOSIT SCHEME

for the benefit of Stockinvestors.

UNION BANK

STOCKINVEST

BRIDGE THE INVESTMENT GAP



APPLICATION

1. Name of the applicant
2. Address of the applicant
3. Date of birth of the applicant
4. Occupation of the applicant
5. Signature of the applicant
6. Stamp of the Union Bank of India

ALLOTMENT

1. Name of the allottee
2. Address of the allottee
3. Date of birth of the allottee
4. Occupation of the allottee
5. Signature of the allottee
6. Stamp of the Union Bank of India

PROFITABLY

**Now Stockinvest is available at
250 branches throughout the country.
For further details contact our nearest Branch.**

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

A Different Way of Seeing Insurance: Misguided Priorities - Akali Unity: Other Motives - India and Russia: Zhirnovsky's Friends	467
Companies	468
Current Statistics	471
Money Market Review	474
Pangs of Readjustment —EPW Research Foundation	476
Commentary	
Road to Peace between Pakistan and India —Nirmal Mukarji	483
Pakistan-India Relations: People's Initiative—An Idea Whose Time Has Come —Gautam Navlakha	484
CPI(M): Ideological Renewal Given the Go By —Ajit Roy	486
World Archaeology Congress: Unravelling Deceit —GN	488
Meonics of Mawet —Joginder Sikand	490
Conserving Biodiversity: Need for Statutory Support —A K Jha	492
Southern Africa in New International Order —V S Shetty	496
Perspectives	
Down and Out in Outer Mongolia: Lessons for Economic Reformers for 1995 —Rehman Sobhan	499
Reviews	
Painful Transition —Arun Banerji	502
'Development from Above' and Its Victims —Carol Upadhyay	504
Special Articles	
Political Economy, Agrarian Question and Comparative Method —Terence J Byres	507
Development Priorities: Practical Issues of Methodology and Modelling —Kalyan Ralpuria	514
Televisions, Maharashtra Social Reform and Literary Imagination: Bombay Doordarshan's Paulakhuna —Anupama Rao	521
Discussion	
Is There Hope for the Indian Economy? —Ramesh Diwan	527
Letters to Editor	486

ECONOMIC AND POLITICAL WEEKLY

Hitkar House

284 Shahid Bhagatsingh Road, Bombay 400 001

Phones 281 6072/73 Grams Econweekly

FAX: (022) 281 6073

Editor Krishna Raj

Senior Assistant Editor Padma Prakash

Editorial Staff Cletus Antony, Prabha Pillai

Gautam Navlakha (Delhi)

Circulation A S Shetty, B S Sharma

Advertisement Manager M K Ansari

Manager K Vijayakumar

EPW RESEARCH FOUNDATION

C 212, Akurli Industrial Estate, Kandivli (East)

Bombay 400 101 Phones 887 3038/3041

FAX: (022) 887 3038

Director S L Shetty

Vol XXX No 10

March 11, 1995

Is Political Economy Dead?

Notices of the 'death of political economy', in line with similar pronouncements that 'Marxism is dead', are false. The relevance of classical political economy, and especially its Marxist variant, as a means of analysing problems of economic development remains undiminished.

507

Lessons for Economic Reformers

While eastern Europe has been the hardest hit because a system put in place over many years, which had guaranteed the basic needs of the citizens, was dismantled in rapid order under the diktat of the IMF and the World Bank driven by the western countries, the crisis of living standards posed by economic reforms is by no means unique to post-socialist Europe. What conclusions do we draw from yet another year of failure of market reforms to restore sustainable growth to most of the third world?

499

People's Initiative

The deadlock between India and Pakistan can be prised open only by a non-governmental people's initiative.

483, 484

Backseat for Ideology

The absence of critical assessment of the developing reality, nationally and internationally, in the CPI(M)'s draft political resolution for the party's 15th congress next month at Chandigarh shows that the party does not take seriously its professed goal of ideological renewal.

486

Painful Readjustment

Last month's developments in the money market show that the pangs of readjustment from a situation of externally-injected excess liquidity to one of liquidity shortage, which began about three months back, have become acute.

476

Archaeology and Deceit

The World Archaeology Congress dispelled the illusion that there is a difference between the lumpens who demolished the Babri masjid and those who provide the intellectual input for bigotry and xenophobia.

488

Emerging Southern Africa

Relations among the states of southern Africa in the post-apartheid era will evolve according to the dictates of the new world order and South Africa will continue to be the fulcrum of this evolution.

496

Productive Engagement

The importance of Bombay Doordarshan's Marathi serial *Paulakhuna* lay in its attempt to represent the legacy of social reform as the story of women's improvement. In doing so, it forced us to come to terms with the ways in which television culture engages productively with the writing of women's history today.

521

No Model

Surprisingly, we do not have a model for annual plan exercises and the prioritisation to be followed, though the sectoral allocation of resources by the planning system amounting to more than a hundred thousand crore rupees annually profoundly affects the future of the economy and the people.

514

Meo Women

Women of the poor Meo community, scattered over a large area south of Delhi towards the Thar desert and largely comprising small and middle peasants, are subject to customs which keep them economically and socially backward.

490

Conserving Biodiversity

While there are many laws which allow for the conservation of biodiversity in India, many of the provisions cannot be implemented because of existing socio-economic and political constraints.

492

'Breakfast Revolution'

THE antics of Kellogg one thought was too trivial a matter to either ponder over or comment upon. But when EPW (January 28) devotes two columns of editorial space to a correspondent writing about the company with such single-minded enthusiasm, one is forced to do so. There is no doubt that the growing presence of the food industry, and certainly the entry of multinationals, must be taken note of and understood. However, your correspondent, by drawing attention to what I believe are trivialities, in fact, deflects attention from more urgent and relevant issues.

The impact of the the growing food industry on patterns of land use has been pointed out before. All these companies have created captive growth areas for procuring raw materials. That this change in crop patterns, is linked to the consumption patterns in the population cannot also be ignored. And that the increasing consumption is taking place only in one small section, the 'growing middle class' is also fairly clear. Again, that the increasing number of sunflower oil products is related to the 'health conscious' urban middle and upper classes is obvious.

But surely Kellogg can't be credited with either discovering the 'tempting' 'health conscious' market, nor even as it may well turn out, of making a killing on it? What we seem to have missed is that the Indian entrepreneurship had already discovered the growing middle class market a long time back and has been exploiting it, long before Kellogg, a fairly small time player came into the picture. In fact, Indian industry laid the groundwork for the entry of multinationals in this field. Not only that, it has also been doing its bit in attempting to influence food habits. Ready-to-use tomato puree, or Gits' idli mix, or MTR 'puliogare' powder, or the multinational Maggi noodles, may not be as nutritious as the real thing, but they have had an impact on the 'growing middle class', all the same; they have not replaced the real thing either. And that brings us to the second point. The new and quick food market which will not just experiment but will be constant users is likely to be the small section of households with working couples/parents who will use it to supplement other foods. They will pick up Kellogg's cereal, as I would, to be used as an occasional replacement for the regular breakfast, or to supplement it - let's not slight at the time gained by not cooking a breakfast. Who else can afford to pay Rs 35 for a 250 gm of breakfast cereal? And this is hardly the 'janata' which will be bought over by Kellogg's nutrition hype.

Whether good or bad, changing food tastes are a part of the changing life-styles. And

certainly the availability of new food products contributes to it. But then, the appearance of new food products itself is due to the increasing purchasing power of these sections which influences changing life-styles. To credit Kellogg with changing food habits is bad enough. But to substantiate that point by an illustration from colonial history is ridiculous. First, tea is an energy drink; and it does kill appetite and therefore the toiling masses can continue to work even without adequate food. But then the 'national habit' of pan chewing, not surely introduced by the British, also achieves the same result. There is absolutely no evidence, even 'common knowledge' that the 'decline in nutritional status' has occurred because 'chai' has replaced the "traditional glass of milk in the morning". In any case, that tradition is again, probably, only confined to the north. If today even children (of working masses, for I can't imagine middle class children escaping the morning routine of milk) drink tea, it is because of the non-availability (lack of purchasing power for) of milk. In fact tea is used as a weaning food, with the inevitable 'glucose' biscuit, because they are both cheap and available. Second, if children's classics in English are anything to go by, tea was the standard 'tea-time' drink given to children in upper class households, in 19th and early 20th century Britain.

It is unfortunate that in making Kellogg the object of ire, the comment has missed out on the real issue. The growth of the urban middle class has engendered all sorts of change, and some of it at least has had an adverse impact on sections which are already poor. For instance, many years ago it was noted that the urban market for cheese and milk products served to make 'chaas' a

cheap and nutritious drink, scarce in the villages of Punjab. Similarly the nutritional impact of the 'white revolution' is yet to be adequately studied. More importantly, we urgently need to understand and reckon with the impact of the growing food industry on the nutritional status of agricultural populations. Earlier, only commodities like groundnuts and sugarcane were considered 'cash crops'. Today, a whole range of other crop are also 'cash crops': cereals (for Kellogg, Mohan Meakin, Waheeda Rehman or Tarla Dalal); wheat, salt (now iodised), dals (where does the growing 'papad' industry get its raw materials?); vegetables (Maharashtra state's MAFCO frozen peas), etc. How is this affecting the fortunes of the poor, marginal and subsistence farmers? It is a waste of time and effort to be concerned about middle class food tastes and its changing nutritional status. It is a class which has historically been well able to take care of itself. Nor is it possible to halt changing food tastes; that is a part of the cultural change we are witnessing. And then there are enough pro-nutrition movements - anti-milk, pro-egg, vegetarianism, etc - to eventually balance the argument without going the way the American middle class did. The more important issue is to ensure that the changes do not further impoverish the agricultural poor. For which effort unfortunately, the initiative can only be at the grass roots and not among those of us who may read about the 'breakfast revolution' over our 'dosas' and 'paratha/subzi' prepared no doubt by the ideal nutrition-conscious, hardworking wife mother (and executive ?), or our 'bais'.

SHUBADA SETLUR |

Bombay

Revised Subscription Rates

Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	-	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	-	325	-	900
Students	-	225	-	-

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe, Japan, New Zealand.				
Australia & Russia	150	100	90	65
All other countries	100	70	70	50

All remittances to Economic and Political Weekly

A Different Way of Seeing

EVERY movement takes time out for stock taking not only because it is an anniversary; the need to examine the past and determine perhaps a future direction emerges in the throes of confusion, a confusion connected with the realisation of the relevance of the movement, and not its dissipation. The ongoing debate on the whys and wherefores of the women's movement, underway for sometime now, are indicators of such a turbulence.

In the last couple of years, there has come up a certain strain of opinion which avers that the women's movement has spent itself out or that the issues it has raised have got so integrated into the mainstream that it no longer merits a separate agenda. Thus, for instance, feminism it is pointed out is not a factor shaping currently dominant structures of progressive thought in India. *Ergo*, it is no longer relevant in the context of progressive movements. At another level however, women's issues are now considered essential components of all 'development' programmes. This accommodation is consciously projected as an indication of the establishment's desirable transformation, making it more sensitive to the real problems of the people. There is, then, a compendium of impressive gains: a state department entirely devoted to women and their welfare; a women-oriented reproductive health policy; a state policy for women, and; processes which have made a permanent place for the state's interaction with women. Here, by definition, the women's movement is accorded a progressive pro-people label, as an agent of transformation.

In other words, the movement's success in gaining recognition is itself a subject of criticism, an indicator that it has spent itself out. For, in order to obtain the accommodation by the state, it has had to bundle away its ideological framework, underemphasise theoretical exercises, paper over discord and pull together various tendencies on issue-based campaigns and coalitions. But it is the very fact of state recognition which has given it the space and the opportunity to expand as it has. What has come about is extraordinary. While the visible, vocal and largely metropolitan women's movement has wrested concessions from the state, at the grass roots, women have mobilised to make use of these concessions, create a space for themselves, and initiate demand for more concessions. This has happened even when the state has tailored the concessions to inflict damage on the dynamics of the very process of creating a movement in opposition to the very founding principles of the state, its class and patriarchal base. As, for instance, has happened with the state-sponsored women development programmes in several states. A state-funded and sponsored women's

movement was and is a contradiction in terms, possible only if the movement is separated from its ideological base. And yet, the deliberate and well-planned violence on the 'sathin', Banwari, in Rajasthan was just one defined example of not only the reaction of the power structures colluding and supporting the state and its institutions, but of the challenge which it is now possible to articulate because of the mobilisation of women, which in turn has undoubtedly been facilitated by the concessions granted by the state in response to the demands of the movement. While violence on women continues to be perpetrated even through newer supposedly progressive and democratic structures, the cognisance of this violence has been possible because of the movement. If, then, today there is debate about what the real concerns of the movement are, then it is an indication of its diversity and therefore its strength.

The emergence of the two somewhat parallel waves has made possible the articulation of feminist issues at different levels in different institutions. Legal challenges have been posed uncovering assumed realities, in a language which redefines issues from a standpoint hitherto unrecognised. In medicine and health care, the challenge has been to the very structure of the knowledge base of generations of practice. The flowering of a distinctively feminist cultural ethos cannot be denied, posing a challenge to conventional forms. The fact that the advance of knowledge, and therefore of the beginnings of a change of practice has come about with the blessings often of international aid and movements, does not make it less significant. Similarly, the Chipko women emphatically underlined what is more or less taken for granted today, the close association of women with nature and of how deeply changes in the latter affect their lives. It may perhaps be too soon to say this, but surely, no other progressive movement has been able to achieve this shake up in the knowledge base which is already being reflected in practice.

However, there is no doubt that the women's movement is at the crossroads. The absence of theoretical underpinnings is beginning to show. Whereas, the evolving of a diverse movement was made possible by perhaps a tacit underplaying of theoretical discussions, the future of the movement now may itself be in jeopardy because of this. The movement lacks a coherent understanding of the basis of women's oppression. There is still lacking substantive Indian work on theoretical issues which would provide an integrative base for the movement, a framework which will coalesce the different trends and tendencies. This poverty of thought has undoubtedly been partly a product of the reluctance of

progressive political movements to either acknowledge the existence of and the need for an autonomous women's movement or integrate feminist theory into a broader political perspective. Discussions in political forums have most often been on issues and rarely on concepts. It is ironical therefore, that the sharpest criticism about the lack of theoretical formulations in the women's movement should come from the progressive political movement.

Feminism locates a different way of seeing, and this is why it can identify the power structures which have been kept well-hidden by dominant sections. The question we need to address is whether this different way of seeing and understanding, and therefore of mounting a challenge, can be subsumed into other ideological frameworks, enriching them.

INSURANCE

Misguided Priorities

WHEN an objective history of the recent period is written, it will no doubt show that the American banking, financial and insurance companies' desire to get an entry into the Indian market was one of the prime motivating factors for forcing India to sign the Final Act of the GATT agreement at Marrakesh. A pressing issue in these deliberations was apparently the opening up of the insurance market, because the insurance industry has been facing a severe recession and pension funds, which are a major component of the life insurance business in the US have been facing stiff competition from mutual funds and other specialised financial institutions offering various financial products. Admittedly, the primary goal in naming some of the countries like India and Brazil in the hit list under Section 301 of the specially-introduced US Omnibus Trade and Competitiveness Act, 1988 was to bring these countries to the discussion table at the GATT negotiations. As early as May 1989, India was targeted for attack under Super 301 for having country regulations which were said to be discouraging foreign investment in services like banking and insurance. With the signing of the GATT agreement and a generally succumbing American pressure, India has its hands tied insofar as the insurance sector is concerned. Under the agreement, the market access obligation does not permit India to impose quantitative conditions such as limiting the number of firms allowed in the insurance industry; likewise, under the national treatment obligation, it cannot, for instance, impose on insurance firms the requirement that reserves be held locally on the ground that this would otherwise worsen the conditions of competition for foreign-based firms. The reported signing of a

protocol of understanding between the Tatas and the American Insurance Group (AIG) for setting up a joint venture even before the Malhotra Committee report on the insurance sector was tabled in parliament and before the government announced its decision on the Committee's recommendations seem, to say the least, intriguing.

In the final analysis, the government decision will no doubt be entirely guided by the GATT agreement and by American influence on economic policy-making in India in the wake of a series of defence and political accords between the two countries. But the government is in something of a bind. For, if US business demands are to be satisfied, the government would have to be much more liberal than what the Malhotra Committee has chosen to recommend. For instance, the Malhotra Committee has specifically recommended that if and when the entry of foreign insurance companies is permitted, "it should be done on a selective basis"; they are required to float Indian companies for the purpose, preferably in joint venture with Indian partners. The report has also specified that the promoters' holding in a private insurance company should not exceed 40 per cent or be less than 26 per cent of the total paid-up capital. Interestingly, a member of the committee and a former LIC actuary found it necessary to clarify that the report did not bar fully-owned foreign ventures. The chairman of the International Insurance Council of the US and head of the US insurance delegation which visited India recently, Edward Hanaway, has commented that "we cannot specify what percentage of equity we would want, but 40 per cent is not enough". Reports have suggested that the delegation also sought the rescinding of the minimum capital requirement of Rs 100 crore fixed by the Malhotra Committee and that US companies preferred a majority holding for joint ventures.

Apart from the stiff opposition of trade unions and informed public opinion in India, the government is also faced apparently with a ticklish recommendation of the Malhotra Committee that the government shareholding in the LIC, the wholly state-owned organisation, should be brought down to 50 per cent. A similar recommendation has been made in the case of the GIC and its subsidiaries - GIC should hive off the subsidiaries, its capital should be increased and with half of it to be retained by the government. Obviously, this contradicts the government decision to reduce its equity holdings to 51 per cent in the case of selected public sector undertakings generally. It is unlikely that the government can go even this far where banking and insurance are concerned, though Malhotra, the chairman of the committee has been singing a more aggressive song, joining the discussions

with the American delegation and asking the government to take a quick decision on the entry of foreign insurance firms. On the other hand, sensing serious opposition to the report, the government did not permit its officials to meet the US insurance delegation.

It is somewhat intriguing that the chairman of the committee should be asking for quick implementation of only that aspect of his report which seeks foreign entry. There are a number of issues raised in the report concerning the internal autonomy of the public sector institutions in the insurance sector which, in fact require more urgent attention. Though one may not quarrel with many of its recommendations, there is no doubt that the very conception of the Malhotra Committee was based on biased considerations and hence based on biased perspectives. At the outset, the report argues that the committee was appointed in furtherance of the initiatives in the areas of financial reforms covering the banking system and the capital markets, without explaining how this could be dovetailed into the broader objective accepted by the LIC, for instance, "to spread life insurance much more widely and in particular to the rural areas, and to the socially and economically backward classes".

While the performance of the LIC and the GIC and its subsidiaries has not been a model of efficiency, their business expansion after nationalisation, the diversified portfolio that they have built and the extent of special social groups and social security schemes that they have covered, have been impressive. The Malhotra Committee report does not contain a closer analysis of the costs and benefits, nor of the uncovered gaps in rural insurance or insurance for the backward classes such as weavers, rickshaw-pullers, fisherfolk, tailors, beedi workers and primary milk producers by the LIC, or in GIC's many socio-economic schemes such as cattle and livestock insurance, poultry insurance,

Corrigendum

In the Advertisement for Research Positions in the Vaikunthbhai Mehta Research Centre for Decentralised Industries, published in the *Economic and Political Weekly* dated February 17-25, 1995 on page 375 in paragraph 2, line 7, the sentence beginning with the words "Wide exposure" should read as under:

"Wide exposure to field conditions in rural development and rural industries, enterprise development/management programmes, and work of voluntary agencies and with good knowledge of one and more regional languages preferred."

agricultural pumpsets insurance, crop insurance, etc. The committee apparently believes that private and foreign firms will find the rural insurance equally lucrative. It has recommended that the new entrants into the life insurance field should write a specified proportion of their business in rural areas and that they should not avoid writing small policies. Also, the general insurance companies should maintain a balanced portfolio and should not, in particular, avoid writing motor insurance and covering rural non-traditional business. If the perspectives with which the private or foreign business enter the financial sector services including insurance are any guide, the new institutions will, without fail, concentrate more on lucrative business to the neglect of the small customer and the rural sector. In a society which offers poor social security facilities and with a vast informed business sector, the life as well as general insurance sector has to combine insurance of both niche activities as well as those serving the vulnerable sections of society. This in turn implies that there is no option but to go in for some degree of cross-subsidisation as between different types of insurance under the same individual organisations. It would be in the fitness of things if the government takes quick decisions on those sections of the Malhotra report which concern the revitalisation of existing institutions, their operational freedom and organisational responses to customer needs, including the appointment of an ombudsman for the insurance sector.

AKALI UNITY

Other Motives

ALTHOUGH the main Akali parties, Akali Dal (Badal) and Akali Dal (Amritsar), have decided to merge by April 13, the merger may fail to see the light of day. Even if the merger comes to pass, it may begin to come apart before long.

The kind of unity sought to be cemented on April 13 has failed several times in the past although it was achieved each time under the pressure of the head priest of the Akal Takht. When the faction leaders decided to form their own parties, the head priest of the time could do little to stop them. The unity this time too has been attained under the pressure of the head priest, and the pressure was more on the Akali Dal(B). The other party escaped the pressure because it was itself instrumental in starting the unity moves: although the head priest, Manjit Singh, was himself interested in bringing about unity, Ourcharan Singh Tohra, president of the SGPC and leader of the Akali Dal(A), had been goading him to hasten the process. Part of Tohra's

motivation was to stop the growing influence of Akali Dal(B) under the leadership of his main rival in Akali politics, Parkash Singh Badal; partly, he wanted to annex the leadership of the unified Akali party.

Parkash Singh Badal, whose party was heading to become the main force in the Punjab politics along with the Congress, and who will not be the undisputed leader of the new party, would resent the loss of power and prestige the unification would bring him, especially when there would be a corresponding increase in the power of Tohra. Even at a personal level, Badal does not easily eat humble pie; if he bows to undesirable pressure at one point, he finds a reason to rebel to salvage his image later.

More importantly, there is a serious disagreement between the two parties over a matter of principle: the attitude towards the 'Amritsar declaration' which was adopted when all factions barring Akali Dal(B) united last year to form Akali Dal(A). Although the joint unity statement makes no mention of the declaration, there was a furious debate about it during the latest negotiations, and Bhai Manjit Singh and Sucha Singh Chhotepur, the leaders representing the militant Simranjit Singh Mann who is in jail, at one stage walked out of the meeting; they were insisting that the Amritsar declaration, which takes an ambiguous stand for a separate Sikh state, could neither be scrapped nor amended. Akali Dal(B), on the other hand, believes in greater autonomy for Punjab, along with other states, and has always opposed the controversial declaration.

Finally, the unity statement allows the two parties to retain their independent identities till April 13 and to hold certain specifically mentioned rallies in their separate capacities. Akali Dal(B) has already held one such rally on February 27 during which its leaders made no mention of the coming unity but demanded, precisely, greater autonomy for Punjab. Which may be interpreted as a sign of things to come so far as the unification of the two Akali parties is concerned.

INDIA AND RUSSIA

Zhirinovsky's Friends

A RECENT survey shows that Vladimir Zhirinovsky, the leader of the Liberal Democratic Party (LDP), is, as of now, the candidate most likely to become the next president of Russia. The recent visit of Zhirinovsky to India and the statements he made here acquire significance in the light of this finding.

Perhaps the most startling, and in a sense the most worrisome, revelation of the visit was Zhirinovsky's emphasis on a special

relationship the LDP would like to develop with the BJP. The revelation was startling because most of the followers of the LDP believe in the Russian Orthodox Church, whereas the BJP, despite the pseudo-secular platform it occasionally attempts to appropriate, is a Hindu fundamentalist outfit. The worrisome aspect of the revelation comes from the fact that the BJP is a major force on the Indian political scene and, despite its currently dispirited state, its ascendance to power at the centre in future cannot be entirely ruled out.

This outcome of the Zhirinovsky visit, however, should have been expected. For, in spite of their different and seemingly conflicting religious backgrounds, the LDP and the BJP manifest remarkable similarities in their ideology. Both play upon the historical and religio-cultural sentiments of, and seek to mobilise, a single community, which happens to be the largest in numbers in their respective countries. Both deride and want to suppress the minorities. Both are feudal-capitalist and inward-looking in their economic outlook. Both share a male-heavy and patriarchal attitude and are therefore anti-feminist and overlook the interests of the weaker sections of society. Finally, both are extremely nationalist and jingoist in their external policy.

In the context of South Asia, perhaps it was not purely coincidental that this latter aspect of the shared world-view of the LDP and the BJP came out most strongly in Zhirinovsky's statements. While spelling out the likely strategic linkages between Russia and India of his vision, he exhorted the latter to annex Pakistan and Bangladesh which were at one time part of India. This exhortation had a likeness to what Zhirinovsky would ideally want Russia to do once the LDP was placed in power there: expropriate territories traditionally dominated or controlled by Russia to bring into existence, once again, an imperial Russia.

Despite the fact that the notion of an imperial Russia and of, what one may call, a greater India, sounds anachronistic in the post-cold war world, it cannot be dismissed as the raving of a politician gone out of his mind — given the status of the LDP and the BJP in contemporary Russia and India, respectively, and the proximity between the two parties that the Zhirinovsky's visit has brought to light. However, what demands greater attention is that even the Congress, which apparently shares very little with the ideology of the LDP, should attempt to warm-up to Zhirinovsky as a future leader of Russia. This behaviour, which stems primarily from Zhirinovsky's pro-India attitude on Kashmir, is not likely to send India's smaller neighbours into throes of delight.

**HURRY,
MONEY SAVED IS MONEY EARNED.
LAST FEW DAYS LEFT.**

**OFFER OF
2.5%**

**EARLY BIRD INCENTIVE
UPTO 15TH MARCH, 1995.
1.5% UPTO 25th MARCH, 1995.**

CANPEP '95

TAX SAVING - INCOME & GROWTH ORIENTED SCHEME

SCHEME FEATURES : ☆ Tax Rebate of 20% on investment made upto Rs.10,000/-. ☆ Repurchase facility after 3 years. ☆ Provision for Annual Income Distribution. ☆ No upper limit for investment. ☆ No tax deduction at source. ☆ Assured allotment.



Lead Manager :

CANARA BANK

Merchant Banking Division,
Circle Office : 20th floor,
Maker Tower - F,
Cuffe Parade, Bombay 400 005.



CANBANK MUTUAL FUND

Principal Trustee : **CANARA BANK**

Investment Manager :

Canbank Investment Management Services Ltd.

Orient House, Adi Marban Path, Ballard Estate, Bombay 400 038.

SCHEME CLOSES ON 31st MARCH, 1995.

RISK FACTORS : * CANPEP '95 is only the name of the Scheme and does not in any manner indicate either the quality of the Scheme, its future prospects or the returns * Investments of CANPEP '95 funds in securities like equity shares etc. are prone to market volatility, and subject to limited liquidity of securities market and political and economic considerations and Government Policy * As with any investment in stocks and shares the Net Asset Value (NAV) of units of CANPEP '95 and income, if any, can go up or down * There can be no assurance that the objectives of the Scheme can be achieved * The past performance of the other schemes is no guarantee as to the performance of the CANPEP '95 scheme * Canara Bank is not responsible or liable for any loss or shortfall resulting from the operations of any scheme of the Mutual Fund, beyond the initial contribution made by Canara Bank an amount of Rs. 10 lakhs towards setting up of the fund.* Please read the Offer Document before investing.

KALYANI STEELS

Out of Recession

KALYANI STEELS has performed satisfactorily in 1993-94 with net sales going up by 5 per cent (Rs 5.7 crore) and net profit rising by 6 per cent, though operating profit fell by 24 per cent. Other income rose by 58 per cent (Rs 5.14 crore) and nil taxation and a 71 per cent fall in interest charges helped in holding up margins. A 106 per cent (Rs 9.55 crore) fall in non-operating surplus and a 15 per cent (Rs 62 lakh) increase in depreciation were detrimental to the company's bottomline. A dividend of 40 per cent was declared for the year.

Earning per share fluctuated at Rs 8 in 1991-92, Rs 9 in 1992-93 and Rs 6 in 1993-94. Depreciation to gross value added fell by 4 percentage points in 1992-93 and then rose by 18 percentage points in 1993-94. Inventories grew by 31 per cent. Raw materials consumed to value of production has steadily risen from 47 per cent in 1991-92 to 48 per cent in 1992-93 and 54 per cent in 1993-94. Sales to total assets fell from 59 per cent in 1991-92 to 28 per cent in 1992-93 and 23 per cent in 1993-94, while sales to gross fixed assets fell from 121 per cent to 58 per cent and 36 per cent in the same period. Net value added to value of production fluctuated at 25 per cent in 1991-92, 34 per cent in 1992-93 and 10 per cent in 1993-94. Remuneration to employees rose by 24 per cent in 1993-94. Inventories to sales fluctuated at 24 per cent in 1991-92, 23 per cent in 1992-93 and 28 per cent in 1993-94. Sundry creditors to current assets fluctuated at 19 per cent in 1991-92, 11 per cent in 1992-93 and 18 per cent in 1993-94. Short-term bank borrowings to inventories fell by 28 percentage points in 1992-93 and rose by 15 percentage points in 1993-94. Debt-equity ratio fluctuated at 191 per cent in 1991-92, 427 per cent in 1992-93 and 136 per cent in 1993-94.

The company has plans to set up a Rs 200 crore steel project using the mini-blast furnace route, which will manufacture billets, bars, rounds, etc. Bharat Forge, the flagship company, will consume a part of the output. The company invested Rs 11 lakh on its research and development activities in 1993-94.

EICHER MOTORS

In the Red Still

Eicher Motors was incorporated in 1982 in technical and financial collaboration with Mitsubishi Motors Corporation and

Mitsubishi Corporation, Japan, for the manufacture of light commercial vehicles of 6 ton gross vehicle weight. The company has been incurring losses for the past two years. The loss was lower in 1993-94 compared to the previous year. Net sales were up by Rs 21.39 crore (20 per cent) and operating profit by Rs 5.21 crore (410 per cent). Net profit was down by Rs 9.78 crore (54 per cent). Depreciation and interest charges were up by 70 per cent and 5 per cent, respectively. Non-operating profit and other income fell by 78 per cent and 53 per cent, respectively. All these had a negative impact on the margins of the company. Exports and imports increased by 162 per cent and 29 per cent, respectively.

Debt-equity ratio fluctuated at 184 per cent in 1991-92, 268 per cent in 1992-93 and 147 per cent in 1993-94. Short-term bank borrowings to inventories fluctuated at 8 per cent in 1991-92, 11 per cent in 1992-93 and 1 per cent in 1993-94. Sundry creditors to current assets ratio after being steady for two years at 39 per cent increased by 2 percentage points in 1993-94. Sales to total assets fluctuated at 161 per cent in 1991-92, 128 per cent in 1992-93 and 133 per cent in 1993-94, while sales to gross fixed assets declined from 502 per cent in 1991-92 to 380 per cent in 1992-93 and 347 per cent in 1993-94. Inventories to sales fell by 2 percentage points in 1992-93 and by 7 percentage points in 1993-94. Export to sales has shown steady increase by 1 percentage point in 1992-93 and 5 percentage points in 1993-94. Raw materials consumed to the value of production marginally fluctuated at 78 per cent in 1991-92, 79 per cent in 1992-93 and 77 per cent in 1993-94. Net value added to value of production fluctuated at 9 per cent in 1991-92, 6 per cent in 1992-93 and 8 per cent in 1993-94. Remuneration to employees rose by 21 percentage points in 1992-93 and fell by 17 percentage points in 1993-94.

The reason for its loss, according to the company, was the continued appreciation of yen, pushing up the cost of imported components, recessionary tendencies in the industry, loss of production due to hike in customs duty on imports coupled with transporters' strike, high depreciation and interest charges. The commercial vehicles industry grew by 24 per cent in 1993-94. Production was up by 20 per cent for the year. With a view to finance the company's customers, it has floated an Auto Finance Division.

Eicher Motors invested Rs 81 lakh in R and D in 1993-94. The major focus was on technology absorption, adoption and innovation.

ETERNIT EVEREST

Low Margins

Eternit Everest, of the Brussels-based Eternit Group, manufactures fibre-based asbestos cement products. The company enjoys a market share of roughly 30 per cent. Net sales were up by 9 per cent (Rs 9.45 crore), operating profits were down by 9 per cent (Rs 1.88 crore) and net sales by 1 per cent (Rs 14 lakh). Intense competition and price-cutting have put pressure on margins. Rise in other income by 304 per cent (Rs 1.40 lakh), fall in interest charges by 25 per cent (Rs 16 lakh), in depreciation by 1 per cent (Rs 3 lakh) and in taxation by 17 per cent (Rs 1.60 crore) helped in arresting the fall in net profit. Exports increased by 650 per cent (Rs 39 lakh) and imports by 14 per cent (Rs 3.03 crore). A 30 per cent dividend was declared for the year.

Debt-equity ratio showed a consistent fall from 8 per cent in 1991-92 to 4 per cent in 1992-93 to 2 per cent in 1993-94. Sundry creditors to current assets fluctuated at 66 per cent in 1991-92, 65 per cent in 1992-93 and 72 per cent in 1993-94. Sales to total assets fluctuated at 139 per cent in 1991-92, 147 per cent in 1992-93 and 135 per cent in 1993-94. Sales to gross fixed assets have risen steadily in the past three years from 311 per cent in 1991-92 to 329 per cent in 1992-93 and 339 per cent in 1993-94. Inventories to sales, after being steady at 27 per cent during 1991-93, rose by 4 percentage points in 1993-94. Growth in inventories fluctuated at 124 per cent in 1991-92, 19 per cent in 1992-93 and 24 per cent in 1993-94. Raw materials consumed to value of production was steady at 49 per cent from 1991-93 and then rose to 59 per cent in 1993-94. Return on investment grew by 4 percentage points in 1992-93 and has fallen by 6 percentage points in 1993-94. Earning per share fluctuated at Rs 13 in 1991-92, Rs 16 in 1992-93 and Rs 8 in 1993-94. Net value added to value of production rose by 3 percentage points in 1992-93 and fell by 5 percentage points in 1993-94. Remuneration to employees fluctuated at 49 per cent in 1991-92, 38 per cent in 1992-93 and 45 per cent in 1993-94.

The company has plans to modernise its technology and focus on marketing of internal panelling and low cost roofing aimed at the rural market. The company also plans to embark on an expansion-cum-diversification plan.

A new factory has been set up in Nashik to manufacture a range of cement-based products for various applications in the building materials industry. The plant is expected to be commissioned by the end of 1994-95.

Financial Indicators	Kalyani Steels		Bicher Motors		Eternit Everest		Goodlass Nerolac		Godrej Foods	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	11051	10481	12794	10655	11045	10100	20622	17360	10750	8170
2 Value of production	11221	10722	13049	10232	11704	10380	20334	17266	11142	8285
3 Other Income	1400	866	63	136	186	46	88	58	28	40
4 Total income	12621	11608	13112	10368	11890	10426	20422	17324	11170	8325
5 Raw materials/stores and spares consumed	7802	6798	10073	8115	6808	5424	12570	10543	8147	5359
6 Other manufacturing expenses	2508	2132	841	679	313	256	644	577	1192	1732
7 Remuneration to employees	794	642	384	370	1410	1264	1316	1226	291	298
8 Other expenses	-659	-844	1166	1077	1577	1512	3519	2902	1028	635
9 Operating profit	2176	2880	648	127	1782	1970	2373	2076	512	301
10 Interest	706	2489	753	716	48	64	630	575	258	279
11 Gross profit	1412	1288	-96	-547	1734	1905	1743	1580	551	211
12 Depreciation	458	396	211	124	190	187	221	63	103	104
13 Profit before tax	951	889	-307	-671	1544	1718	1522	1517	448	107
14 Tax provision	0	0	0	0	730	890	700	770	0	0
15 Profit after tax	951	889	-307	-671	814	828	822	747	448	107
16 Dividends	548	455	0	0	296	148	250	215	0	0
17 Retained profit	403	0	-307	-671	518	680	572	532	448	107
Liabilities/assets										
18 Paid-up capital	1479	917	2000	1000	987	493	715	715	1425	1229
19 Reserves and surplus	14881	4519	25	25	2743	2745	3938	3384	42	42
20 Long term loans	22249	23264	2990	2753	102	148	1734	1110	1071	869
21 Short term loans	4006	3937	979	1307	46	37	2162	2195	1644	577
22 Of which bank borrowings	969	375	31	308	1	0	1694	1710	219	195
23 Gross fixed assets	29982	18069	3679	2799	3256	3069	4253	3190	2306	2136
24 Accumulated depreciation	2803	2093	787	584	1749	1564	1313	1075	693	621
25 Inventories	3179	2422	2375	2736	3519	2826	3746	3785	1369	833
26 Total assets/liabilities	47066	36860	9619	8281	8180	6848	12876	11132	4994	3539
Miscellaneous items										
27 Excise duty	880	561	1065	1014	62	441	5812	5773	82	93
28 Gross value added	1650	4121	1311	797	3090	3251	3807	3536	1502	1021
29 Total foreign exchange income	32	15	1029	402	45	6	854	525	0	0
30 Total foreign exchange outgo	4204	5967	2019	1590	2414	2116	2096	1479	13	0
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	23.5	28.4	133.0	128.7	135.0	147.5	160.2	155.9	215.3	230.9
32 Sales to total net assets (%)	25.9	32.1	213.4	209.5	284.8	295.1	241.2	234.5	257.1	300.7
33 Gross value added to gross fixed assets (%)	5.5	22.8	35.6	28.5	94.9	105.9	89.5	110.8	65.1	47.8
34 Return on investment (gross profit to total assets) (%)	3.0	3.5	-1.0	-6.6	21.2	27.8	13.5	14.2	11.0	6.0
35 Gross profit to sales (gross margin) (%)	12.8	12.3	-0.8	-5.1	15.7	18.9	8.5	9.1	5.1	2.6
36 Operating profit to sales (%)	19.7	27.5	5.1	1.2	16.1	19.5	11.5	12.0	4.8	3.7
37 Profit before tax to sales (%)	8.6	8.5	-2.4	-6.3	14.0	17.0	7.4	8.7	4.2	1.3
38 Tax provision to profit before tax (%)	0.0	0.0	0.0	0.0	47.3	51.8	46.0	50.8	0.0	0.0
39 Profit after tax to net worth (return on equity) (%)	5.8	16.4	-15.2	-65.5	21.8	25.6	17.7	18.2	30.5	8.4
40 Dividend (%)	40.00	50.00	0.00	0.00	30.00	30.00	35.00	30.00	0.00	0.00
41 Earning per share (Rs)	6.43	9.69	-1.54	-6.71	6.25	16.60	11.50	10.45	3.14	0.67
42 Book value per share (Rs)	110.6	59.3	10.1	107.3	37.8	65.7	65.1	57.3	10.3	10.3
43 P/E ratio (based on latest and corresponding last year's price)	17.1	14.4	-37.5	0.0	26.7	12.2	17.4	19.1	0.0	0.0
44 Debt-equity ratio (adjusted for revaluation) (%)	136.0	428.0	147.7	268.6	2.7	4.6	37.3	27.1	73.0	68.4
45 Short term bank borrowings to inventories (%)	30.5	15.5	1.3	11.3	0.0	0.0	45.2	45.2	16.0	23.4
46 Sundry creditors to sundry debtors (%)	58.0	62.1	129.7	120.8	451.4	522.4	118.4	131.9	51.2	370.9
47 Total remuneration to employees to gross value added (%)	48.1	15.6	29.3	46.4	45.6	38.9	34.6	34.7	19.4	29.2
48 Total remuneration to employees to value of production (%)	7.1	6.0	2.9	3.0	12.0	12.2	6.5	7.1	2.6	3.6
49 Gross fixed assets formation (%)	65.9	124.0	31.4	12.5	6.1	10.0	33.3	29.5	8.0	1.6
50 Growth in inventories (%)	31.26	0.58	-13.19	-21.11	24.52	19.29	-1.03	-4.99	64.35	-6.61

The company's research centre at Bangalore and Kymore are recognised by the Department of Science and Technology.

GOODLASS NEROLAC

Enlarged Capacity

Goodlass Nerolac Paints is a 72-year old Bombay-based company engaged in the manufacture of paints, enamels, varnishes, oils, pigments, colours, alkyds and resins. Net sales increased by 18 per cent (Rs 32.62 crore) in 1993-94, operating profit by 14 per cent (Rs 2.97 crore) and net profit by 10 per cent (Rs 75 lakh). Taxation fell by 9 per cent (Rs 70 lakh) but depreciation and interest charges were up by 250 per cent (Rs 1.58 crore) and 9 per cent (Rs 55 lakh), respectively. Other income was up by 51 per cent for the year. But for the rise in depreciation and interest charges the margins would have been higher. A dividend of 35 per cent was declared for the year as against 30 per cent in the previous year. Exports and imports were up by 70 per cent (Rs 3.41 crore) and 40 per cent (Rs 5.57 crore), respectively.

Sales to total assets increased steadily from 151 per cent in 1991-92 to 155 per cent in 1992-93 and 160 per cent in 1993-94. Sales to gross fixed assets fell from 802 per cent in 1991-92 to 544 per cent in 1992-93 and 484 per cent in 1993-94. Sundry creditors to current assets rose from 32 per cent in 1991-92 to 37 per cent in 1992-93 and 40 per cent in 1993-94. Return on investment fluctuated at 11 per cent in 1991-92, 14 per cent in 1992-93 and 13 per cent in 1993-94. Gross saving to gross capital formation fell by 45 percentage points. Raw materials consumed to value of production fell by 4 percentage points in 1992-93 and rose marginally by 1 percentage point in 1993-94. Export to sales grew by 2 percentage points for 1992-93 and 1993-94. Earning per share rose from Rs 6 in 1991-92 to Rs 10 in 1992-93 and Rs 11 in 1993-94. Net value added to value of production fluctuated at 16 per cent in 1991-92, 20 per cent in 1992-93 and 17 per cent in 1993-94. Debt-equity ratio rose by 10 percentage points in 1992-93 and 1993-94. Short-term bank borrowings to inventories was 54 per cent in 1991-92 and has since then been steady at 45 per cent in 1992-93 and 1993-94. Remuneration to employees stood at 39 per cent in 1991-92 and has been steady at 34 per cent during 1992-94.

The company's new unit at Kanpur with a licensed capacity of 15,000 MT for the manufacture of paints, enamels and varnishes commenced commercial production in August 1993. The two wholly-owned subsidiaries, Saurashtra Paints and GNP, fared satisfactorily.

GODREJ FOODS

Rise in Sales

The Bombay-based Godrej Foods has done well for the year. Net sales were up by 31 per cent (Rs 25.8 crore), operating profit by 70 per cent (Rs 2.11 crore) and net profit by 318 per cent (Rs 3.41 crore). A marginal fall in depreciation and interest charges by 7 per cent, nil taxation, and a 57 per cent increase in non-operating profit helped in increasing margins. Other income fell by 30 per cent. Imports were up by Rs 13 lakh.

Debt-equity ratio increased steadily for the past three years from 43 per cent in 1991-92 to 68 per cent in 1992-93 and 73 per cent in 1993-94. Sundry creditors to current assets was steady at 34 per cent from 1991-93 but fell by 25 percentage points in 1993-94. Short-term bank borrowings to inventories declined by 12 percentage points in 1992-93 and by 7 percentage points in 1993-94. Sales to total assets fluctuated at 201 per cent in 1991-92, 230 per cent in 1992-93 and 215 per cent in 1993-94, while sales to gross fixed assets steadily increased from 355 per cent in 1991-92 to 382 per cent in 1992-93 and 466 per cent in 1993-94. Inventories to

sales fluctuated and 11 per cent in 1991-92, 10 per cent in 1992-93 and 12 per cent in 1993-94. Raw materials consumed to value of production fell by 18 percentage points in 1982-93 and increased by 9 percentage points in 1993-94. Earning per share increased from Rs 0.87 in 1992-93 to Rs 3 in 1993-94. Return on investment showed a rise by 6 percentage points. Net value added to the value of production registered a sharp increase of 10 percentage points in 1992-93 and then grew marginally by 1 percentage point in 1993-94. Remuneration to employees fell from 150 per cent in 1991-92 to 29 per cent in 1992-93 and 19 per cent in 1993-94, while remuneration to employees to value of production remained steady at 3 per cent during 1991-93 and then fell by 1 percentage point in 1993-94.

The company has agreed to be the Indian distributor for the Blue Diamond almond growers of California. Heinz, Conagra and Grand Met are the three food giants who have been seeking a tie-up with the company. Grand Met initially plans to launch its Pillsbury range of food products in India. The company is also to introduce fresh fruit juices in tetrapack containers for the domestic and export markets.

OUTSTANDING BOOKS

WORLD EDUCATIONAL DEVELOPMENT SERIES

V. K. Rao, R.S. Reddy (Ed.)

1 to 15 Vols. Set Rs. 4900

GLOBAL EDUCATION SERIES

Singh & Sharma (Ed.)

1 to 10 Vols. Set Rs. 5150

MODERN LIBRARY SCIENCE SERIES

I.M. Goswami (Ed.)

1 to 5 Vols. Set Rs. 2440

WORLD ENVIRONMENTAL SCIENCE SERIES

R.K. Sinha (Ed.)

1 to 5 Vols. Set Rs. 1485

CASTE CULTURE AND SOCIETY SERIES

Virendra Prakash Singh (Ed.)

1 to 6 Vols. Set Rs. 2400

Save Indian Publishing—Buy Indian Books



COMMONWEALTH PUBLISHERS

4378/4B, Ansari Road, Murari Lal Street,
New Delhi-110002 Phone : 3272541

CURRENT STATISTICS

EPW Research Foundation

Foreign direct investment (FDI) approvals had touched Rs 27,470 crore (\$ 8.76 billion) up to the end of 1994, including Rs 5,230 crore (\$ 1.67 billion) of GDR proposals in 1994. Actual FDI inflow was Rs 5,783 crore (\$ 1.84 billion), over 50 per cent of it in 1994. About one-fourth of FDI approvals were in power and oil refining, 13 per cent in electrical and non-electrical machinery and 7.5 per cent in transportation industry. Agro-based industries, financial services, hotels and tourism and miscellaneous services have attracted nearly one-third of total FDI. About 48 per cent of FDI approvals have gone to Maharashtra, Gujarat and Delhi, with UP (0.6 per cent) and Bihar (0.3 per cent) getting almost nothing.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Feb 18, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	284.3	1.1	11.5	9.3	10.1	9.4	10.8	7.0	13.6	12.1
Primary Articles	32.3	296.1	1.2	15.7	8.9	14.3	10.2	11.5	3.0	15.3	17.1
Food Articles	17.4	320.1	0.0	13.6	2.7	14.2	5.0	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	326.8	3.5	22.0	20.0	16.6	19.3	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	281.4	0.0	1.6	13.1	1.2	12.6	13.1	15.2	13.2	14.4
Manufactured Products	57.0	278.2	1.2	11.1	8.7	9.4	8.3	9.9	7.9	12.6	8.9
Food Products	10.1	275.2	0.1	10.1	12.5	9.2	11.4	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	303.6	0.0	12.4	5.8	12.4	7.1	7.0	5.8	17.1	16.0
All Commodities (Average Basis) (April-February 18, 1995)	100.0	267.5	-	8.6	8.0	8.5	8.1	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	291 ¹¹	0.3	9.8	8.6	9.0	9.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	240 ¹⁰	0.8	10.1	6.3	8.1	6.3	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1297 ¹²	0.9	11.2	9.3	10.4	10.7	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Feb 3, 1995	Variation					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M ₁)	502890	7218 (1.4)	69324 (16.0)	56076 (15.3)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	98008	1474 (1.5)	15810 (19.2)	12157 (17.8)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	399976	3532 (0.9)	51136 (14.7)	43591 (14.7)	51601 (17.4)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt Sector	217228	144 (0.1)	13442 (6.6)	30291 (17.2)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comm'l Sector	272210	4796 (1.8)	35007 (14.8)	14102 (6.4)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	70645	849 (1.2)	16918 (31.5)	14881 (59.6)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money (Feb 10, 1995)	165409	-1864 (-1.1)	26787 (19.3)	22631 (20.4)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	96712	-564 (-0.6)	-71 (-0.1)	6632 (6.9)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks (Feb 17, 1995)							
Deposits	362981	2973 (0.8)	47849 (15.2)	42287 (15.7)	46560 (17.3)	37814 (16.4)	38216 (19.8)
Advances	196900	3514 (1.8)	32482 (19.8)	10026 (6.6)	12436 (8.2)	26390 (21.0)	9291 (8.0)
Non-Food Advances	183248	3629 (2.0)	29737 (19.4)	5599 (3.9)	8272 (5.7)	24317 (20.1)	9127 (8.2)
Investments	148356	299 (0.2)	15833 (11.9)	25079 (23.7)	26867 (25.4)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Oct 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages						
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	238.1	232.8 (8.0)	215.6 (3.8)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	245.8	219.4 (6.2)	206.5 (3.0)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	225.0	224.4 (8.3)	207.2 (3.1)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	318.3	303.2 (7.7)	281.5 (7.6)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Mar 3, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3528	3638	3982	3384	4604	2037	4286	3779	2281	4285
	(-11.4)		(55.2)					(65.7)	(-46.8)	(266.9)
National Index (1983-84=100)	1707	1759	1916	1641	2176	934	2050	1830	1021	1968
	(-10.9)		(66.6)					(79.2)	(-48.1)	(234.1)

Foreign Trade	Dec 1994	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
		1994-95	1993-94				
Exports: Rs crore	7490	57503 (16.9)	49182 (31.8)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2387	18328 (16.9)	15681 (20.0)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	8587	63814 (23.9)	51477 (8.4)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2736	20339 (23.9)	16413 (-1.3)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	2230	16138 (33.1)	12121 (-1.4)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-1095	-6308	-2295	-3259	-9687	-3809	-10640
US \$ mn	-349	-2011	-732	-1039	-3345	-1545	-3930

Foreign Exchange Reserves (excluding gold)	Feb 24,	Feb 25,	Mar 31,	Variation Over							
	1995	1994	1994	Month	Year	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Ago	Ago	1994-95	1993-94				
Rs crore	61650.0	40914.0	47626.0	-23.0	20736.0	14024.0	20718.0	27430	5385	10223	-1383
US \$ mn	19653.0	13082.0	15176.0	-137.0	6571.0	4477.0	6630.0	8724	731	3383	-1137

Foreign Investment Approvals

A: Foreign Collaboration (FC) Approvals

B: Actual Inflow of Foreign Direct Investment/NRI Investment until December 1994.

	Total 1991-94	1994	1993	1992	1991	Actual Inflow of Foreign Direct Investment in Respect of:	Total 1991-94	1994	1993	1992	1991
									(Rs in million)		
Total No of FC Approvals	5800	1854	1476	1520	950						
(i) SIA		382	307	585	760	(i) Government's Approval	31532.5	14989.6	9851.6	4779.5	1911.8
(ii) RBI		702	676	736	188						
(iii) FIPB		770*	493	199	2	(ii) RBI's Automatic Approval	6514.0	3625.9	2412.3	475.8	Nil
No of FC approvals involving foreign investment:						(iii) NRI's					
Total	2828	1062	785	692	289	a) 40 per cent scheme	16504.7	8524.4	4898.0	1479.8	1602.5
(i) SIA		92	59	243	246	b) 100 per cent scheme	3273.9	2558.7	698.1	17.1	Nil
(ii) RBI		201	235	251	41	Total (i+ii+iii)	57825.1	29698.6	17860.0	6752.2	3514.3
(iii) FIPB		769*	491	198	2						
Foreign investment involved											
Total (Rs billion)	274.4	141.9	88.6	38.9	5.3						
(i) SIA		3.2	1.6	4.2	3.6						
(ii) RBI		5.3	6.6	7.8	1.4						
(iii) FIPB		133.4*	80.4	26.9	0.3						

* Includes 22 GDR proposals involving investment of Rs 52.3 billion.

SIA: Secretariat for Industrial Approvals; RBI: Reserve Bank of India. FIPB: Foreign Investment Promotion Board.

Source: SIA Newsletter, Ministry of Industry, Govt of India, January, 1995.

C: Industrywise Break-up of Foreign Collaboration Approvals

D: Statewise Break-up of Foreign Investment Approvals

Sector	August, 1991 to September 1994			State	January 1993 to October 1994		
	Total No of Investment Approvals	Investment Amount (Rs million)	Per Cent to Total Investment		Total No of Investment Approvals	Investment Approved (Rs million)	Per Cent to Total Approved Investment
Metallurgical Industries	219	22065.9	9.9	Andhra Pradesh	104	10173.53	5.9
Ferrous	107	13883.6	6.2	Assam	2	2.74	0.0
Fuels	100	55964.0	25.1	Bihar	7	709.69	0.4
Power	7	22304.0	10.0	Gujarat	84	17609.80	9.0
Oil refinery	58	29369.9	13.2	Haryana	86	2410.59	1.2
Electrical machinery	937	16366.3	7.4	Himachal Pradesh	7	122.49	0.1
Electrical equipment	533	6643.1	3.0	Jammu and Kashmir	..	..	..
Computer software	204	6559.1	2.9	Karnataka	104	2361.08	1.2
Telecommunications	81	1941.3	0.9	Kerala	20	352.34	0.2
Transportation industry	232	16685.9	7.5	Madhya Pradesh	33	7936.58	4.1
Non-electrical machinery	999	11779.7	5.3	Maharashtra	283	50990.52	26.0
Industrial machinery	540	8365.5	3.8	Orissa	15	8134.86	4.2
Chemicals and allied industries	725	22029.9	9.9	Punjab	24	4967.67	2.5
Chemicals (other than fer)	614	20140.7	9.0	Rajasthan	54	2762.51	1.4
Agro-based industries	926	36693.0	16.5	Tamil Nadu	169	11601.62	5.9
Food processing industries	290	18365.4	8.2	Uttar Pradesh	60	1175.86	0.6
Construction-based industries	157	5771.3	2.6	West Bengal	56	10149.51	5.2
Cement and Gypsum product	32	2232.3	1.0	Chandigarh	7	715.35	0.4
Financial services	148	18129.0	8.1	Delhi	169	25497.82	13.0
Hotel and tourism	77	10845.6	4.9	Goa	14	399.55	0.2
Miscellaneous industries	418	4365.0	2.0	Others	352	37994.16	18.7
Total	5019	222636.7	100.0	Total	1650	196068.27	100.0

Source: SIA Newsletter, October 1994.

Source: SIA Newsletter, November 1994.

A Correction

In the issue of February 18-25, 1995, current statistics on "Money and Banking" contained an error in money multiplier ratios; the relevant lines are corrected as follows and should read as multiples and not as percentages. The error is regretted.

Monetary Ratios	Variation		Quarterly Variations						Full Financial Year Variation		
	Dec 23, 94- Jan 20, 95	Oct 94- Dec 94	July 94- Sep 94	Apr 94- Jun 94	Jan 94- Mar 94	Oct 93- Dec 93	July 93- Sep 93	Apr 93- Jun 93	1993-94	1992-93	1991-92
End-Period											
Money multiplier: M3/RM	3.15	3.21	3.25	3.09	3.13	3.25	3.32	3.39	3.13	3.31	3.19
Incremental:											
Money multiplier: ΔM3/ΔRM	0.68	1.95	-6.20	2.52	1.80	2.22	1.82	6.99	2.40	4.38	4.40

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 7 stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) — means not available.

Pangs of Readjustment

The rather painful readjustment of the money market, from a situation of externally-injected excess liquidity to one of liquidity shortage, has been seen in (a) selling pressure on equities, PSU bonds, UTI units and gilt-edged; (b) drying up of the market for such money market instruments as bills and CP; and (c) firming up of interest rates, both short- and long-term.

I Macro Backdrop

THE events of February in the money market seem to show that the pangs of readjustment from a situation of externally-injected excess liquidity to that of domestic liquidity shortage, which began about three months ago, have become acute. For about a year and a half since March 1993, the Reserve Bank of India (RBI) injected approximately Rs 40,000 crore of cash into the system by purchase of foreign currency assets at a uniform rate of Rs 31.37 per US dollar so as to ensure a certain level of export profitability. Of this sum, nearly one-half was attributable to inflows of portfolio capital which generated a situation of abundance in the money market and disproportionate appreciation of equity prices in the capital market. Secondly, once the foreign institutional investors (FIIs) began to book profits and to generally shift their attention from the emerging markets to markets in the US and other developed economies, equity prices have plunged to lower levels, as a result of which investments made by corporates and Indian financial institutions got stuck and could not be unwound. This in turn has apparently compelled the corporate bodies to dislodge their holdings of US-1964 units of the Unit Trust of India (UTI), thus imposing a heavy repurchase obligation on the UTI. Though the UTI has denied that it was resorting to heavy selling in the share markets to pay the corporate sector, it cannot be disputed that this whole episode has contributed to the drying up of liquidity in both the capital and money markets, thus bringing into sharp focus the growing integration of these two legs of the financial market with the immense potential for destabilisation of both the markets which the authorities, who are assiduously promoting and nursing such an integration, may not care to recognise.

Finally, much the larger part of the liquidity generated out of portfolio inflows has been used up by the government essentially to finance its whopping revenue deficits in 1993-94 and 1994-95 (though the final outcome this year is yet to be known). This became an extremely convenient outlet for banks to deploy their deposit resources in the form of excess investment in SLR securities when their lending activities were hamstrung by both supply constraints emanating from capital adequacy and other prudential norms for commercial lending imposed on them by the RBI and demand constraints due to sluggish industrial activity up to the end of March 1994.

The above situation has undergone a dramatic change in recent months. The authorities' measures to restrain capital inflows have coincided with a drastic curtailment of portfolio investment by the FIIs. In turn, the reduced foreign inflow combined with (a) the reassertion of the Indian economy's high import propensity (non-POL imports rising by 32 per cent in 1994-95 so far) and (b) sluggish domestic saving has suddenly tended to upset the liquidity scenario. Simultaneously, there has occurred a massive demand for bank credit from the commercial sectors. On the one hand, faced with serious contractions in budgetary allocations, the public sector undertakings (PSUs) seem to be drawing upon their credit limits with banks, and on the other, the bigger private sector companies have also been forced to rely on larger amounts of bank credit in replacement for GDRs, CPs and other forms of earlier non-credit borrowings. (Corporates generally had a low credit base as for three years their borrowings had been sluggish). The government's massive borrowing programme of Rs 25,700 crore (including 364-day treasury bills) for 1994-95 was predicated on the persistence of abundant liquidity. Now, there is a backlog of about Rs 5,000 crore essentially due to a large shortfall of Rs 10,637 crore under 364-day treasury bills; there is of course excess borrowing of Rs 5,597 crore under conversions and zero coupon bonds. Besides, disinvestment of the government's equity holdings in PSUs has so far fallen short by Rs 1,300 crore of the target of Rs 4,000 crore. Also, the strain on liquidity has been considerably accentuated by over Rs 60,000 crore of primary issues during the past two years in the form of public and rights issues including private placements through bonds of public sector bodies and financial institutions. These demands on the financial system were in part stimulated by the earlier abundance of liquidity which cannot be met now in the face of an all round shortage.

The process of readjustment to the new situation of stringency is seen in (a) distinct and all round selling pressures on corporate equities, PSU bonds, units of UTI and gilt-edged securities; (b) drying up of the market for such money market instruments as bills and commercial paper (CP); and (c) substantial firming up of interest rates, both short-term and long-term. The authorities have been forced to formalise the up-trend in market interest rates contrary to their earlier hope of pushing down the rates so as to help revive economic activity; this they have been forced to do also because the inflation rate has further accelerated, almost threatening to produce a crisis situation. While freeing the lending rates of scheduled commercial banks for credit limits of over Rs 2 lakh in October 1994, the RBI had justified it on the ground that "perhaps the best period for deregulation of interest rates would be a period when inflationary pressures have abated". While interest rates were required to be brought down on grounds of economic revival, its deregulation was certainly premature. Within a span of about three to four months, the RBI has been compelled to raise the maximum interest rates on term deposits of banks by 1 percentage point to 11 per cent as of February 10 this year precisely on the ground of an accentuation of the inflationary situation. This has been immediately followed by banks and financial institutions stepping up their prime lending rates by 1 full percentage point to 14.5 per cent, 15 per cent or 15.5 per cent, as the case may be.

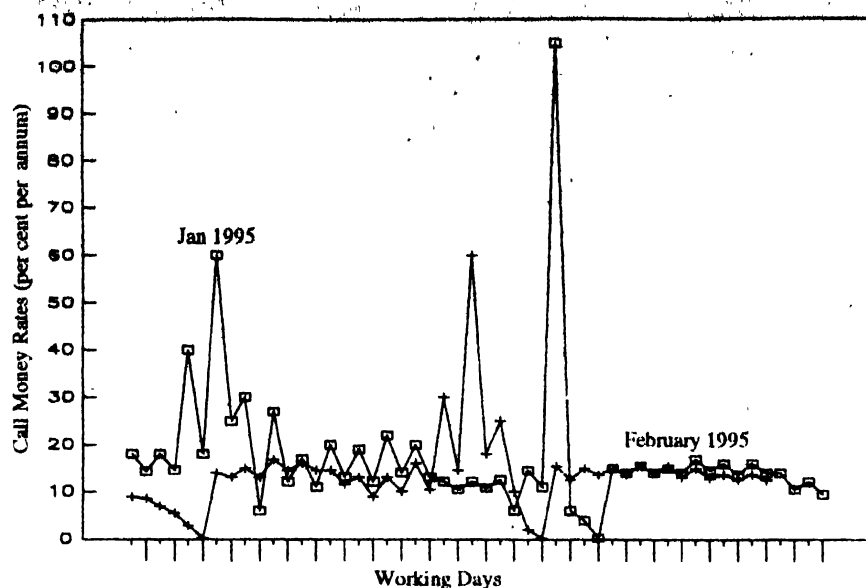
The severity of the growing money market stringency and the complexity of the readjustment process to the new situation is reflected in the RBI having to pump as much as Rs 3,000 crore in December/January and another Rs 3,100 crore in February into the money market for brief periods through the DFHI and STCI, despite its inflation and primary money growth anxieties and despite its conviction that "the credit expansion has clearly been excessive to what is warranted by the developments in the real sectors" (S S Tarapore, deputy governor, RBI, in a speech delivered to the Pune chapter of the Indian Banks' Association in early February). As referred to earlier, this year credit expansion may be justified on the ground that it has occurred over a low base as, for the preceding three years continuously, bank credit expansion has been unduly poor and that the expansion may also have been in replacement of many non-bank credit sources the corporates had

TABLE 1: DAILY QUOTATIONS IN CALL MONEY RATES (PER CENT)
SIMPLE STATISTICAL CHARACTERISTICS

	Daily Top-End Quotations					Daily Quotations of Highs and Lows	
	Sept 94	Oct 94	Nov 94	Dec 94	Jan 95*	Feb 94	Jan 95 Feb 95
Mean	25.62	7.36	9.61	11.84	22.86	16.21	17.46 13.17
Standard deviation	25.08	3.46	3.16	9.95	19.87	9.68	15.38 8.64
Coefficient of variation (percentages)	97.09	47.01	32.88	84.04	86.92	59.72	88.09 63.07

* Revised

GRAPH A: DAILY QUOTATIONS OF HIGH AND LOWS OF CALL MONEY RATES
JANUARY 1995 AND FEBRUARY 1995



used earlier, such as the GDRs, commercial paper (CP) and bills rediscounting. Banks have also been disinvesting a part of their excess SLR investments.

A more significant fact is that there is a growing asset-liability mismatch amongst some banks as they are said to have overextended themselves beyond their deposit base and relied excessively on money market borrowings – a general refrain now of the Reserve Bank of India. But this is a situation of the authorities' own creation; they have considerably increased the number of institutional and other participants in the overnight money market, particularly in a situation where there is some interest rate regulation on bank deposits. The call money market ought to have remained essentially an inter-bank market, thus forcing the financial institutions and corporates with surplus funds to opt for marketable instruments of the money market like CP and bills rediscounting and even PSU and other bonds, treasury bills and government securities, all of which could have received an impetus and consequently some depth in trading. This has been prevented by the current policy of allowing more participants in the overnight money market. This has created another unhealthy situation in that there is now a free flow of funds between the money and capital markets as all those investment and other financial institutions like the UTI, LIC and GIC permitted to participate in the call money market have large investments in corporate equities. Above all, availability of their float funds also in the call money market undoubtedly entices banks,

particularly the foreign banks with a limited deposit base, to borrow and to extend credit even if it is far beyond prudent limits. Having thus unbolted the door after the horse has fled, obviously the authorities' bemoaning of asset-liability mismatch is a cry in wilderness.

Be that as it may, the growing mismatch between banks' assets and liabilities is evident from the fact that the quarterly incremental credit-deposit ratios of scheduled commercial banks, which ranged from 11 per cent to 42 per cent during each of the six quarters in April 1993 to September 1994, jumped to 158 per cent in the quarter October-December 1994 and further to a whopping 244 per cent between end-December and February 17. The non-food credit expansion works out to Rs 30,533 crore or 20 per cent in the current fiscal year so far as against Rs 5,600 crore or 3.9 per cent in the corresponding period last year. It is true that during the recent period banks have retired a part of their excess SLR investment which fell from Rs 1,51,093 crore towards end-December 1994 to Rs 1,48,356 crore as of February 17.

Given the shortage of liquidity, there has arisen a stiff competition for deposits, with some banks offering the maximum rate of 11 per cent (or the earlier 10 per cent) for the shortest tenure of 46 days on deposits. Banks have also resorted to other ways to generate funds, one among them being the costly certificates of deposit (CDs). Corporation Bank announced an issue of Rs 400 crore in January. In February it issued an advertisement for attracting deposits through this route and also

got itself credit rated from CRISIL. Union Bank of India too has announced an issue of Rs 1,000 crore worth of CDs. The response to both these issues is not known.

II Market Developments

HIGH BENCHMARK RATES FOR CALL MONEY

After witnessing turbulence in December and January, the call money market opened on a quiet note in February but this did not last long, as by February 6 it had already touched 13-14 per cent. Further, unlike in the previous months, the benchmark rate prevailing on majority days of the month has turned out to be as high as 15 per cent (Graph A). Apart from the growing stringency in the market, banks' anxiety to satisfy the new requirement of maintaining 85 per cent CRR on a daily basis for the first 13 days of a reporting fortnight seems to have played a role. However, the expected narrowing of the volatility in call money rates as a result of this measure is yet to be achieved (Table 1). Also, interestingly the intra-day rates have begun to show larger volatility. Now the daily rates invariably open higher than the previous day's level, firm up as the day progresses and get settled at lower levels towards closing hours. This is due to the fact that the deficit banks have to borrow during the day to be able to satisfy the 85 per cent CRR on a daily basis. The month of February has also seen the reinforcement of the State Bank of India's monopoly position in the money market as financial institutions like the UTI were short of liquid funds. In general, the money market players do express uneasiness about the monopolistic clout that both the SBI and the UTI command.

In the first week ending February 3, the single-digit call rates led several banks to repay the 11 per cent export refinance to the RBI. This week saw a contraction of Rs 7,346 crore in RBI credit to banks and commercial sector. Besides, the RBI returned to subscribers the over-subscribed amount on the last zero coupon bond auction and some 364-day treasury bills matured during the period. Due to a decline in the call rates, the forward premia for the US dollar in the Indian inter-bank market remained soft though still above 6 per cent for six months.

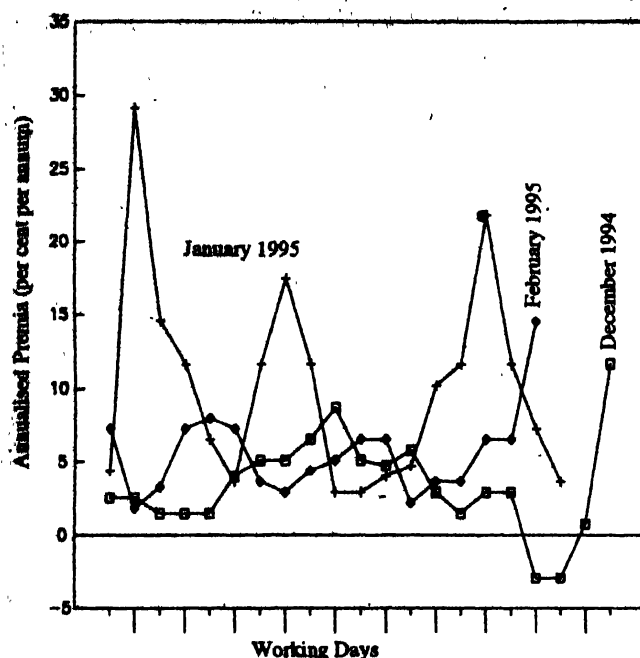
The second week of the month began to reflect tightness as the rates rose from single-digit levels in the previous week to 14-15 per cent. In the early part of the week, the State Bank was not lending in the market; later when it started lending, the rates came down to 11.75-9.00 per cent by February 10. By then most banks had covered their position by borrowing under repos through the DFHI and STCI to hedge against possible high call rates. There was a Rs 4,925 crore rise in RBI credit

TABLE 2: CALL MONEY RATES

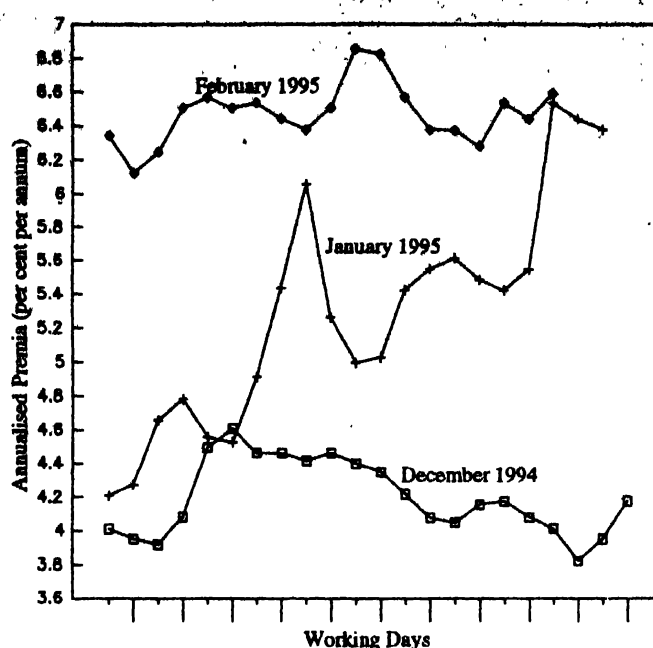
(Per cent per annum)

Items	February 1995				January 1995			
	24	17(RF)	10	3(RF)	27	20(RF)	13	6(RF)
Weekly range	12.25-15.50	0.25-60.00	10.50-16.75	0.25-16.00	17.00-13.50	13.50-0.25	27-11	1-60
Weekend (Friday)	12.25	0.25-1.00	10.50-11.50	0.25-3.00	16-13.50	4.00-0.25	20-13	20-1
Weekly weighted average	na	15.27	13.25	10.91	14.56	10.43	14.83	20.03
DFHI lending rates (range)	na	na	15.75-10.50	15.25-3.00	13.50-15.75	8.00-5.25	16.75-13	20.5-13.25

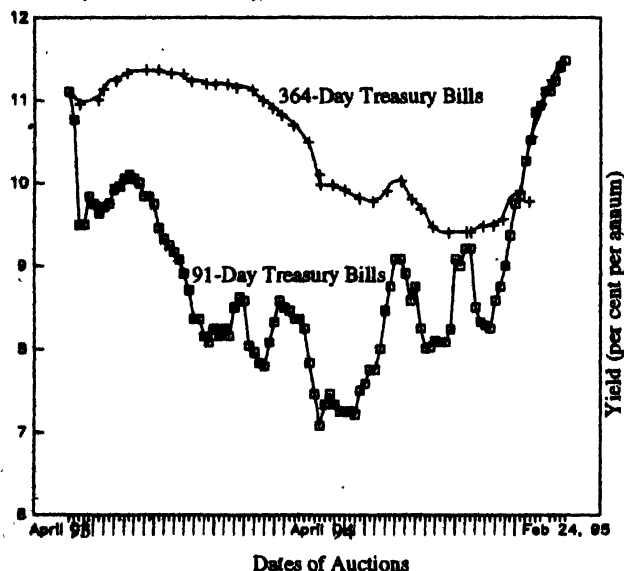
GRAPH B: ANNUALISED DAILY CALL MONEY PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



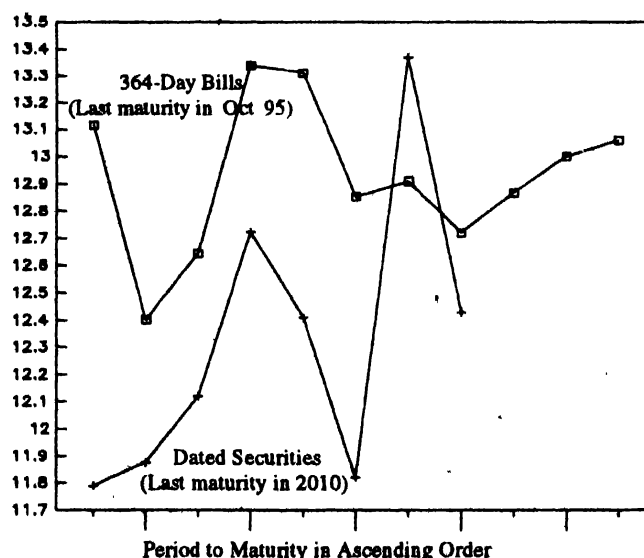
GRAPH C: ANNUALISED DAILY 6-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



GRAPH D: CUT-OFF YIELDS OF 91-DAY AND 364-DAY TREASURY BILLS (PRIMARY AUCTIONS), APRIL 1993 TO FEBRUARY 1995



GRAPH E: YIELD CURVES FOR 364-DAY TREASURY BILLS AND GOI SECURITIES - WEIGHTED AVERAGE FOR FEBRUARY 1995



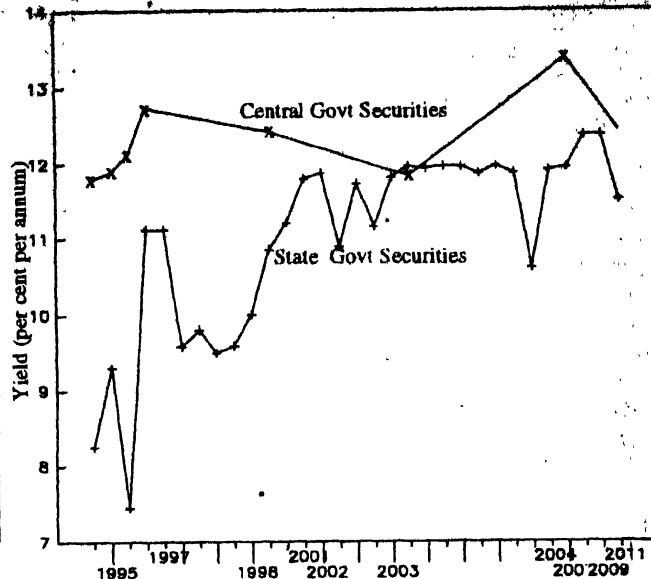
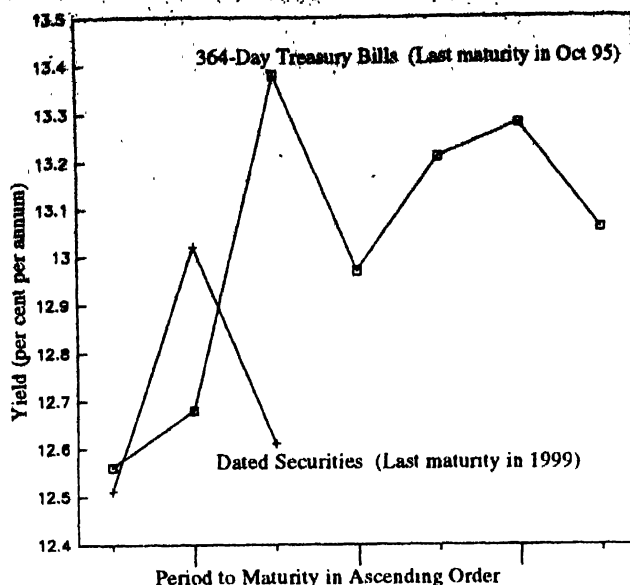
to banks and commercial sector during the week ended February 10. The period also saw an upward movement in forward premia for the US dollar *vis-a-vis* the rupee following the shortage of dollar due *inter alia* to a sharp drop in pre-shipment export credit in foreign currency as the cost advantage was almost wholly wiped out with the cost of forward cover working out to nearly 15 per cent, that is, 8 per cent lending rate and 6.5 per cent forward premia.

The February 11-17 week saw again sudden firming up of the call money rates despite it being the second lap of the fortnight; the RBI's weighted average of call rates steadily moved up from 10.91 percent in the first week to 13.25

per cent in the second and 15.27 per cent in the third week (Table 2). The actual rates ruled generally between 15-16 per cent on February 14, 25-40 per cent on February 15 and 25-10 per cent on February 16. The indication that the SBI turned a borrower and resorted to borrowings from DFHI aided the market sentiment. Apparently, the SBI was using its rupee resources to buy foreign exchange largely on behalf of oil companies and the defence establishment, which generally attempt to use up their budget for the fiscal year. In fact, stray call money quotations were reported to be as high as 30 per cent on February 14 and 60 per cent on the next day. This was the period when the SBI and UTI were generally absent from

the call money market and the RBI is reported to have pumped in Rs 2,000 crore on February 15 and again another Rs 1,500 crore the following day. With these developments on the supply side and with most banks covering their positions by the reporting Friday on February 17, the call rates on that day dipped to 0.25-2.00 per cent.

Again, during the third week of February 18-24, the call money rates remained firm in the range of 13.00-15.50 per cent - a situation which continued till the end of the month, reflecting the persistence of all round shortage of liquidity. Financial institutions like the UTI could not participate actively in the call money market as they themselves were cash-strapped.



It was during this period that the UTI was expected to repurchase about Rs 1,150 crore worth of US-64 units. Though the UTI clarified that this repurchase constituted only about 6 per cent of the US-64 corpus of Rs 18,000 crore, there was no gainsaying that, as referred to earlier, it did create some stringency in the money market. Besides, it is reported that with the tax-concessions for inter-corporate dividends hitherto received on units almost eliminated and with interest rates ruling high elsewhere as in the inter-corporate deposit market (ranging from 14 to 25 per cent depending upon the risk profile of a company), corporate funds have stopped flowing into the units. The UTI has stopped selling US-64 units to banks and corporates directly since July 1994 and instead it has introduced a separate US-95 scheme principally for the corporate bodies with a minimum subscription level of Rs 1 crore. As a result, corporates have been moving out of their current holding of US-64 units which has tended to depress their prices even below the repurchase price of Rs 17.90. Incidentally, as at the end of June 1994, corporate bodies held 63.14 per cent or Rs 7,450 crore out of a total outstanding unit capital of Rs 11,800 crore under the US-64 scheme (including the rights offer of about Rs 2,757 crore).

FOREIGN EXCHANGE MARKET IMPULSES

As a mirror image of the short-term domestic money market, forward premia in the foreign exchange market has not only firmed up during the month but also sustained a stubborn benchmark annualised premium, of about 6.5 per cent for the six-month US dollar-rupee swap transactions. Initially, the forward premium was around 6 per cent when the call money rates were soft but thereafter it generally remained around or above 6.5 per cent. Interestingly, despite market rumours of devaluation and such other uncertainties, importers seem to have gone ahead with swap contracts of six months, thus generally pushing

up the long-term premia during the period (Graph B), while the premia for the cash/spot transactions remained moderate almost throughout the month except the fag end of the month when the cash/spot purchases of foreign exchange increased (Graph C).

Towards the last 10 days of the month, there occurred considerable unsettling of the foreign exchange market essentially due to a scramble for foreign exchange; it was reported that even the havalala rate for the US dollar had shot up to a high of Rs 36 per dollar. The scarcity was reflected in the rupee-dollar exchange rate in the inter-bank market touching Rs 31.47 thus piercing the recent high of Rs 31.45 reached in November 1994. Cash/spot purchases of the dollar due to the year-end bulk demand for foreign exchange by oil companies and defence purchases seem to have already begun to be felt in the weakening of the rupee; it is obviously serving as a major factor at the margin for liquidity shortages in the money market.

Also, during the last 10 days of the month, the forward premia for the US dollar was maintained at a high level of over 6.38 per cent (six months) due to heavy offering of six-month forward sale by exporters even when there was large-scale import demand. The month end also saw a scramble for the dollar as a result of which the rupee experienced one of the most volatile days (February 24) and rupee-dollar touched Rs 31.3850.

OPEN MARKET OPERATIONS

On February 3, the Reserve Bank announced the sale price of Rs 98.33 for the 12 per cent government paper maturing in 1999. At a YTM of 12.51 per cent the offer was attractive when compared with the YTM of 12.39 per cent offered by the market on similar paper, that is, zero-coupon bond 1999. The offer was in contrast to the 6.25 per cent 1996 stock put on the sale list towards the end of January by the central bank, which evoked no response as its yield was below market expectations.

The RBI was able to sell only Rs 25 crore worth of 12 per cent 1999 security at Rs 98.33 on February 7 as the market got the better of the deal and improved the yield to 12.53 per cent as against the RBI's 12.5137 per cent by offering a price of Rs 98.28 the next day.

On February 24, the Reserve Bank revised its sale price of 12 per cent 1999 security to Rs 98.40. This meant a YTM of about 12.53 per cent. Even after the improved yield, the market did not respond favourably. The purchase of zero coupon bonds 2000 at the issue price of Rs 54, however, evoked much response with the market off-loading Rs 265 crore worth of this security over two days, February 23 and 24, back to the Reserve Bank. At the issue price the YTM was 12.8587 per cent on the first day and had improved to 12.8661 per cent on the second day.

PRIMARY MARKET AUCTIONS

Dated Securities

The month began with the auction of five-year zero coupon bonds for a notified amount of Rs 2,000 crore maturing in the year 2000. The Reserve Bank floated the issue on January 28. As if turning the tide against the market, the auction received more than full response; 142 bids were received for an aggregate amount of Rs 2,393.30 crore. Of these, 106 bids worth the notified amount of Rs 2,000 crore at a cut off price of Rs 54 were accepted. This worked out to a yield of 12.71 per cent. The Reserve Bank had paid a yield of 12.75 per cent for the five-year zero coupon bond issued in 1994.

As it turned out later, the market had not expected the government to relent to the market demand of higher yield but had put in the amount and expected rejection. To their surprise, the Reserve Bank upped the yield considerably and accepted bids up to Rs 2,000 crore. Having been caught unawares, the market looked for a way out and off loaded Rs 265 crore worth of zero-coupon bonds 2,000 in favour of the Reserve

Bank as capital as it opened for purchase window on February 1.

91-Day Treasury Bills

There were the usual four weekly auctions of 91-day treasury bills during the month and two fortnightly auctions of 364-day treasury bills. For even a notified amount of Rs 50 crore, the Reserve Bank found it increasingly difficult to attract response despite hiking the yield rate at each successive auction for the 91-day treasury bills. The cut-off yield on this paper was raised from 11.10 per cent in auctions of January-end or early February to 11.48 per cent towards the month end. This was a clear 3.25 percentage points more than the cut-off yield rates a year ago. Even when the interest rates were ruling very high, the highest cut-off yield accepted on this instrument was only 11.10 per cent in April 1993. Since then it steadily declined for more than a year and a half, until September 1994. What is more, despite such high return for investors, the amount bid at the cut-off price (or higher) was a puny at Rs 2-4 crore in each of the February auctions, whereas last year the RBI obtained as much as Rs 400 crore each. The only saving grace was that one state government kept on subscribing as a non-competitive bidder for Rs 50 crore and walked away with a substantial portion each time (ranging from Rs 46 to Rs 48 crore) to book reasonable profits (Table 3).

364-Day Treasury Bills

Similarly, the response for 364-day treasury bills too was extremely thin. By the end of the month, the government paid almost the same rate of return on 364-day bills as it paid on 91-day bills. The cut-off yield rates on 364-day bills at the two auctions of February were 11.23 per cent and 10.48 per cent respectively; the latter rate has been the highest ever offered on the 364-day treasury bill since its inception on April 28, 1992, the earlier highest being 11.42 per cent offered during auctions of April-June 1992. Last year, the corresponding rates were 10.75 per cent and 10.63 per cent. Total amount collected during February this year against these auctions was Rs 30 crore as against Rs 3,028 crore in February 1994 (Table 4).

Repo Auctions

The only one repo auction undertaken during the month also came to naught as the Reserve Bank received only one bid and that too was rejected (Table 5). As the purpose of the 14-day repo operation of the central bank was to even out liquidity in the money market, it seems to have outlived its utility particularly after the prescription of 85 per cent CRR maintenance by banks on a daily basis; the RBI has not undertaken the second repo auction of the month.

Implications for Limits on Ad Hoc Treasury Bills

The distinctly poor response to 91-day and 364-day treasury bills even after offering the highest ever yield rates has a lesson to offer

in the future of financing the budget deficit. The RBI concluded on September 9, 1994 to limit the use of *ad hoc* treasury bills for financing the budget deficit to Rs 6,000 crore during 1994-95 and to phase out the automatic monetisation of the budget deficit in the subsequent two years; from 1997-98, this instrument is to be totally abolished. Under the agreement, if net issues of *ad hocs* exceed Rs 9,000 crore for more than 10 consecutive working days during the current fiscal year, the RBI would automatically reduce the level of *ad hocs* by auctioning treasury bills or by selling fresh government of India dated securities in the market. The government will easily sail through the current year as its dependence on the RBI so far has been limited but some similar ceilings, probably somewhat lower, for the next two years, 1995-96 and

TABLE 4: AUCTIONS OF 364-DAY TREASURY BILLS

(Amount in rupees, crore)

Date of Auction	Bids Tendered		Bids Accepted		Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)
	No	Face Value (Amount)	No	Face Value (Amount)		
1994						
Feb 2	120	3840.00	36	1713.00	90.29	10.75
Feb 16	131	3459.00	31	1315.00	90.39	10.63
1995						
Feb 1	11	27.00	9	24.00	89.90	11.23
Feb 15	9	11.00	5	6.00	89.70	11.48

TABLE 5: RBI'S REPURCHASE (REPO) AUCTIONS

(Amount in rupees, crore)

Date of Auction	Repo Period in No of Days	Bids Tendered		Bids Accepted		Cut-off Repo Yield Rate (Per Cent)
		No	Face Value (Amount)	No	Face Value (Amount)	
1994						
Jan 7	14	27	1148	17	902	6.25
Jan 21	14	6	166	9	35	6.25
Feb 4	14	39	2612	15	1317	6.20
Feb 18	14	15	742	9	477	6.20
1995						
Jan 6	14	1	10		All rejected	
Jan 20	14	1	5		All rejected	
Feb 3	14	1	5		All rejected	

TABLE 3: AUCTIONS OF 91-DAY TREASURY BILLS

(Amount in rupees, crore)

Date of Auction	Notified Amount (Rupees)	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price in (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding (Rupees)@		
		No	Face Value (Amount)	No	Face Value (Amount)				Total	With RBI	Outside RBI
1994											
Feb 4	400	41	536	32	400	0.00	97.93	8.46	3550.00	589.00	2961.00
Feb 11	400	47	705	20	400	0.00	97.95	8.37	3750.00	589.00	3161.00
Feb 18	400	34	572	27	400	0.00	97.95	8.37	3950.00	589.00	3161.00
Feb 25	400	50	1576	21	400	0.00	97.98	8.25	4150.00	589.00	3561.00
1995											
Feb 3	50	13	21	2	3.5	0.00	97.30	11.10	1646.00	370.25	1275.75
		(1)	(50)	(1)	(46.5)						
Feb 10	50	9	9	4	4	0.00	97.27	11.23	1446.00	370.25	1075.75
		(1)	(50)	(1)	(46)						
Feb 17	50	9	9	3	3	0.00	97.23	11.40	1246.00	332.25	913.75
		(1)	(50)	(1)	(47)						
Feb 24	50	9	9	2	2	0.00	97.21	11.48	1046.00	223.00	823.00
		(1)	(50)	(1)	(48)						

Figures in brackets represent numbers and amounts of non-competitive bids which are not included in the total.

@ Outstanding amounts are estimated for all weeks of February 1995.

1996-97, will have serious implications for the money market rates, as also general rates of interest in the economy.

SECONDARY MARKET

NSE and SGL Transactions

The secondary market, especially the repos in government paper, witnessed considerable activity during the month. Though substantial amounts were traded in dated securities and 364-day treasury bills through outright sales, the amounts recorded in repo deals far outpaced outright transactions (Appendix Table). Of the total amount of SGL transactions worth Rs 8,403 crore in February, as much as Rs 6,083 crore, or 72.4 per cent, was in the form of repos. Among the repo transactions also, a somewhat larger amount was traded in government securities than in treasury bills. In fact, on days close to the reporting Fridays, phenomenally high levels of over Rs 1,000-2,000 crore were transacted in repos of dated securities.

The action of banks clearly indicated that they used the repo mode of transactions to overcome their problem of short-term liquidity. The preference for large amounts of repos in government securities despite holding of Rs 30,000 crore worth of excess SLR securities also indicated that the returns on this paper still make the holders keep them rather than sell them off.

State government paper also was actively traded. Though in terms of amounts the deals constituted only a fraction of the total value traded in gilt-edged paper, in terms of number of deals state government paper was quite

significant. The securities of Maharashtra, Kerala, Andhra Pradesh, Gujarat, Tamil Nadu, Bihar and West Bengal were active in the secondary market. This indicated that the banks and institutions parting with state government securities were anxious to minimise their losses, if any.

The National Stock Exchange performance continued to be stable with a large gap between the order value and the traded value (Table 6), though the size of trading in February has been significantly higher than in earlier months. The NSE data also reveal that the selling pressure on money market instruments persisted during the month.

Increasing Inversion of the Yield Curve

The phenomena of rising yields on various money market instruments and the yields of short-term government paper rising at a faster pace than those of long-term securities, thus contributing to an inversion of the yield curve, began in last December. These phenomena have not only persisted in the months of January and February but have got further intensified with the spread between yields on short-term and long-term securities getting increasingly widened. Generally, in February the yields to maturity for 91-day treasury bills worked out to over 15 per cent, those for 364-day treasury bills worked out to 12.5-13 per cent and those for dated government securities 12-12.8 per cent. As graphs E, F and G clearly indicate, the inversion of the yield curves is getting to be very distinct. The literature on yield curve based on the experience of advanced countries' money markets tells us that an inverted yield curve derived from secondary market

transactions generally portends an ominous sign of a slow-down in economic activity; with expectations of weaker real income growth, interest rates in general and short-term rates in particular should decline. These expectations are also associated with an expected fall in inflation rate. In India, the secondary markets lack technical depth and are also controlled by a few large operators; they face various other structural disabilities. Hence, it is difficult to read too much into their expectational abilities. The only statement that can be made with certainty is that the money market in India has been facing increasing stringency and that the operators in it are using various short-term instruments to cope with the situation.

Other Instruments

Other instruments, such as commercial paper, certificates of deposit and commercial bills remained steady during the month. During the second reporting fortnight of the month, however, the rates firmed up by a full one and a quarter percentage points indicating the overall firmness prevailing at the short-end of the market.

Commercial paper for 90 days in the secondary market was quoted in the range of 12.25-13.75 per cent; there were no quotes for 180-day paper. Commercial paper issued by BPL, Kotak Mahindra Finance, SAIL and Voltas were traded in small amounts. Interestingly, the rates on this instrument firmed up in the second fortnight of the month and ranged between 13.50-14.25 per cent.

Certificates of deposit remained steady at 13-15 per cent for one-year paper. There were no quotes for 91-day paper. Typically,

TABLE 6: OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING FEBRUARY 1995

Descripters	Week ending February: Amount in Crore of Rupees															
	24				17				10				3			
	Order		Actual Traded	Amount	Order		Actual Traded	Amount	Order		Actual Traded	Amount	Order		Actual Traded	Amount
	Buy	Sell			Buy	Sell			Buy	Sell			Buy	Sell		
1 Treasury bills																
i) 91-day bills	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ii) 364-day bills	132.75	149.75	282.50	102.75	141.00	141.00	282.00	131.00	75.00	70.00	145.00	45.00	25.50	85.50	111.00	25.50
Sub-total:																
Traded value	132.75	149.75	282.50	102.75	141.00	141.00	282.00	131.00	75.00	70.00	145.00	45.00	25.50	85.50	111.00	25.50
2 Dated securities																
A GOI securities																
i) Converted	141.17	116.17	257.34	41.17	10.00	50.00	60.00	10.00	172.00	172.00	344.00	102.00	35.90	50.90	86.80	35.90
ii) Regular	-	20.00	20.00	-	-	-	-	-	10.00	10.00	20.00	10.00	45.14	45.14	90.28	45.14
iii) Zero coupon	-	-	-	-	97.60	117.60	215.20	97.60	45.00	90.00	135.00	35.00	13.00	18.00	31.00	8.00
B State govts stocks	5.56	15.56	21.12	0.56	0.16	2.16	2.32	0.16	1.07	1.07	2.14	1.07	0.11	0.11	0.22	0.11
Sub-total:																
Traded value	146.73	151.73	298.46	41.73	107.76	169.76	277.52	107.76	228.07	273.07	501.14	148.07	94.15	114.15	208.30	89.15
3 PSU bonds																
i) Tax free	6.69	35.69	42.38	6.69	12.00	75.00	87.00	12.00	19.00	62.00	81.00	14.00	12.50	54.50	67.00	12.50
ii) Taxable	10.09	106.18	116.27	0.08	10.32	90.32	100.64	10.32	1.46	41.46	42.92	1.46	1.32	11.32	12.64	1.32
Sub-total:																
Traded value	16.78	141.87	158.65	6.77	22.32	165.32	187.64	22.32	20.46	103.46	123.92	15.46	13.82	65.82	79.64	13.82
4 Commercial papers	-	-	-	-	21.00	21.00	42.00	21.00	-	-	-	-	26.00	26.00	52.00	26.00
5 Debentures	0.30	-	0.30	-	0.75	-	0.75	-	1.85	0.95	2.80	0.95	2.91	2.76	5.67	2.76
6 Floating rate bonds	-	-	-	-	-	10.00	10.00	-	-	-	-	-	-	-	-	-
7 Certificates of deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand total (volume)	296.56	443.35	739.91	151.25	292.83	507.08	799.91	282.08	325.38	447.48	772.86	209.48	162.38	294.23	456.61	157.23

(-) No trading

APPENDIX TABLE: SECONDARY TRANSACTIONS IN GILT-EDGED SECURITIES: RBI'S SGL DATA

(Amount in rupees crore)

Descriptions	Week ending February 1995: Yield to Maturity on Actual Trading												Total for the month of February 1995		
	24			17			10			3					
	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY
1 Treasury Bills															
A 91-day bills															
i) Feb 18, 1995	-	-	-	75.00	15.02	-	-	-	-	-	-	-	75.00	15.02	-
ii) Feb 25, 1995	-	-	-	-	-	-	1.00	15.11	-	-	-	-	1.00	15.11	-
iii) Mar 4, 1995	-	-	-	-	-	-	4.00	15.16	-	-	-	-	4.00	15.16	-
Sub-total (volume)	-	-	-	75.00	15.02	-	5.00	15.15	-	-	-	-	80.00	15.03	-
B 364-day bills															
i) Feb 17, 1995	-	-	-	57.57	14.16	-	80.10	12.30	-	12.27	13.54	-	149.94	13.12	-
ii) Mar 3, 1995	112.23	12.56	-	89.04	12.17	-	45.70	12.50	-	14.00	12.29	-	260.97	12.40	-
iii) Mar 17, 1995	69.77	12.68	-	35.20	12.74	-	14.00	12.61	-	26.00	12.44	-	144.97	12.64	-
iv) Apr 3, 1995	-	-	-	14.00	13.34	-	-	-	-	-	-	-	14.00	13.34	-
v) Apr 28, 1995	305.00	13.38	-	31.50	13.20	-	-	-	-	18.01	12.33	-	354.51	13.31	-
vi) May 12, 1995	5.00	12.97	-	10.80	12.88	-	10.00	12.81	-	0.50	11.97	-	26.30	12.85	-
vii) Jun 9, 1995	-	-	-	7.00	12.91	-	-	-	-	-	-	-	7.00	12.91	-
viii) Aug 18, 1995	5.00	13.21	-	15.00	12.72	-	10.00	12.78	-	20.00	12.57	-	50.00	12.72	-
ix) Sept 1, 1995	45.00	13.28	-	30.00	13.16	-	28.00	13.07	-	94.50	12.52	-	197.50	12.87	-
x) Sept 30, 1995	-	-	-	-	-	-	6.00	13.00	-	-	-	-	6.00	13.00	-
xi) Oct 27, 1995	1.00	13.06	-	-	-	-	-	-	-	-	-	-	1.00	13.06	-
Sub-total (volume)*	543.00	13.11	-	290.11	12.98	-	193.80	12.55	-	185.28	12.54	-	1212.19	12.90	-
2 GOI Dated Securities															
A Converted (Per Cent: Year)															
i) 12.00, 1995	38.00	12.51	12.04	65.00	11.87	11.99	195.00	11.77	11.99	6.29	11.46	11.96	304.29	11.88	12.00
ii) 12.75, 1996	75.00	13.02	12.79	35.00	12.86	12.77	22.06	11.99	12.65	17.90	12.12	12.67	149.96	12.72	12.75
iii) 12.00, 1999	5.00	12.61	12.24	-	-	-	10.00	12.53	12.21	5.00	11.97	11.99	20.00	12.41	12.16
iv) 12.50, 2004	-	-	-	-	-	-	4.50	11.82	12.05	-	-	-	4.50	11.82	12.05
Sub-total (volume)	118.00	12.84	12.53	100.00	12.22	12.26	231.56	11.82	12.06	29.19	11.95	12.40	478.75	12.16	12.24
B Regular (Per Cent: Year)															
i) 8.25, 1995	-	-	-	10.00	11.99	8.44	10.00	11.66	8.43	35.00	11.77	8.44	55.00	11.79	8.44
ii) 11.75, 1996	-	-	-	-	-	-	-	-	-	3.00	12.12	11.67	3.00	12.12	11.67
iii) 11.25, 2005	-	-	-	-	-	-	-	-	-	51.30	13.37	12.75	51.30	13.37	12.75
iv) 11.50, 2010	-	-	-	-	-	-	0.30	12.43	12.28	-	-	-	0.30	12.43	12.28
Sub-total (volume)	-	-	-	10.00	11.99	8.44	10.30	11.68	8.54	89.30	12.70	11.02	109.60	12.54	10.56
(A+B)*	118.00	12.84	12.53	110.00	12.20	11.92	241.86	11.82	11.91	118.49	12.52	11.36	588.35	12.23	11.93
C Zero coupon (Per Cent: Year)															
i) 0.00, 1999	81.60	13.05	11.27	16.00	13.03	11.33	35.00	12.82	11.22	-	-	-	132.60	12.99	11.26
D RBI's open market operations															
i) 12.00, 1999	-	-	-	-	-	-	25.00	12.51	12.20	-	-	-	25.00	12.51	12.20
ii) 0.00, 2000	265.00	12.86	12.73	-	-	-	-	-	-	-	-	-	265.00	12.86	12.73
(A+B+C+D)	464.60	12.89	12.42	126.00	12.30	11.84	301.86	11.96	11.86	118.49	12.52	11.36	1010.95	12.50	12.06
3 REPO@															
i) 91-day T bill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ii) 364-day T bill	1058.00	-	-	725.00	-	-	213.00	-	-	58.00	-	-	2054.00	-	-
iii) Govt securities (Per Cent: Year)															
12.00, 1995	111.00	-	-	119.00	-	-	50.00	-	-	54.95	-	-	334.95	-	-
12.75, 1996	351.00	-	-	1604.00	-	-	25.00	-	-	5.00	-	-	1985.00	-	-
12.00, 1999	92.00	-	-	282.00	-	-	45.00	-	-	-	-	-	419.00	-	-
12.50, 2004	477.50	-	-	473.00	-	-	349.50	-	-	-	-	-	1300.00	-	-
Zero coupon	30.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total (volume)	2119.50	-	-	3203.00	-	-	682.50	-	-	117.95	-	-	6122.95	-	-
@ Excluding RBI's 14-day repos															
4 State Govt Securities															
Sub-total (volume)	6.02	11.27	11.32	9.36	11.93	11.99	2.72	11.87	12.07	8.43	11.33	11.52	26.53	11.59	11.69
Grand total (volume)	3133.12			3703.47			1185.86			430.15			8452.62		

(-) means no trading YTM = Yield to maturity in percentage per annum CY = Current yield in per cent per annum * Yield rates of these sub-groups of t-bills and dated securities have been used for the graphs.

Notes: 1) Yields are weighted yields, weighted by the amounts of each transaction.

2) Current yield has not been worked out for treasury bills.

in a market where interest rates are high, while borrowers prefer to borrow for a short period, lenders prefer to get locked in at a higher rate for a long or a medium term.

The inter-corporate deposit market for 30 days also firmed up from 14-15 per cent in the first reporting fortnight to 14.50-16 per cent in the second reporting fortnight. Similarly, the 90-day deposits which were available in the first reporting fortnight at

15-16 per cent firmed up at 16-17 per cent in the second reporting fortnight of the month. Even 180-day deposits firmed up and stabilised at rates ranging from 16-17 per cent to 17-19 per cent.

In contrast, the commercial bills market was virtually dormant. While 30-day bills fetched a rate of 12.50-14 per cent, there were no quotes in 60- or 90-day market. Historically, big-size corporate bodies are known to have

been drawing their cash credit limits with banks fully in tight money market situation only to lend the money back in the call money market albeit surreptitiously. Though there is no official data available on this aspect, it is likely that funds drawn through the cash credit window were deployed in the money market.

[The statistical tables for this note have been compiled by V P Prashant.]

Road to Peace between Pakistan and India

Nirmal Mukarji

The convention organised by the India-Pakistan People's Forum for Peace and Democracy in New Delhi last month, in which around 200 delegates in roughly equal numbers from the two countries participated, was the largest such gathering till now. Its wholly non-governmental character and its squarely political agenda clearly distinguished it from all previous exercises.

THE people of Pakistan and India want genuine peace and friendship. Their governments do not. For they have engaged in the politics of confrontation for nearly five long decades. The yield has been nothing but tension and conflict. The people have not benefited in any way. In these wasted years other countries, especially in east Asia, have gone far ahead both in material progress and in human development. These very fruits could be ours also if only the governments of Pakistan and India were to honour the wishes of the people.

In the absence of peace and friendship, the foreign policies of both governments in relation to each other have been heavily militarised. In essence these are no more than defence policies, formulated on the basis of mirrored threat perceptions, each government treating the other as its chief adversary. The enemy's military capability has had to be constantly matched, preferably outmatched. The resultant arms race has burdened both countries with massive, wholly unaffordable, defence budgets. It has also made both governments aspire for nuclear weapons status, without a thought for the nightmarish consequences for the people. The military-nuclear lobbies in the two countries have come to dominate relations between Pakistan and India.

Domestic policies too have not remained unaffected by militarisation. Independent India started with just two battalions of armed police at the centre; it now has over 400 battalions spread over numerous paramilitary forces. It has armed itself with draconian laws, the most notorious being TADA. It uses the army in domestic situations with alarming frequency. The coercive arm of the state that these instrumentalities constitute has been freely used not only to suppress ethnic and other uprisings but against the minorities and disadvantaged sections. Punjab, Kashmir and the north-east have become virtual police states. Large tracts elsewhere are not far behind. The rule of law, human rights and democracy itself – all are under severe threat.

Pakistan has had the misfortune of being ruled by military dictators for 22 years. Of these 15 were under martial law, often extremely oppressive and brutal. After 1988 democracy has resurfaced, but there are barriers still to be overcome. Some of the restrictive laws and constitutional amendments enacted by Zia ul-Haq which violate the Universal Declaration of Human Rights have yet to be replaced. The tribal and feudal structure of Pakistani society provides fertile ground for the exercise of arbitrary power outside the pale of law. It thus constitutes a serious hindrance to establishing a truly democratic dispensation accountable only to the people.

In both India and Pakistan much needs to be done to protect the lives and honour of citizens, especially women, children, the poor and other weaker sections. But in both countries the assumption has prevailed that if only the coercive instruments of the state could be further strengthened the so-called law and order situation would improve. Armed with immense power to misrule, the ruling elites are now able to combine business with politics and politics with business. The apparatus of the state, in collusion with them, is able to oppress, exploit, perpetrate any crime, violate any law and go unpunished. Such are the wages of militarising domestic politics.

A militarised, or even semi-militarised, polity becomes a breeding ground for undemocratic forces. Both Pakistan and India have witnessed the rise of religious intolerance in recent years; Islamic fundamentalism in the one case and Hindutva extremism in the other. Short of outright military dictatorship, militant communalism is the most lethal for civil society. For it generates social strife and increases the persecution of disadvantaged sections, especially among the minorities. Consequently religious intolerance must be curbed at all cost. Otherwise there could be a re-enactment of the contemptible demolition of the Babri masjid and the unspeakable outrages of Surat and Bombay,

as also the mindless destruction of temples in Pakistan and Bangladesh and the deadly bomb blasts of Bombay.

Kashmir has had to suffer the militarised policies of both India and Pakistan. India has suspended democratic governance there and imposed rule by the army and paramilitary forces. Pakistan has not hesitated to train, arm and infiltrate militants for its own ends. Both have acted on the premise that Kashmir is merely a territorial dispute between the two of them. Neither seems able to see that a peaceful democratic solution involving the peoples of Jammu and Kashmir is the only way out. Such a solution is essential for promoting peace in the subcontinent.

For peace to be promoted the policies of the two governments, both foreign and domestic, will have to be shorn of militarisation. Only then will it be possible for the democratic voice of the people to be heard. Thus peace requires the strengthening of democracy in both countries. Not just feudal democracy as in Pakistan or elitist democracy as in India, both marked by gross corruption and abuse of power, but grass roots democracy which enables the mass of the people to share power, impact policies and enforce accountability. Conversely democracy needs peace through the elimination of militarism in both countries, both external and internal. Peace and democracy go hand in hand. History records no instance of two genuine democracies having gone to war against each other.

If the two people's cry for peace and democracy can lead to a solution of Kashmir and the reduction, if not eradication, of religious intolerance these would be dividends enough. But if the people's demand were also to result in an unconditional no-war pact immediately, without yielding to any third party pressure, there would be the inestimable dividend of freedom from fear of war. And if it were further to compel denuclearisation, the dread of total annihilation would go. If it were simply to commence a significant cutback in defence expenditures, there would be resources enough to meet the genuine needs of the people.

In an atmosphere of peace and friendship, the border between the two countries could be opened. The peoples of Pakistan and India could then begin to re-discover each other. Trade barriers could be lowered, or better still removed, fetching incalculable gain to both sides. There need be no room thereafter for the multi-billion dollar clandestine trade that is there at present. Pakistan and India would mount the first rung of the ladder to prosperity and well-being for all their citizens. Above all the two great countries would stand together rather than be ranged against each other in world forums.

These broadly were the issues and concerns a convention organised by the Pakistan-India People's Forum for Peace and Democracy discussed in New Delhi on February 24/25. Around 200 delegates in roughly equal numbers from the two sides participated. It was the largest such gathering till now. Its wholly non-governmental character and its squarely political agenda clearly distinguished it from all previous exercises.

The biggest gain of the convention was that it was held at all. To everyone's surprise the Indian authorities gave the necessary visas to the visiting delegates and the Pakistani authorities did not stop them from coming. Both sides opened their hearts and minds in an atmosphere of warm friendship. What came through was an earnest desire to bury the hatchet once and for all. Equally impressive was the yearning on both sides for truly democratic governance. Some kind of chemistry was at work which made the delegates feel that perhaps they were making history. There were no illusions about the difficulties ahead but the occasion was seen as the beginning of a turnaround.

The area of agreement was considerable. There was common ground that war offered no solution and further that nuclear weaponry

made no sense. Following this a call was made for a reversal of the arms race between the two countries as also for the elimination of all nuclear weapons from the face of the earth. Both sides were categorically opposed to religious intolerance. They demanded truer democracy, with the accent on accountability, decentralisation and concern for, and protection of, all disadvantaged sections, especially the minorities, the poor, women and children. On Kashmir the delegates agreed that the aspirations of the people had to be taken account of. They called upon their two governments to take positive steps to promote peace and tranquillity and establish democratic process on both sides of the line of control.

The convention decided to reassemble in Lahore around October 1995. Between now and then, the delegates pledged to spread the message of peace and democracy far and wide in their respective countries. Amongst the measures suggested to open communications was one sure to gladden millions of Indians and Pakistanis, the immediate resumption of cricket tours.

The conclusions of the convention deserve the support of all right thinking people in both countries. The two governments would do well to pay heed to them.

atrocities by Indian security forces are equated with the demand for condemning excesses committed by militants. Abuse by the militants of their responsibility as wielders of guns is condemnable, but it has neither caused nor fuelled the alienation of the people. The unwillingness to admit that popular rebellion in Jammu and Kashmir was brought on by New Delhi's corrupt and authoritarian ways has meant that no interrogation takes place of the premise which locates the fault in Pakistan's "continuing desire to define political and territorial identities on the basis of religion". The fact is that the vivisection of British India created two nation-states, and when the wheat is removed from the chaff it becomes clear that the Indian nation-state too defines itself in terms of cultural markers of religious exclusivism.

The Indian government, by all reckoning feeble, is not too enfeebled to handle a Bal Thackeray, yet the Indian government let Bal Thackeray sabotage a cricket series with Pakistan and allowed him to stop the hosting of the Pakistan Day celebration in Bombay. Surely there must be a logic in this indulgence of criminals. The reason is that the jingoistic display was said to represent popular reaction to Pakistan's involvement in 'terrorism'. Sure enough, Pakistan closed its consulate. My encounter with an official in the ministry of external affairs provided further corroboration. The appointment lasted nine minutes since I did not ask any question about Pakistan's role in fomenting 'terrorism' in India. The heightened atmosphere of tension enables the concentration of powers at the expense of people's interests and rights. Despite popular revulsion against the tyranny of TADA, the black law survives. Such a state of affairs results in burgeoning military and police expenditure, which in 1994-95 exceeded Rs 35,000 crore, nearly a quarter of the expenditure budget of the GOI of 1,57,000 crore. Concomitantly, restrictions are placed on travel and communication which jeopardises the right of tens of millions of Indians who have relatives and friends in Pakistan, not to mention thwarting mutually beneficial trade. Two-way trade stood at Rs 39 crore in 1982-83 and rose to Rs 525 crore in 1992-93. Unofficially it is claimed that Indo-Pak trade turnover is at least Rs 1,600 crore and could exceed several thousand crore. Despite SAPTA, signed in April 1993, and GATT, Pakistan allows only 575 items to be imported from India. One reason could be common items of foreign trade between the two countries; another reason, the presence of a strong lobby against trade with India in Pakistan. As a result, Pakistan imports wheat from Australia and the US rather than from India, the same is true of coal and cement. Conversely India does not import natural gas, cotton, sugar, etc. from Pakistan. With increasing difficulties encountered in acquiring visas, there remain major bottlenecks despite a more than 15-fold increase between 1982-83 and 1992-93.

PAKISTAN-INDIA RELATIONS

People's Initiative

An Idea Whose Time Has Come

Gautam Navlakha

Like Hanibal crossing the Alps who, when his elephants' paths were blocked would light a fire around rocks and then pour water on them to crack them open, the deadlock between India and Pakistan can only be prised open by a non-governmental people's initiative.

WHEN Hanibal crossed the Alps and his elephants' paths were blocked, he would light a fire around the rock and pour water on it so that the rock would crack open. Since the ruling circles of India and Pakistan define themselves by confrontation with each 'other', the resultant deadlock can only be prised open by a non-governmental people's initiative between people of the two countries.

It is true that the Pakistani government uses anti-India rhetoric to deflect attention from its own anti-people politics, but the Indian government is no different. Struggles of landless and poor peasants, dalits, tribals, and Naga and Kashmiri people have emerged from the soil of the Indian nation-state, but the tendency is to present them as acts of 'terrorism' linked to the ubiquitous ISI. For the rulers this makes perfect sense since fighting poverty has been replaced with negotiating cultural identities. When these

cannot be co-opted through usual means, law and order becomes the norm. This introduces the momentum which leads to the emergence of 'terrorism'. To justify recourse to extraordinary violence, it requires not only a demonic enemy but also to represent the Indian nation-state in a favourable light so that its defence becomes a worthwhile enterprise. Therefore Pakistan is presented as a monolithic theocratic state, dominated by the military and ISI, a base for US imperialism or now Islamic fundamentalism, and in possession of nuclear warheads. In contrast, India is projected as a secular state notwithstanding the persecution of minorities; civilian control over the military is highlighted but not the militaristic approach to dealing with popular movements; the Indian ruling classes' self-serving nationalism is translated into anti-imperialism; and nuclear ambiguity is accepted at face value. Consequently, in the dispute over Kashmir,

The prevailing mood among the decision-makers, interrupted by the exigencies of assembly elections, is to hold talks when there is considerable outside pressure, but to offer nothing substantive to resolve disputes. Some time ago, Pakistan's high commissioner told an interviewer that the Indian foreign secretary gave an assurance in 1993 to his Pakistani counterpart that India was ready to discuss the Kashmir issue with Pakistan provided Pakistan withdrew its resolution on human rights at the UNGA, but nothing came of this. He also mentioned the assurance given on September 3, 1981 that Jinnah House in Bombay would be given to Pakistan as the residence for their deputy high commissioner; nothing was done. Similar backtracking can also be gauged from accounts of the last round of foreign secretary level talks held in Islamabad, January 1-3, 1994.

It was the Pakistani prime minister who took the initiative in August 1993 to propose the revival of bilateral negotiation in terms of Article 6 of the Simla Agreement, which calls for a "final settlement of Jammu and Kashmir". The Indian response to that was that negotiations cannot take place under a single clause and must be held under the totality of the Simla Agreement. Stated simply, the Indian position is that Zulfikar Ali Bhutto had agreed to recognise the Line of Control (LOC) as the international border but had in 1972 needed time to win domestic concurrence for the same. They point out that the agreement debars the two sides from changing the LOC by use of force, and accuse Pakistan of attempting to do so through the support of terrorism and secessionism in the valley. The Indian government has also insisted that Pakistan's support for the UN resolution will make India's stand more rigid. The Indian approach was to emphasise that Pakistan is fanning controversy on Jammu and Kashmir merely because it has an ideological bias against secular politics, and to give the impression that it is more keen to ease tension. Therefore it is argued that the two countries ought not to look at their relations through the prism of a single issue and should move towards resolving other issues like Siachen, Wullar Barrage, Sir Creek, nuclear non-proliferation, etc. With little happening on the decisive issue of Kashmir there is no incentive to end recriminations over Siachen and Sir Creek. Senior government leaders admit that "there was only one problem", i.e. Kashmir, between the two countries, and if this problem could be addressed properly all other issues could be resolved.

The Pakistani government rejects Indian claims and says that if there was an understanding reached in 1972 then neither the minutes nor any other records lend weight to such claims. They argue that this insistence on the "totality" of the agreement is a way to maintain the status quo and to restrict

the bargaining weight of smaller countries. They point to the indigenous roots of militancy in Kashmir while stressing that Kashmir is a disputed territory recognised by the international community. They also insist that India agreed to this meeting in an attempt to escape inter-national opprobrium over atrocities being committed in Kashmir.

Whatever the rationale, the Indian government's insistence on bilateral talks as a means to resolve disputes with its neighbours is a lemon from which all juice has been extracted. Twenty-four years of bilateral talks with Bangladesh on sharing of river waters, or forty-five years of bilateral talks with Nepal on a trade and transit treaty, have not brought the two sides any closer to a solution. Even in Jammu and Kashmir, the GOI has been opposed to third party intervention, although it was India that took the issue to the UN. In 1948 the UN Commission on India and Pakistan negotiated the ceasefire leading to the introduction of a UN military observer group for India and Pakistan. But in 1971 in the negotiation of the ceasefire they had no role to play, and the GOI took a policy decision not to deal with them. Now the foreign ministry has accepted the proposal that once in a while UNMOGIP be contacted by Indian army brass. This is of course a small concession to ward off bigger pressure. Lest we forget, the UN secretary-general in his 1994 report mentioned that relations between India and Pakistan are "marred" by the dispute over Jammu and Kashmir, "one of the oldest unresolved conflicts on the UN agenda". While noting their resolve to solve their problems bilaterally he added, "Nonetheless the level of tension in Jammu and Kashmir has increased considerably in recent years". Pakistan has formally requested the secretary-general to increase its strength from 35 to 200 and extend its mandate to monitoring the situation in the valley in addition to the LOC.

However, India has rejected Pakistan's suggestion that a neutral force monitor the LOC to verify that no crossing of the LOC takes place from their side. But if trans-border terrorism is an acute problem then international pressure can help in reducing infiltration. Instead the Indian government implies there is no need for independent corroboration that Pakistan is waging a "proxy war" against India in Jammu and Kashmir. Since fighting even a "proxy war" necessitates the fanning of hysteria, it has a bearing on domestic politics.

Such a political ambience suits the US and EU to extract maximum advantage for themselves in IPR, NPT, entry into infrastructure sectors, GATT, etc. Let us remember that there is a consensus between the US, EU, Japan and Russia on giving themselves through the UN an interventionist role on wide-ranging issues. Not surprisingly, these countries have turned human rights into an enterprise which yields a commercial

harvest. Now that the big powers have linked the Indian candidacy for a permanent seat in the UNSC to improvement of relations with Pakistan as well as ending atrocities in Kashmir, there is even greater need for substantive measures by GOI.

JAMMU AND KASHMIR

The Indian bourgeoisie, ruling or in opposition, insists that Jammu and Kashmir must stay part of India. Some feel the need for negotiations with Kashmiri leaders, but most argue that a secession could start the stalled engines of disintegration. For good measure, mention is made of retaining Jammu and Kashmir for the very survival of secularism in India; this informs the opposition to the right of self-determination for Kashmiris. Much is therefore made of popular fatigue and the shenanigans of militants. The futility of envisioning settlement within the Indian union escapes perceptive observers who naturally fail to appreciate the cause of alienation and the justification for demanding self-determination. No wonder they remain unmindful of the touch-and-go nature of the situation in the valley.

On the night of December 18 a missile was fired towards Pamposh Hotel, on the northern shores of river Jhelum, used as a temporary barracks by the CRPF. The missile missed its target and fell in Pratap Nagar colony, destroying houses, shops, cars, and bathhouses. The unusual thing was that damage took place in a six km area and created a six foot deep crater. The force of the impact suggests that the missile accidentally hit an ammunition dump of the BSF which has barracks in the residential colony of Pratap Nagar. While no human life was lost, what this incident brings home is how close one is to a catastrophic accident in the valley. While uncertainty hangs over the people, the IG of jails in J and K has demanded money to build new jails to house 11,000 TADA/PSA detenus in the state. This is in spite of military intelligence confirming that detention without trial and third degree interrogation have not reduced militancy, and that jailed people come out more committed to their cause.

Of course it is claimed by the Indian government that militancy has been curtailed and the human rights situation improved. But at Laras Jagir village in Tral, security forces torched 18 houses, killed a 50-year-old man and molested four women. A similar incident took place in Anantnag where 17 houses and four godowns were set ablaze. While the occupation by militants of the shrine of Charar Sharif highlights the tenuous hold of the Indian forces, the declining morale of the troops can be had from the decision of the army to weed out "chocolate eating" personnel from the field of operation to prevent them from pursuing a policy of "live and let live". But the GOI's upbeat mood is subsumed by cold statistics; in the past

five years 11,522 militants were arrested, 6,147 of them detained under PSA and the rest under TADA. Obviously persecution is preferred over prosecution. The director-general of police M N Sabarwal said recently that in the past five years, 9,599 persons were killed, of which 5,118 were militants, 1,446 were security personnel and the rest civilians. To enable the security forces to undertake such tasks in defence of unity and integrity, Jammu and Kashmir spends Rs 185 crore annually on 'security related activities', and funds to the extent of Rs 400 crore are diverted from the plan to the non-plan side. Little is done to end 20 hours of power cuts in the valley in chilling winter.

The inefficacy of the military approach becomes even more clear from the political antics of the GOI. At the intervention of the Indian ambassador to the US and the US embassy in India, Mirwaiz Moulvi Farooq and Moulvi Abbas Ansari were permitted to travel to Casablanca for the OIC summit. By excluding Abdul Ghani Lone, considered too close to the US, and permitting the other two leaders from Hurriyet, the Indian administration expected some advantage in the valley where Indian officials desperately search for dialogue partners. The fact that Shabir Shah and Yasin Malik rejected attempts to be roped in and even the Jamati-Islami kept itself out, shows that those who matter remain beyond the reach of New Delhi. An alienated people have repeatedly shown their desire for a peaceful solution. They have thrown up leaders who have provided a democratic voice to their aspirations, refusing to compromise on the core matter of self-determination. Despite decimation the JKLF survives and Yasin Malik has shown a willingness to reach out to the Indian public. Recently released, Shabir Shah has been travelling in different parts of Jammu and Kashmir holding meetings. He has called for the merger of all groups into one organisation, and a code of conduct for all militant outfits "in order that gun toting criminals are identified and the sanctity of the movement restored". He also advocates a united policy on the issue of Kashmiri pandits "so that the problem is speedily resolved", and has called for the "free functioning of intellectuals, writers and journalists and their associations". He castigated Hurriyet for being silent when "our own people are shedding our own blood. The pockets of the weak are being cut. Free expression is banned and the pen is mortgaged." But he reiterated that the only solution is to allow the people of entire Jammu and Kashmir to exercise their right of self-determination. With the return of Mohammed Azam Inquilabi, head of Operation Balakote in Srinagar, battle has been joined for political assertion with those who see the gun alone as the means to win freedom. He declared in his very first

statement that "it is time to shed the gun culture and rededicate ourselves to democratic struggle", and is convinced that "if we demand our right democratically it will be heard". While militants are taking the Indian public seriously, the political assertion of militancy is read as a victory for Indian hardliners.

THE INITIATIVE

It is against this background that the need for an initiative by people was felt. The crass pragmatism reflected in the Indian debates, unable to go beyond the stereotype of a war/peace scenario, was incapable of bold and courageous ideas in defence of the people of Jammu and Kashmir or understanding the strategic significance of democracy for the two people. There was also the urgency to have an informed public opinion which can blunt the edge of prejudice which masquerades as patriotism. Efforts towards this began two years ago and really got off the ground in May 1994 when the first parley took place at Lahore. Starting with a few individuals and two preparatory meetings – first in Lahore in September last followed by the other in Delhi last November – the agenda was worked out. It was self-consciously non-sectoral – trade union, women's rights movement, environmentalists, etc. The very

name – 'Pakistan India People's Forum for Peace and Democracy' – stressed the difference from earlier efforts. This forum felt that peace and democracy are indivisible, and therefore the need of the hour is not just ending war and warlike preparations but ensuring the restoration of people's rights and just and fair governance as behoves civilised societies. On the political agenda, four subjects were identified: war and war hysteria and the need for de-militarisation; religious intolerance, minority rights and threat to democracy; the Kashmir dispute; and the role of governance.

Those engaged in semi-official/third party mediated conferences were consciously excluded. If it was to be true to its name, then involving people through the aegis of non-governmental movements, struggles and groups was essential, and this became the basic criterion for the selection of delegates. With 96 delegates from Pakistan and 115 from India, this became the first-ever people's conference between the two countries, which in itself is significant. The free and frank discussions were an exhilarating bonus. It was decided to hold the next conference in Pakistan sometime in autumn, meanwhile the organising committees would hold meetings in different towns to discuss the recommendations arrived at by the delegates.

CPI(M): Ideological Renewal Given the Go By

Ajit Roy

That the CPI(M) does not set much store by the renewal of its professed ideology is proved by the absence of critical assessment of the developing reality, internationally and nationally, in the draft political resolution adopted by the party's central committee for finalisation at the 15th congress of the party to be held at Chandigarh next month.

WITH the conclusion of the state party conferences, the CPI(M) is now focused on its international and national political positions. The draft political resolution adopted by the central committee for finalisation in the 15th congress to be held at Chandigarh in early April deserves critical attention because of the party's considerable role in national politics.

The present draft marks an improvement in the party's writing style. It is less prolix, although the old irresolution in making a stylistic choice between a report and a resolution still persists.

The first, and the shorter, part of the two-part draft deals with the international situation. Although three years have elapsed since the previous congress, the party does not seem to have made much progress in

the critical evaluation of the basic causes behind the collapse of the old system in the USSR and its east European neighbours. The ideological document presented at the previous congress in January 1992 had given a somewhat tentative analysis of the previous developments, accompanied by many self-critical statements about the party's naivety, that it had been uncritically influenced by received ideas. The document had stressed the need for more in-depth knowledge. The present draft, however, does not indicate that the party has made any significant advance in that direction. For example, while correctly nailing down many of the specific sins of Stalinist practice, the previous document still tried to balance the negative with 'the positive'. The present draft does not broach the subject

at all. It makes no attempt to re-understand in depth either the rich experience of the 70 years of history, dominated as it was by the direct and indirect impact of Stalin's handiwork, or to derive guidance for the present and the future on the basis of this enriched understanding.

That the CPI(M) does not set much store by the *renewal* of its professed ideology is proved by its mechanical repetition of old categories and concepts rendered useless and irrelevant by the march of history. For example, its entire analysis of the contemporary world politics is still dominated by the old concept of four basic contradictions, the first and most important of which is considered to be the contradiction between the imperialist and socialist systems. To the CPI(M), it appears, the collapse of the old system in the USSR and its east European allies does not make a fundamental difference, nor does it notice the fundamental metamorphoses in China and Vietnam, the other two leading constituents of the world socialist system – the two changes which between them render the so-called socialist system a myth.

In the very recent postscripts to his classic account of the Vietnam war (*Anatomy of a War*) Gabriel Kolko, a long time admirer of the CP of Vietnam, has given exhaustive details of its new policy orientations and their consequences. He has shown how the present policies of the regime have been leading to a steady impoverishment of the poor and, more significantly, disempowerment of the poor peasants, the party's traditional social base, spreading hunger, disease, unemployment, social and regional polarisation, much aggravated by corruption, nepotism, bribery and frauds, reaching up to the top. So much so that the World Bank, the new patron saint of the regime (and the Asian Development Bank) has from time to time issued mild warnings. The constant mouthing of 'Marxist-Leninist' phraseology by the party leadership is apparently motivated by its concern for its legitimacy in the face of growing disillusionment and even incipient rebellion of the ranks and masses.

Though no one, to my knowledge, from among confirmed Marxist supporters has so far studied the present Chinese scene with such meticulous care, all available evidence suggests the operation of the same basic trends there, obviously with the same results.

With the old communist regimes doing their very best to generate grave contradictions with their professed aims and objectives in their own backyards, any contradiction with world imperialism is superfluous and can be only of a nominal importance.

Whatever the positive significance of the survival of the old regime in tiny Cuba and North Korea, the concept of contradiction

between the two *global* systems is a self-deception.

Another notion, uncritically carried over from the past, is 'nonalignment' in the international sphere. As is well known, this concept was born in the context of sharp confrontation between the two superpowers in the post-second world war era. Gradually diluted in content, due to many historical developments, it has lost its meaning altogether with the emergence of the so-called unipolar world. What is in prospect is the emergence of a global alignment against the domination of the OECD bloc led by the US. Evocation of the old and irrelevant concept does not sharpen the focus on the looming task.

Another important shortcoming of this part of the draft is the failure to draw an important conclusion from the phenomenon of the world domination of the TNCs which it deals with in some detail. Specifically, it fails to note the loosening of the TNCs' national anchorage and greater proneness to shift employment and investments abroad in quest of higher profits. This fact is leading to a radicalisation of the working class and segments of the population of the metropolitan countries and thus laying a firmer basis of international actions by popular forces.

Coming to the second, national, part, while one can agree with and welcome the general thrust of the draft in broad terms, one cannot help notice the absence of critical assessment of the developing reality.

For instance, while the draft rightly focuses on the menace of communalism, it misses the new and more menacing element in Hindu fundamentalism today. Although it passes under a common label, India has really witnessed two distinct varieties of communalism: (i) a sectarian movement bargaining within the existing polity in the interest of a particular community of the people, and (ii) a bid to go beyond the existing polity and impose violently a fundamentally different polity on the country, as the Pakistan movement did in the 40s. The present phase of Hindu fundamentalism, represented by the 'Sangh parivar', belongs to the second variety and, hence is a grave threat to the existing democratic order whatever its limitations. Indeed, this brand of communalism has become the rallying ground of various retrogressive social forces for imposing an authoritarian regime. In this context, along with traditional anti-communal campaigns based on religious tolerance and amity, a comprehensive programme of grassroots democratic forces has become very important. It is not enough, as the present draft projects, to combine economic struggles with struggles against communalism. What is needed is a pervasive and integrated awareness and commitment to ideals of human rights, ethnic plurality, social equity and grass roots participation in decision-making

processes. From this standpoint, the present official programmes of so-called panchayat raj needs a second look. The ongoing panchayat programmes have no doubt broadened the power base, but up to a certain level only. They have also relatively empowered the middle caste landed interests, whose oppressive pressures on the landless dalits and adivasis have not weakened much, if at all.

Before we come to our last major critical point, some sundry issues. The party has not freed itself from its ultra sensitivity about (military) national defence which is still a holy cow for it! There is not a word about the burden of the unconscionably high military expenditure, open and hidden. Secondly, the party has not given up its commitment to the demand for the repeal of Article 356 despite the new safeguard provided by the recent Supreme Court judgment and the observed role of the BJP state government in Uttar Pradesh in the Babri masjid demolition.

A far more serious analytical shortcoming of the draft, however, is in its understanding of the so-called New Economic Policy (NEP) which is supposed to have been initiated by Narasimha Rao and Manmohan Singh under pressures from the World Bank-IMF. It thus ignores the internal secular compulsion generated by the accumulated consequences of the Nehru era. It also fails to note that some of the main elements of this policy had actually been coming into effect without any articulated policy frame since the mid-70s. More importantly, it fails to note the crucial fact that this policy has been able to consolidate behind the ruling power bloc the support of a large segment of the population, variously estimated at 15 to 25 per cent of the total, by bringing as it does rich dividends, at least initially, to a broad spectrum stretching from top industrialists through substantial farmers to a sizeable part of the middle classes. All this has serious implications for strategies and tactics of political mobilisation in the present and coming periods.

Most importantly, while the draft resolution is highly critical, and rightly so, about the NEP and its impact on national life, it is absolutely silent about Jyoti Basu's crusading zeal about many of the main elements of this policy in West Bengal. This cannot be explained in any manner except as a piece of blatant opportunism.

Finally, although its West Bengal branch is by far the most important part of the party and although the entire activity of this state branch is principally centred on the Left Front government that it leads, the draft resolutely refuses to reflect upon the party's performance in this realm, even though there is widespread perception of the creeping degeneration of and corruption in the party that have arisen from this connection.

World Archaeology Congress

Unravelling Deceit

GN

For those who retain the illusion that there is a difference between the lumpens who demolished the Babri masjid and those who provide the intellectual input for bigotry and xenophobia, the goings-on at the World Archaeological Congress-3 come as an eye-opener.

THERE are many who still retain the illusion that there is a difference between the lumpens who demolished the Babri masjid and those who provide the intellectual input for bigotry and xenophobia. The goings-on at the World Archaeological Congress-3 came as an eye-opener. The Indian organisers of WAC-3 fought first to ensure that there was no discussion of the Ayodhya issue at the congress, and when exposed used every trick to thwart a general resolution being passed condemning the demolition of Babri masjid and manipulation of evidence by archaeologists. In the process, the machinations of pseudo patriots besmirched the country's honour and earned a bad name for India's archaeologists and historians.

Office-bearers of the academic committee for WAC-3 chose to use the easiest course of action – making the foreigner feel that his or her action could trigger off a chain of events that could lead to riots and deaths. There is scarcely anyone who wants to carry the guilt of having caused the deaths of innocent people. As a result, on December 4, the day delegates were to arrive and register, a statement was distributed to all participants in WAC-3 which informed them that the WAC executive supported the “views of our Indian colleagues that there should be no papers or discussion at meetings of the executive/council and in plenary session on the politically and communally sensitive Ram Janmabhoomi-Babri masjid (Ayodhya) issue”, adding that the “practical consequences of discussing this issue would be beyond the executive's control”. This statement, signed by the outgoing president of WAC Jack Golson, concluded by saying that “this is the only concession that it (WAC) is willing to make to limitation of the WAC principles of discussion of the historical and social role, and political context, of archaeological enquiry and interpretation”.

Delegates were predictably furious. Some felt that were WAC-3 to disallow a discussion and adoption of a resolution

condemning the destruction of the 16th century Babri masjid and those archaeologists who supported or participated in vandalism, this would be violating the very fundamentals of the discipline. Others felt disturbed by the fiat disallowing discussion. Several Indian participants demanded to know what was meant by the “practical consequences” to which Golson refers. No explanations were forthcoming.

Once the organisers realised that Golson's letter, instead of putting a lid on discussion was generating one, they panicked. In a move designed to evade responsibility, an RSS front, Historians Forum, issued a statement blaming the HRD minister for curtailing a discussion on Ayodhya. This embarrassed the government, especially the HRD minister who has gone about cultivating his image as a saviour of secularism, never mind that his government had facilitated the destruction of Babri masjid. Obviously, for political tightrope walkers, image projection is crucial. The president of the academic committee B B Lal was summoned to the ministry and compelled to issue a statement contradicting the Historians Forum and denying that the government had anything to do with the decision. That they could twist B B Lal's arm raises the question as to why the ministry did nothing for two years about the composition of the academic committee. But B B Lal's statement once again caught the organisers on the wrong foot. They had told Jack Golson that dropping the Ayodhya issue from discussion was at the request of the government. It was probably this that led Jack Golson to circulate a seven-page statement giving the sequence of events, which shows the deceitful conduct of the Indian organisers.

On November 30 the secretary-general of WAC-3, V N Misra, head of Deccan College of Archaeology, requested Golson on behalf of B B Lal, the president of WAC-3, that the Ayodhya issue could not be discussed as “an essential part of a commitment... made in the presence of the minister of Human Resource

Development”. V N Misra, a senior scholar, also communicated that failure to abide by this commitment would have “incalculable consequences for WAC-3, including possible externally inspired disruption”. In private Golson was told that were WAC to disagree, the government has threatened to withdraw police protection. Golson was warned that the Indian committee would wash its hands of the entire congress. This was pure and simple blackmail and Golson succumbed to it. However, Golson's draft announcing the WAC executive's capitulation was found to be inadequate, and a draft prepared by B B Lal was given for Golson to sign which committed WAC not to discuss or pass a resolution on the “politically sensitive” Ayodhya issue. Golson says “I refused to do so until I had consulted the WAC executive”. The executive met and complied with “Professor Lal's imposed deadline of 5 pm” on December 1. It was also decided that a statement of this decision would be provided to the participants, and a statement was prepared by the executive. But once again V N Misra and Makhan Lal disapproved of the contents and insisted on revising it. “This revised version was later distributed” to the participants.

Significantly, Golson's statement is also an indictment of himself for being weak-kneed and for failing to see that the issue of Babri masjid was not a minor issue of local importance, just as the persecution of Jews by the Nazis in the 1930s was not. He points out that some of the people he talked to denied that any commitment was made in the presence of the HRD minister in early November. Why did he then choose to believe B B Lal? Why did he not respond even when, after the inauguration, the minister told the press on December 5 that he had never opposed a discussion of Ayodhya at WAC-3? In fact, why did he not ask the minister during the inaugural function why in world's largest democracy the government forbade discussion of the Ayodhya issue? This does not mean that the central government favoured a discussion either. What Golson does not mention but said in private was that he was shown a letter purported to have been signed by the minister asking for such a commitment. Was that letter forged or did the minister really sign this letter? Only a month back the minister had persuaded some historians to agree to join the academic committee of WAC-3, arguing that it was a matter of national pride that such a congress was being held in India. A discussion on the demolition would be tantamount to washing dirty linen in front

of outsiders. The very idea outrages self-serving patriots. After all, it also helps to divert attention from the government of India's culpability in the crime committed on December 6, 1992. However, on balance organisers had a lot more at stake and therefore to lose from a discussion and adoption of a resolution by WAC-3 that condemned them compared to the central government. It is this that explains their act of desperation.

Reminiscent of the attack by RSS goons on media persons on December 6, 1992, the secretary-general of WAC Peter Ucko was threatened with dire consequences by one of the Indian organisers were he to push for a discussion on the Babri masjid issue. Not content with this and in order to take care of contingencies, once it became known that some delegates were determined to push for a resolution the organisers refused to announce the time and venue for the plenary session. Word spread that Indian organisers were planning to have the plenary in the evening of December 11 to ensure that most foreign participants would be busy planning their departure. Finally on the evening before the participants were informed that the plenary would be at 11.30. When the delegates reached the place they found a note informing that the plenary has been postponed till 1.30 pm instead. At the plenary session, as soon as R S Sharma got up to read out the resolution proposed by 18 scholars, as if on cue screaming and shouting started. Then began a free-for-all which was presumably designed to waste time and enable B B Lal to announce that a vote on this resolution is not possible since several non-delegates have entered the hall. Before anyone realised what had happened, he declared the plenary closed. By the time Jack Golson walked up to speak, he found that one of the Indian organisers had switched off the mike. While the Indian organisers managed to subvert the plenary, the disgusted delegates compelled the new executive council of WAC to adopt this resolution and thereby managed to salvage some of the ground lost due to the machinations of the organisers.

The deceitful actions of the organisers were compounded by the insulting treatment of Indian delegates who were treated like cattle, left to fend for themselves. There was no one to receive them at the railway stations, and they were put up in tents in winter in Delhi with no facilities. Unlike other delegates who were given all the papers, they were asked to fork out Rs.250 if they wanted the set of papers. So gross was the mismanagement that sessions were changed and re-changed and delegates and people who were to

present papers were found running back and forth to find where various sessions were being held. In fact the organisers practised apartheid to the extent that Indian and non-Indian scholars were to read papers at separate sessions and not according to the themes covered. At the last minute the WAC executive insisted that this be changed since this defeats the very purpose of interaction among fellow archaeologists. What is worse, several foreign delegates complained that they received no acknowledgement for the advance amount varying from \$ 150-200 that they had sent. In fact in several cases delegates were asked to fork out money claiming their bank drafts had not been sent. In one case a Spanish delegate who had sent the money in July last was told that there was no hotel accommodation for her since her money did not arrive, and she was left to fend for herself.

While WAC-3 left a bitter after-taste for the organisers, it was self-inflicted. However, to the extent public funds were provided for WAC-3 the public has a right to demand an explanation from the organisers. Those who decided not to boycott the congress and in fact were even willing to be co-opted into the academic committee were banking too much on the benevolence of the government for their ideological battle. Far too much time was spent in complaining to the government about misappropriation of funds and suggesting that R S Sharma and Irfan Habib be accommodated instead of Makhan Lal and S P Gupta. Certainly when it came to the crunch, it was the stiff

resistance put up by scholars both inside and outside that drove home the point that in opposing the organisers one was fighting the forces of reaction. The experience of WAC-3 makes it clear that one cannot waffle when confronting communal-fascism.

Sadly, while allocations for universities are being curtailed generous grants were made available to a bunch of people whose commitment to their discipline was in doubt even when their competence as manipulators was not. In fact WAC was to be the vehicle to gain respectability for the act of vandalism in Ayodhya. Once it became clear that WAC was inclined towards adopting a resolution condemning the demolition of Babri masjid, they used tactics that would do fascists proud. However there is some benefit that has come out of all this. Scholars linked to the RSS and their supporters did a good job of establishing that they are misfits in civilised intellectual circles. It is also clear that those who depend on the government to fight their ideological battles should think twice now about a government which runs with the hare and hunts with the hound. It is also time to ask why allocations for universities decline while the size of the discretionary funds at the disposal of the government keeps on increasing. Finally, to treat RSS fellows as gentlemen/women who play by the rules is to forget the diabolical character of their ideology. The gloss of scholarship, just as the mantle of patriotism, is a thin veneer which at the slightest provocation exposes its heinous side.

RELEASING IN APRIL 1995

***A Pioneering Encyclopaedic Work
Covering all Nobel Economists till 1994***

NOBEL ECONOMISTS

LIVES AND CONTRIBUTIONS

By
K. PUTTASWAMIAH

Foreword by
JAN TINBERGEN

"... The economists all over the world will find this work very useful. . . This book is the first of its kind in the entire world—a pioneering landmark in the field of contemporary economic thought."

ISBN 81-7387-027-6 / Set of 3 Vols. / 1340 pp. / Rs. 2000 per set

INDUS PUBLISHING COMPANY

FS-5, Tagore Garden, New Delhi - 110027 ☆ Ph: 535442, 535289

Meonis of Mewat

Yoginder Sikand

The Meos are descendants of rajput, meena and gujjar converts to Islam and are scattered over a large area south of Delhi towards the Thar desert. The condition and status of the women in this poor community largely made up of small and middle peasants is distressing. Not only are they educationally backward, with few opportunities to attend schools, but are subject to customs which contribute to keeping them economically and socially backward.

STRETCHING southwards from the border of Delhi towards the Thar desert, over large parts of Gurgaon and Faridabad districts of Haryana and Alwar and Bharatpur in Rajasthan, is the culturally distinct region known as Mewat. This name is derived from the major community inhabiting this area, the Muslim Meos. The Meos are descendants of rajput, meena and gujjar converts to Islam. It is estimated that there are over a million Meos in Mewat alone, and several hundred thousand scattered elsewhere. Nearly all the Meos of Mewat reside in the rural areas, and most villages in the region have overwhelming Meo majorities.

The Meo community consists almost entirely of small and middle peasants who, on the whole, are greatly impoverished. There is an almost complete absence of irrigation facilities in the region, and this is so even though the present minister of state for irrigation in Haryana is himself a Meo. As a result, most Meos can raise just one crop a year, and that only if the rains are sufficient. Rampant exploitation by bania and Jain moneylenders is another major cause of Meo poverty. Most of the banias of Mewat (there are a couple of them in each Meo village and bania majorities in most Mewati 'qasbas' or small townships) live off the interest they charge on loans given to the Meos. Much Meo land has already passed into bania hands as a result of the inability to repay loans. Educationally, too, the Meo community is extremely backward; and estimated 10 per cent of the Meos are literate. To add to all their many woes, the Meos complain of government neglect and discrimination against them on religious grounds by local officials.

If the general conditions of the Meos is woeful, that of the Meonis, the Meo womenfolk, is even more distressing. In the sphere of household work, the burden is almost entirely on the women. Forced by acute poverty, right from childhood young Meo girls must assist their mothers in household chores and so cannot go to school. They tend to their younger siblings,

graze goats and sheep, and roam the bare, barren slopes of the Aravallis in search of firewood. Unlike in many other peasant communities, agricultural work too is largely a woman's domain among the Meos. In many cases the only agricultural operation done by the men is ploughing. Offering an explanation for this phenomenon, Usman Khan, former sarpanch of Jharpudi village in Gurgaon district says, "This is because our women are a very brave race ('bahut bahadur qaum hai'). So strong are they that when they deliver children they are back to work the next day cooking food for their families". Another informant, however, attributes the overwhelming dependence of Mewati agriculture on Meoni physical labour to the general economic and cultural backwardness of the community and to Meo insensitivity towards their women. "Meonis are doubly exploited", he says. "First, they, along with Meo men, suffer at the hands of the banias and the officials. Then, they are exploited by their men themselves. Some are even treated as dumb cattle though our religion strictly prohibits this."

The Meos are one of the few Muslim communities in India who, in matters of inheritance, are governed by their own customary law and not by Muslim Personal Law. While the latter provides for a share for daughters in the property of their deceased fathers, the former does not. Granting daughters inheritance rights in land, Meos contend, would further contribute to the rapidly increasing fragmentation of their already unviable landholdings, a problem that has become extremely acute with rapid population growth. Dowry is seen by the Meos as taking the place of women's inheritance rights, though it is not an Islamic custom allowed by the 'shariat' (Islamic law). However, the two are not equivalent; unlike the property which Muslim women inherit from their fathers, over which they exercise control, dowry is paid to the groom's family and the bride has no rights over it. The dowry problem is becoming

increasingly acute. Among the better-off sections of Meo society, men compete with one another to pay higher dowries for their daughters in order to enhance their social prestige. Despite several caste panchayats having been held by Meo 'chaudhries' (leaders), in which it was unanimously decided to do away with dowry, the practice shows no sign of abating. In fact, many of the chaudhries who had vociferously condemned dowry at these panchayats themselves paid grand dowries when it came to the marriage of their daughters.

Meo families are generally large and women begin producing children soon after marriage. Meos believe that family planning, especially limiting the number of children, is strictly prohibited in Islam. Most maulvis do not deal in their sermons with such concrete social problems as poverty, illiteracy, women's rights, and family planning. Instead, they generally confine themselves to lecturing about the importance of faith ('iman'), prayers ('namaz') and fasting ('roza'). If, says Mustaq, a Meoni from Nuh, they were to lecture to their congregations about what role religion could play in solving the growing social problems of the Meos, they would be more socially productive and relevant than at present. Mushtaq suggests that books on Islam and social problems should be abridged and translated into simple, readily understandable Hindi and Urdu and made available in the qasbas of Mewat at affordable prices so that the Meos can benefit from them.

If the literacy rate can be said to be a measure of development, the Meonis seem to have registered virtually no development at all. According to reliable estimates, not more than 1 per cent of all Meonis are functionally literate. In the entire community of over a million, there are said to be not more than 20-25 women graduates. In most schools of rural Mewat, there are hardly any girls at all. Meoni illiteracy does not stem simply from patriarchal prejudices that frown on women's education, since over 90 per cent of Meo men themselves are unable to read and write. Given the extreme poverty and educational backwardness of the community as a whole, the low priority given by the Meos to female education is hardly surprising.

However, many Meos today seem less disinclined to educating their girls. The Meos and their maulvis are beginning to accept that Islam does encourage all believers, women included, to acquire education. The general refrain now seems to be that they do not send their girls to school for various other reasons, and not because it is something inconceivable, something that their religion proscribes.

One argument is that they have retained many of the patriarchal customs and values of their putative rajput past which discourage female education. Another reason they give is that secular education is of no use to their girls because they are anyway not going to get government jobs (school is seen here largely as a means of acquiring employment in a government department). A third argument is that there is no 'char-divari' (seclusion of women within the four walls) and 'parda' (veil) there, and the girls would be seen and taught by 'ghayr' (strange) men. It is also said that girls who study in the government schools are teased by the boys.

Meos contend that they would be enthusiastic about educating their daughters if there were 'zenana' (all-girls) schools with only women teachers. Interestingly, while the absence of zenana schools is seen by the Meos as the reason why they should not send their girls to school, they show no similar hesitation in making their women work in the fields, in open view of 'strange men'. Further, the 'burqa' is almost entirely unknown in Mewat,¹ and so also is strict seclusion, for Meonis must work outside their homes. Argues Mohammadi Begum, the Meoni librarian of the Mewat Model School, Ferozepur Jhirka, "If our working in the fields the whole day without burqas is acceptable to our menfolk, how is it that studying at school, learning proper manners and etiquette, dressed in 'hijab' (modest dress), can be said to be against religion?" Echoing the same sentiment, Fajruddin Khan, sarpanch of Doha (Gurgaon district) and founder of the Bibi Fatima Girls School, the first and only all-girls' Meo-run modern school, says, "Islam enjoins upon all believers, men and women, to acquire knowledge. Unfortunately, most Meos are in the dark about this. One of the main reasons why we Meos are getting poorer is that we do not have educated mothers. Mothers are actually the very madrasas of our children. Education will make our girls aware of what is 'halal' (right) and 'haram' (wrong), which is also what Islam wants them to learn. So how can it at all be said that schools will spoil them?" According to Salma Begum,² a post-graduate Meoni from Delhi's Jamia Millia Islamia, now teaching Geography at the Mewat Model School, the Meos would not have been as hostile to girls' education had it not been for a few cases of educated Meonis getting married on their own accord outside the Meo community, albeit to other Muslims. Because of this, she says, many Meos think that education will 'spoil' their girls, threaten the traditions of the community. Hence, she maintains, it is necessary for the few educated Meonis to be particularly careful about how they behave so as not

to jeopardise girls' education among the Meos forever. Patriarchal norms and customs, which are actually against the spirit of Islam, says Salma, can only be gradually countered.

It would be naive to see school education, as it presently is, as the panacea for Meoni backwardness. Barely 40 per cent of the teacher's posts in Mewat are filled. The teachers here, mostly banias and Punjabis and very few Meos, are notorious for taking little interest in the development of their students. Moreover, the curriculum, besides providing basic literacy and numeracy skills, seems hardly related to the concerns and conditions of the rural Mewati students. The highly sanskritised Hindi of the textbooks is beyond the comprehension of most. The books tend to reinforce traditional communal and gender stereotypes. Besides, a common complaint is that the textbooks tend to glorify brahminical Hinduism and the 'upper' castes and portray the Muslim rulers in a bad light, ignoring the great contributions of Islam. In the absence of a thorough revision of the curriculum, the lack of enthusiasm on the part of the Meos to send not just their girls but even their boys to school is understandable.

Increasingly, the Meos are sending their girls to Islamic 'maktabas' (primary schools) attached to most village mosques. There they learn to read Urdu and are taught to memorise parts of the Holy Quran. Few maktabas actually teach their students how to write. Though the pedagogical techniques employed, and much of the content of the education imparted at the maktabas leaves much to be desired, for the Meonis they are the only affordable and culturally acceptable means to acquire reading skills. Most maktabas are co-educational. No fixed fees are charged; parents give grain and money to the Maulvis to teach their children, though for poor families this is not compulsory. Girls are withdrawn from the maktabas as soon as they attain the age of puberty and are then married off, for from that age onwards they become vulnerable to ghayr men, including their male teachers. The maktabas of Mewat and their teachers are still completely untouched by modern, progressive Islamic theological developments. The 'dars-i-nizami', prepared way back during the reign of Aurangzeb, is still the 'nisab' (curriculum) for almost all the madrasas in Mewat, as for the rest of India. Almost no maktab or madrasa receives newspapers or journals and very few of them get even Islamic periodicals. Thus, leave alone the girl students, even their 'ustad' (teachers) are quite in the dark about the fast-changing world around them. The overwhelming stress at

the Islamic schools is on the inculcation of moral qualities; girls are also taught how to be 'good' wives and mothers.

Meonis who learn to read at the maktabas hardly get a chance to practise their reading skills after they pass out and get married. They simply do not get the time to read and their husbands generally cannot afford to buy literature for them. Thus, many simply forget how to read after a few years. Those who do get to read once in a while lack access to suitable reading material. Enquiries reveal that there are almost no subscribers even to Islamic women's magazines in the whole of Mewat. In the small qasbas there are hardly any bookshops, and the few that exist deal in textbooks. In the larger qasbas such as Tijara, Nuh and Ferozepur Jhirka, there are a couple of mobile bookstalls which deal in Islamic books and tracts. These are the only source of reading material for most Meos and Meonis, though the shop-owners reveal that most of their customers are maulvis and not ordinary peasants. There are just a few books available at these stalls that deal specifically with Muslim women. The most popular of these are *Bahishti Zevar* by Maulana Ashraf Ali Thanvi and *Musalman Bivi* by Maulana Mohammad Idrees Ansari. These texts merely reinforce traditional gender roles and stereotypes. Likewise, almost all the other religious tracts sold at these stalls are of the traditional sort. No progressive literature, whether Islamic or otherwise, is anywhere available in Mewat.

RECENT DEVELOPMENTS

Today there are signs that the Meos are waking up to the pressing urgency of educating their girls. Three girls' maktabas and schools have been set up in Mewat so far. Fatimiat-ut-Zohra school in the village of Sakras (Gurgaon district) is one of Mewat's very few all-girls' Islamic maktabas. Fajruddin Bashir, the village's young post-graduate sarpanch, and a local social activist, Nazir Ahmad, were the inspiration behind it. Established in June 1993, it already has nearly 70 students on its rolls. The two young lady teachers are daughters of Ahmad; they have just completed a five-year 'alim' course at the Jamiat-us-Salihat, an Islamic girls seminary at Malegaon, Maharashtra. The school's course consists of Urdu grammar and two texts dealing with religious matters. The textbooks are given free to the students, though notebooks and uniforms have to be purchased. Tuition fees are Rs 20 per month, but they are waived for those who cannot afford to pay. The maktab is presently run in a kacha room which is kept spotlessly clean. Despite some opposition from a faction

of the Meos of Sakras, who see the setting up of the maktab as a ploy to win votes, the sarpanch is making arrangements to house it in a more permanent building. He hopes to turn it into a girls' school where both secular and religious subjects will be taught. It is only by combining the two, he says, that the Meos will be able to appreciate the value of girls' education.

The Kulliyat-ut-Tahirat ('School for Pure Girls') is the girls' section of the sprawling Meel ka Madrasa at Meel Khedla in Bharatpur, Rajasthan. It was started in 1993. Its founder and principal is Maulvi Qasim, grandson of the well known Meo Miyanji Musa, who played a leading role in the spread of the 'Tablighi Jamaat', an Islamic reformist movement in Mewat. Today about 300 girls study here, mostly Meonis. The school has attempted to introduce some elementary mathematics, Hindi and Home Science in its curriculum, but Maulvi Rashid, the 'nazim-e-talimat' ('director of education') says that this has not been able to proceed very far due to their inability to pay the high salaries demanded by trained teachers of these subjects. They have to rely on madrasa products instead to teach secular subjects for which they have not received any training. Girls are admitted to the school at the age of seven and are allowed to study until age 12, for they then approach puberty and are nearly all married off. They stay together in one wing of the madrasa along with the all-female teaching staff. Maulvi Rashid says this is the only girls' boarding school in the whole of Mewat, for few other maulvis are willing to take the great risks entailed in such a venture. Perhaps the most impressive and remarkable of the girls' education projects in Mewat is the Bibi Fatima school at Duha (Gurgaon), close to the Alwar (Rajasthan) border. It is a private school of the sarpanch Fajruddin Khan, who is so popular that he has been returned to the post unopposed since 1983. Khan is barely literate himself, yet his enthusiasm for education, especially for females, is boundless. He says that since 1983 he has been spending 60 per cent of the panchayat's entire budget on education alone. As a result of his untiring efforts, Duha now has a government high school, a government girls' school and his own Bibi Fatima primary and middle school, which started functioning in 1992. This school has over 170 girls on its rolls, most of them Meonis but many also from local non-Muslim castes as well. Its all-woman staff, too, is mixed in term of religious and caste affiliation. The Haryana Board syllabus, despite all its limitations and cultural inappropriateness for rural children, is followed by the school.

Religious education is imparted by a Meoni teacher to the Meo girls two hours every day after class hours. The idea of setting up the school, says Fajruddin Khan, came to his mind when he saw the cruel exploitation of Meoni labourers in the stone quarries that businessmen from outside have now begun operating in Mewat. He realised that the only way they could fight against this oppression was by becoming educated about their rights.

Khan has a word of advice and caution for social reformers in a hurry – changing fossilised beliefs, customs, values and institutions is a long affair, a gradual process. Policies and programmes that ignore local cultural sensibilities are, more often than not, doomed to failure from the outset.

Conserving Biodiversity Need for Statutory Support

A K Jha

While there are many laws which allow for the conservation of biodiversity in India, many of the provisions cannot be implemented because of existing socio-economic and political constraints.

BIODIVERSITY is the sum total of all life forms. This is perhaps the simplest expression for the most complicated system on earth. For attempting to comprehend biodiversity in its totality and understand its various aspects scientists have used the concepts of ecosystem diversity, species diversity and genetic diversity. For a manager, however, the individual as well as combined 'status' of these diversities are the things that matter.

Conscious manipulation as also wanton destruction of habitat as pronounced behavioural aspects are relatable to hardly any species other than *homo sapiens*. As a consequence the observed decline in biodiversity is simply mind-boggling. Scientists believe that the total number of species in the world is somewhere between 10 and 80 million out of which about 1.4 million species have been identified. Reports however indicate that about 100 species of invertebrates are lost to deforestation and habitat destruction each day. All species of mammals as well as carnivorous on earth are declining. More than two-thirds of the world's 150 species of primates (which include monkeys, lemurs and humans) are threatened with extinction. Three-fourths of the world's bird species are declining in population. A worldwide decline is observed in

Notes

[Material for this paper was collected during three field trips to Mewat in November 1992 and January and March 1993. I am particularly grateful to Salmaji, Mohammad Swaleh Khan Saheb, Bani Aroraji, Maulvi Rashid Saheb and numerous Meos too many to be mentioned, for the information that they freely shared with me.]

1 Over the past few years a few Meonis, generally in the towns, have begun donning the burqa. They belong to families that have improved their economic situation such that they can dispense with their women's agricultural work.

2 Salma plans to do her PhD on the women of Mewat. She had earlier wanted to work on modern education among the Meonis but she changed her mind on realising that the universe of her study would have been microscopic, not more than 0.001 per cent of the Meoni population.

amphibians in recent years and most of the fishes have declined in population ('Conserving Biological Diversity' by John C Ryan, *State of the World* 1992, World Watch Institute). In short, mass extinctions seem inevitable and with the present level of inertia and myopic approach towards tackling all including environmental problems in most of the countries, death of mankind will, in all probabilities, be a case of suicide.

In India the situation is no less alarming in any way. About 45,000 species of flora and 65,000 species of fauna are found in India, population of most of which is declining.¹ Over 1,500 species of flora and fauna are in the endangered category. As on today out of the total area of 329 million ha, 175 million ha of land in India is in a degraded condition because of erosion, salinity, alkalinity and various other factors indicating loss of biodiversity. Similarly grasslands and pastures, just about 3.5 per cent of our geographic area, are under severe degradation due to the pressure on account of a 500 million domestic animal population. The 75 million ha area of forest land in India has about 40 per cent area under-stocked and under visible stress resulting in loss of biodiversity for one reason or the other. Wetlands and marine ecosystems rich in aquatic and bird-life are also facing

problems of over-exploitation and pollution leading to loss of biodiversity. All these warrant a specifically oriented immediate action plan for biodiversity conservation supported by an effective legal framework not only suited to the present socio-political-economic situation prevalent in India but also duly aligned with the long-term strategies of development. The task obviously is not easy.

The IUCN (the World Conservation Union), UNEP and WWF indicate that countries should have comprehensive systems of environmental law to safeguard human rights as well as interest of future generation. The productivity and diversity of the earth should also be protected by this mechanism through recognition of the legitimacy of 'local approaches'.

At present the concern of the government of India for biodiversity conservation is expressed through various acts and legal documents which constitute environmental laws in India. Important amongst them are The Indian Forest Act, 1927; Wildlife (Protection) Act, 1972 (amended in 1991); Environmental (Protection) Act, 1986; Forest (Conservation) Act, 1980 (amended in 1988); The Water (Prevention and Control of Pollution) Act 1974 (amended in 1988); The Air (Prevention and Control of Pollution) Act, 1981 (amended in 1988) and the Notification on Coastal Regulation Zone, 1991. The National Forest Policy 1988, and National Conservation Strategy and Policy Statement on Environment and Development, 1992 published by government of India also indicate furtherance of the cause of conservation. Interestingly, most of the efforts to ensure compatibility of conservation-oriented legal structures with the changed socio-economic conditions have taken shape from 1986 onwards. Apart from these, various judgments passed in cases related to issues pertaining to conservation of forest and wildlife in particular and to the effects of pollution, etc., on the natural resources as well as human life in general indicate that the thinking of judiciary is also becoming predominantly pro-environment. This has specific implications for the conservation movement in our country and adds to its strength by buttressing the statutory support to the same.

The Indian Forest Act, 1927 (IFA) contains one of the first land settlement strategies in India. It, however, also prescribes specific acts allowed/prohibited in various categories of such land as well as in regard to biodiversity elements in the name of 'forest produce' depending on the statutory status granted to the same by the act. Considering the definition of 'forest produce' one finds that it is of two specific categories as detailed in the Section 2(4) of the IFA. The first category includes specifically mentioned items in Section 2(4)(a) like timber, char-

coal, catechu, mahua flowers, etc., which whether found in or brought from forest or not, are included in the definition of 'forest produce'. Thus, this category of specifically indicated material gets subjected to all rules and regulations under IFA irrespective of its place of origin. The other category indicated in 2(4)(b) derives its status as 'forest produce' from the place of its origin, i.e., it is a 'forest produce' only when it is found in forest or is proved to have been brought from a forest. This category includes general items like parts or portion of plants and trees, wild animals including their parts or produce, etc.

In the case of reserved forest (RF) the land as well as 'forest produce' on the same automatically receive, by virtue of reservation notification itself, protection against human acts made punishable under the act as per specific provisions. Under this act the rights of the local people in case of RF are either allowed to continue by altering the proposed boundary or translocated onto a convenient patch or are commuted by the forest settlement officer (FSO) as per laid down procedure. The FSO concerns himself specifically, apart from other rights, with the right to receive or take 'forest produce' from the forest area and also whether such material can be sold or bartered by the right holder. In protected forest (PF), however, the nature and extent of the rights are simply enquired into and recorded. In case it is essential to declare an area protected, the state government does have the authority to declare the area as such but the existing rights of individuals or communities are not to be effected or abridged. In PF the state government is required to declare certain species as reserved or make rules to specifically cover 'forest produce' for bringing the same under the purview of the IFA. It can suspend the rights of private persons in some specific portion of PF provided the remainder of such forest is sufficient for a convenient exercise of the rights so suspended. Thus, regulating collection, subsection to manufacturing process, or removal, etc., of any forest produce from PF requires specific notifications to be issued by the state government. Without this the biodiversity in PF cannot be effectively managed by using IFA. The state government can notify any land just as 'forest' also and prescribe regulations for the conservation of trees and forest thereon under the IFA. In some states, however, governments have enacted Private (Forest Acquisition) Acts to serve the purpose. The action in this regard is basically intended to be taken in the interest of some public purpose like preservation of public health, maintenance of water supply, conservation of trees and forests, preservation and improvement of soil condition, etc. The IFA also provides an opportunity to the owner of any land to

request the government to get his land managed as reserved or protected forest through government agency.

Biodiversity is found not only in the legally declared 'forests' but outside also and 'forest produce' can be seen as the building blocks of the same. As on today, however, majority of the species and items that constitute biodiversity fall in the second category, i.e., in Section 2(4)(b) and they can be confidently subjected to regulations of IFA within the notified forest areas only. No sooner that such material comes out of the forest area through one means or another the task of regulating its movements, etc., by using provisions of IFA becomes difficult and benefit of doubt, more often than not, goes in favour of the people dealing in such material. Notwithstanding the fact that the forest department has concentrated generally on the management and exploitation of major 'forest produce' like timber and other items contained in the first category, the control on the exploitation and exit of plant parts and portions like medicinal herbs and shrubs becomes difficult because most of these are collected as a consequence of exercise of rights/concessions by the tribal and local people and the aspect of 'sale' or 'barter' is neither clearly mentioned in the FSO's report nor it is practicable to be effectively monitored by the department. There are very few forest divisions where items of 'forest produce' of Section 2(4)(b) are either managed through a proper inventory or auctioned. Thus, because of lack of organised collection and removal at the field level there is hardly any control on these elements of biodiversity and most of the material reaches market through middle-men who purchase the same from the local and tribal people and reach the same to the wholesalers for further export or use within India depending on its potential use. At the point of export, in most cases the wholesale dealers as well as retailers tend to indicate that the material with them has changed number of hands and also that the non-wood forest produce existing with them is either cultivated or originated from a non-forest area. For want of infrastructure as well as due to non-availability of verifiable linkages and parameters utility of any effort intended to determine backward linkages becomes an obvious conclusion and there is always a possibility of export of such items without detailed verification about legality of their procurement under the pressure of 'liberalisation' in the Exim policy. The fact, however, remains that because of the unorganised nature of trade at the initial stages the worst sufferers are both tribals as well as the resource-base. As a matter of fact the local and tribal people do not restrict themselves to the areas assigned by the FSO for the purpose resulting in lower earnings as well as indiscriminate

removals and degradation. The forest guard, more often than not, is either a party to the whole exercise or is a silent observer since he is not oriented to take cognisance of such 'petty items' going out through the exercise of a 'right' or 'concession'. The major chunk of the profit is taken by the middle-men who exploit the local 'collectors'. Thus despite the fact that the IFA seems to be having provision as well as potentiality for regulating the exploitation as well as transit, etc., of all 'forest produce' originating from forests, at the time of actual implementation, the results are extremely difficult to achieve. The non-specific nature of definition of non-wood forest produce as 'Forest Produce' in the Section 2(4)(b) of the act is also partly responsible for this ineffectiveness. Even for the items of Section 2(4)(a) that are very limited in number, the practicability of enforcement in areas outside forests except for 'visible' items like timber, charcoal, etc., is also quite often jinxed for one reason or the other.

WILDLIFE ACT

Considering the potentiality of Wildlife (Protection) Act 1972 (WLPA), one finds that the sanctuaries and national parks (protected areas) duly declared under this act are subjected to specific provisions in regard to the notified area of PAs in general and 'wildlife' as the target item in particular whereas the provisions regarding regulation of transit, trade and commerce in areas outside PAs are limited to specific items like 'wild animals', 'animal articles', 'trophies', 'specified plants', etc., as defined in the act. 'Wildlife' has an extremely wide connotation and an inclusive definition contains vertebrates, invertebrates as well as vegetation forming part of any habitat. Thus inside PAs all the building blocks of biodiversity get statutory cover by virtue of application of WLPA provisions to 'wildlife' as such. Outside PAs, only six species contained in the schedule VI of the WLPA attract the various provisions of the act so far as 'Flora' is concerned. The faunal category also restricts itself to the 'wild animals' specified in schedules I to V in non-PAs unless the first part of the definition of 'wild animal' indicating any 'animal' found wild in nature is emphasised strictly and effectively during implementation. The chance of acceptance of such interpretation having extremely wide scope as also the possibility and feasibility of discovering definitive backward linkages at implementation levels for pinpointing origin of any animal seem quite remote in the present circumstances. Again, the practicability of total reliance on Section 57 prescribing bureau of proving legality of possession as lying on the

accused, quite often, is liable to be questioned especially as a contrast element *vis-a-vis* other criminal acts. These obvious limitations reduce the scope and effectiveness of the provisions of WLPA by reducing the number of target elements of biodiversity to specific items specified in the schedules of the act. A further reduction in the number is caused by the definition of 'animal' which excludes invertebrates and hence all entries of invertebrates in the schedules of WLPA can, by this interpretation, be seen as redundant or outside the purview of the act. Such definitions tend to reduce the definitiveness of applicability of the act and also confidence-level of implementors by increasing the scope of interpretation that could be used against them. The various schedules of WLPA contain approximately 155 species of mammalia, 2,100 species of aves, 320 species of reptilia, 3,100 species of arthropoda, six species of amphibians and six species of plants. Thus, outside PAs only these number tend to confidently attract the provisions of WLPA while the total number of flora and fauna making up our biodiversity wealth is approximately 0.11 million. In short WLPA has limited applicability both in terms of area as well as target species so far as conservation of biodiversity is concerned.

The Forest (Conservation) Act, 1980 (FCA) was brought in to primarily regulate the diversion of forest areas for 'non-forestry' purposes. The FCA defines 'forest area' as any area shown as 'forest' in government records and accordingly its provisions are applicable not only to government-owned forests but also to private forest areas. The Goa bench of Bombay High Court in a recent judgment has further enhanced the scope of FCA by indicating that even such areas which may not be shown as 'forest' in government records but have vegetative cover to make it look like a forest attract the provisions of the act (Shivanand V Salgaonkar vs DCF, Goa State, Writ Petition 162 of 1987.)

The FCA has often been criticised as being anti-developmental but the fact remains that it has effectively helped in checking the mass scale diversions of forest areas that went on prior to 1980 and accordingly has significantly reduced the pace of loss of biodiversity on this count in our country. Notwithstanding the fact that compensatory afforestation in no way can adequately compensate the loss of biodiversity on account of change of land use, it can definitely be seen as creating possibilities of development of biodiversity in such newly afforested areas. The regulations regarding monoculture, though seemingly stringent against in situ conservation of certain desired species of medicinal plants, have their positive aspects

also in regard to the conservation of overall biological diversity in forest land *per se*.

PROTECTING ENVIRONMENT

The Environmental (Protection) Act, 1986 (EPA) came up as a general legislation with a resolve to protect and enhance environmental quality. It intends to regulate the discharge of environmental pollutants and handling of hazardous substances. An important aspect of EPA is the grant, similar to that in the WLPA, of power to private individuals to proceed against offenders directly in the court of law after giving a notice to the specified authority for the purpose. The EPA can be seen as an important tool for preventing depletion of biodiversity in the non-forest lands through control mechanisms safeguarding environmental concern. The Water (Prevention and Control of Pollution) Act, 1974 (WPCA) and Air (Prevention and Control of Pollution) Act, 1981 (APCA) have also been used to create conditions conducive to the conservation of ecosystems and biodiversity therein, though simply as logical and legal consequences. Various courts in India have considered and decided upon broader environmental issues utilising the above acts in favour of conservation. In *MC Mehta vs UOI* (1987) 4 SCC 463 the Supreme Court has indicated that life, public health and ecology have priority over unemployment and loss of revenue. The Kerala High Court in 9711 of 1989 recognised the ill-effects of actions imperilling riparian habitat as well as flora and fauna and gave judgment in favour of conservation of the same. The question of pollution and environmental degradation have been considered by various courts in India on the fundamental premise that the right to environment is part of right to life and the right to life is more than immunity from extinction.

The Kerala High Court in 3473 and 4622 of 1988 has noted that when degree of pollution crosses tolerance limit it invades the rights under Article 21 of the Constitution. The judgments passed under the above acts have a vital impact not only on the lives of human beings but also on the biodiversity in and around polluting agencies on a long-term basis as a definite corollary. In the judgment of Calcutta High Court in 2851 of 1992 (*People United for Better Living in Calcutta Public vs State of West Bengal and Others*) the question of wetland conservation has been dealt with in detail wherein the high court has restrained the respondents from reclaiming wetlands for changing its land-use and has directed to maintain the nature and character of the wetlands in the present form as well as stop all encroachments. This judgment not only reiterates India's commitment to the Ramsar convention on wetlands signed by our

country in October 1991 but also broadly reveals the priority granted by the court to the issue of biodiversity conservation in such areas. The national programme of the ministry of environment and forests on wetlands, mangroves and coral reefs ensures full financial assistance to the state governments for conservation of such areas but relies basically on EPA, FCA, WLPA, WPCA and APCA for creating the necessary statutory back up.

Environmental degradation and biodiversity depletion are special types of social problems. Any society can be eco-logically sustainable only if it conserves biodiversity while simultaneously protecting the life support system. This requires, as simultaneous endeavours, prevention of erosion of eco-frontiers and building up of a viable system bio-reserves. The development of PAs network is first step in this regard. Presently PAs of India cover about 1.3 lakh sq km which is about 4 per cent of the geographic area. The recommendations of the PA Network Report² envisage a total area of 1.8 lakh sq km or 5.6 per cent of the geographic area. Even if this target is fulfilled, the major thrust area for biodiversity conservation has to be non PAs.

The National Forest Policy 1988 announced its basic objective of the policy duly highlighted by the expression that the above domestic requirements of the tribal and other poor living in or near forests should be the first charge on forest produce. Considering the present socio-economic condition and also condition of the resource-base in most of the non-PAs a regulatory effort with reference to biosphere people coupled with incentive-based system of regeneration of the non PAs through ecosystem people's participation is perhaps the only option available for any significant impetus to conservation efforts and such an approach can be sustained only if there exists an appropriate statutory support to the same. With the process of impoverisation tending to establish the ecosystems people as agents of the biosphere people in the overall degradation matrix the local people act against their own interest and suffer gross malnutrition indicated through body weight and mid-upper arm circumference.¹

The writ petition in the Bombay High Court, Nagpur Bench by Sheela Barse in 1993 on the issue of deaths of tribal children in areas of Melghat close to townships clearly indicates that the deaths could be related to the degradation of land and consequent non-availability of edible forest produce as well as crude drugs that were constituents of the system of medicine practised by the Korku tribes. The revival of interdependence of indigenous people and biodiversity elements has no substitute in the present circumstances but now this needs a new approach with statutory sup-

port. In the present democratic situation not much of positive response in favour of conservation can be ensured by activating certain penal provisions, like the Section 79 of the IFA which prescribes action for failure to assist forest officers in their efforts to protect and preserve forests that are reservoirs of biodiversity. Field experience and related records show that this section as also Section 81 of IFA have virtually remained non-implementable in the present socio-political scenario.

International trade is yet another aspect influencing biodiversity conservation issues in a substantial manner. The Convention of International Trade in Endangered Species of Wild Flora and Fauna (CITES) and Export-Import (EXIM) Policy are operated by India to regulate its international trade in regard to biodiversity items like plants and wild animals and parts and products thereof. As signatory to the Convention on Biodiversity held in Rio in 1992, India is committed to the fulfilment of its various objectives with a determination to conserve and sustainably use biodiversity for the benefit of the present as well as future generations. In this regard the issue of coupling the access to appropriate technologies with sharing of genetic resources is of utmost importance since many species unknown to the modern world are in use by indigenous people in their traditional lifestyles and their sustainability could be jeopardised if they get opened to world trade without development of complete knowledge about them. As of today a number of plant portions obtained from various countries come into India for making their extracts/derivatives and further re-export because labour in India is cheaper. Further, a number of bio-fertilisers and bio-control agents are being developed and exported from India. All these tend to go on without much of control in the name of liberalisation quite often ignoring the aspects of intellectual property rights and biosafety aspects. With globalisation of trade in bio-resources, the need to protect the rights of farmers and plant breeders has also become extremely important. Thus Exim Policy, which for the first time in 1994-95 has incorporated the principles of ecological considerations in its objectives, needs to be further attuned to biodiversity conservation issues. Simultaneously it is essential to formalise and monitor internal trade also with a view to know and relate its quantum to specific 'status' of species in commerce in the interest of conservation.

Any new legislation giving effect to biodiversity conservation has to be enacted in consonance with the existing legal instruments while not only considering the present socio-economic condition and development but also anticipating the changes on a long-term time-frame. While

accepting as well as rewarding the socio-cultural ethnic knowledge of the indigenous people, provisions safeguarding the long-existing interdependence of such people and resource base need to be incorporated as one of the basic themes in such an instrument. This will also require a mechanism with statutory back up to control the trade in biodiversity elements in a way so as to protect the resource as well as bona fide producers and users from being exploited. A sharper focus on the lower group of plants and animals irrespective of their place of origin has to be built up through such a legislation and, as a concomitant action, the definitions in WLPA and IFA should be modified to include imported biodiversity elements and also genetically transformed material. The statutory bindings on genuine in situ conservation efforts with the help of local people should encourage primary producers and interventions by government should be limited to the extent of saving them from exploitative forces. The ex-situ conservation and genetic transformation efforts, however, should also be a matter of scrutiny from the points of view of access to genetic resources in the wild, compatibility and comparability of the created resource, transfer of technology, intellectual property rights, and bio-safety considerations. The concept of sustainability will have to be introduced into the planning and developmental efforts concerning biodiversity while building up simultaneously a system of adequate compensation for the ecosystems people in cases of loss of biodiversity due to unavoidable reasons. (See 'A System of Positive Incentives to Conserve Biodiversity' by Madhav Gadgil and P R Seshagiri Rao, *EPW*, August 6, 1994). Grant of incentives for conservation efforts should also find a place in this instrument. As a specific piece of legislation it should also bridge the gaps between the various components of the existing system of environmental laws as specified in the earlier paras. Considering all the above requirements and also the limitations of the existing acts in the changed circumstances it is necessary that an effective statutory back up through a new act is provided to the biodiversity conservation strategies that are attempting to shape the future of India.

Notes

- 1 'Protected Area Network Management and Scientific Research on Biodiversity Conservation - Existing Status, Gaps and Future Needs', Ministry of Environment and Forests, Government of India, 1994.
- 2 *Protected Area Network in India: A Review*, H S Panwar and V B Mathur, Wildlife Institute of India, Dehra Dun.
- 3 'Malnutrition amongst Tribals - Anthropometric Results', V S Kulkarni, *Tribal Research Bulletin*, TRTI, Pune, Vol XV, No 1, March 1993.

Southern Africa in New International Order

V S Sheth

The relations between southern African states in the post-apartheid era will evolve at the dictates of the emerging world order, and that the fulcrum of this evolution will continue to rest with Pretoria.

HUNDRED years after Gandhiji set his foot over South African soil, racial discrimination and apartheid have been finally eliminated with the installation of a non-racial government in South Africa. The termination of the apartheid system in South Africa and the end of international cold war will decisively change the political dialogue in the African continent. The first part of this essay traces the growth of interdependence and democratisation in the international community as well as in southern Africa. The second part discusses the relations between southern African states in the emerging international order. My essay argues that the relations between southern African states in the post-apartheid era will evolve at the dictates of the emerging world order, and that the fulcrum of this evolution will continue to rest with Pretoria.

INTERDEPENDENCE, DEMOCRATISATION AND SOUTHERN AFRICA

The world order had a dialectic evolution under the growing influence of science and technology on the human life. Expansion of science and technology have generated forces of democratisation and interdependence within the international community, which have dealt a mortal blow to the supremacy of the colonial, imperial and racist forces in latter half of the 20th century.

The southern African region, including South Africa, constitutes a single geo-eco system, which was partitioned by the European powers during the 19th century. The arrival of colonisers in the 19th century saw the birth of the policy of political and economic discrimination on the basis of physical features and the skin colour. The policy of racial discrimination, and subsequently that of apartheid, drew inspiration from the principle of white man's supremacy. The theories of colonialism and racism shared a common belief that the institutions and values of the white man were superior to whatever the African possessed and it was duty of the former to uplift the latter to a higher standard of civilisation. The linkages between colonialism, imperialism and racialism were not incidental [Sheth 1991:32-41]. Though the white-dominated South Africa became independent in 1910 and expanded its territorial hold to south-west Africa at the end of first world war, the European colonial control in southern Africa gave the South African whites moral support in their

policies during post-second world war period.

The policy of apartheid in South Africa evolved from 1910 to 1960, a period during which the imperial and colonial forces survived two disastrous wars and faced increasing ideological and nationalist opposition all over the world. The attempts to operationalise the colonial relationship of dominance and dependence through the League of Nations failed, and gave way at the end of second world war to nationalist and democratic forces. The difference in the territorial spread of two world wars fought within the time-span of one generation revealed the speed with which science and technology had made different parts of the world interdependent in the time of war. The shift in the power centre under bipolar conditions and the granting of independence to large number of colonies during the 50s and the 60s indicate the decline in the strength and status of former colonial and imperial powers in the face of growing interdependence and democratisation of nation-states relations.

INTERDEPENDENCE OF SOUTHERN AFRICAN STATES

In the post-second world war period, South Africa was strategically important for the survival of western influence over the region, and therefore, Pretoria was made the hub of regional balance of power. Simonstown agreement linked the regional balance of power to the global balance of power by aligning South Africa with western alliance system. During the cold war, political, economic and social advancement of the black majority was considered detrimental to the interest of the ruling white minority. The white masters of South Africa gave up free enterprise thesis of the classical school of the 19th century had developed a situation akin to the internal colonial exploitation based on the principle of complete segregation of majority blacks and minority white population in all aspects of life. Such a social system artificially designed to promote interests of a minority group of population depended upon ruthless use of state force and the support it managed to get from the outside powers. The white minority-controlled South African state, with the large black population lying within and outside its borders supplying labour to the white-dominated industry and mines. This was neo-colonialism wherein the exploitative

centre instead of lying outside in the metropolitan state, lay in the case of South Africa within the state having external economic and political linkages with the former colonial powers [Ramchandani 1986].

The dependence of the landlocked southern African states, namely, Botswana, Lesotho, Swaziland, Zimbabwe, Zambia on South African economy grew with the passage of time. South African economy, having well-developed infrastructure of transport, telecommunication networks, natural ports, advanced agricultural, mining, manufacturing and industrial sectors, large foreign investment and capital accumulation, and abundant supply of labour exerted a magnetic pull on the neighbouring landlocked economies [Clark 1977]. The dependence of the neighbouring states on South Africa expresses itself in more than one way. The World Bank estimate of mid-80s put the total number of migrants in South Africa at around one million, out of which only one-third have been legally employed workers in mining and agricultural sectors of the economy. Of these legally employed workers, four frontline landlocked states, namely, Botswana, Lesotho, Swaziland and Zimbabwe (BLSZ) provided 1,70,000 labour force while the remaining came from Malawi and Mozambique [World Bank Annual Report 1987]. Migrant labour working in South Africa remit a part or whole of their salaries to their families across the border and this has constituted significant source of revenue for some of these states.

The economic and population growth of the frontline states in the mid-80s compared unfavourably with that of South Africa. Poor economic growth rate resulted in unfavourable balance of trade and increasing external borrowings from these countries. In mid-80s Botswana, Lesotho, Swaziland, Zimbabwe and Zambia (BLSZZ) had 78, 97, 90, 18 and 14 per cent of their respective total import from South Africa as compared to 7, 42, 37, 10 and 6 per cent of their respective total export to South Africa [World Development Report 1987]. Landlocked situation has put severe constraints on BLSZZ states to have economic growth without any dependence on South Africa. Better infrastructural facilities and heavy discount offered by the South African transport system together with the insecurity and inefficiency experienced by the goods traffic in transit at the African ports have had the effect of increasing the dependence of landlocked frontline states on the South African ports of Durban, East London and Cape Town in the post-independence period [Sheth 1988:1-12].

INTERNATIONAL COMMUNITY AND NEO- COLONIALISM IN SOUTHERN AFRICA

The South African customs union (SACU), which has South Africa and BLS states as its members, enabled South Africa to operate as a *de facto* imperial power at the regional level. The imports by the member states from outside the union were subjected to

high external tariff by SACU, thus protecting the South African industries from outside competitors [Sheth 1988:1-12]. Realising the critical dependence of neighbouring African states, Pretoria in 1974 floated a plan of 'constellation of Southern African States', which if successful, would have increased South Africa's economic dominance in the region in terms of transportation, port and telecommunication infrastructure.

Contradictions within the colonial and imperial world, and its subsequent weakening, have resulted in democratisation of the international system. The new actors in the international system have taken advantage of the conflicting interests of the superpowers to create enough elbow room for their survival. United Nations at the international level and Organisation of African Unity (OAU) at the regional level provided expression to the democratic aspirations of the international community.

The sub-imperial South African economic and political systems sustaining on the neo-colonial linkages was at odds with the emerging democratic interdependent international system. Pretoria had disdainfully ignored the UN appeals in the 40s and the 50s to end its policy of racial discrimination. However, when the forces of nationalism gained success on the periphery of southern Africa with the independence of Tanganyika and Northern Rhodesia in 1960 and 1964 respectively, the whites in southern Rhodesia (Zimbabwe) were the first to revolt against their British colonial masters and had Unilateral Declaration of Independence (UDI). The whites in Rhodesia from 1965 to 1980 shared the values and policies of Pretoria and provided it with valuable safety belt to thwart penetration of continental and international influences prejudicial to white man's supremacy. Similarly, when the Portuguese transferred power in mid-70s in Angola and Mozambique the threat of black nationalists to the minority-ruled South African state increased. Pretoria attempted to destabilise the political regimes of these newly independent states.

The increase in pressure from the international community on apartheid during the 60s, the 70s and the 80s was in direct proportion to the growing assertiveness of the nationalist and democratic forces all over the world. Pan-Africa movement in the late 50s and the OAU in the mid-60s called for the severance of diplomatic relations and adoption of economic sanctions against forces of apartheid. The fight against forces of colonialism and racialism was institutionalised in the 60s with the setting up of OAU Liberation Committee (1963), UN special committee against apartheid (1962), UN trust fund to help victims of apartheid (1965), and special unit on apartheid in UN secretariat (1966). Lusaka manifesto on southern Africa (1969) by 13 central and southern African states and 'International Conference on sanctions against South Africa' (1981) by UN-OAU combine were watersheds in the

fight to dismantle colonial and racist set-up in southern Africa. The whites rejected the demand for establishment of non-racial society through the exercise of the right to self-determination raised by these conferences, and this led to their isolation from the mainstream international community.

The public opinion in the developed countries changed rapidly under constant pressures emanating from third world countries. Revolution in communications and transport enabled man, material and information to move more swiftly around the globe. The information revolution made possible by satellite communication enabled people across the continents to behold the brutal face of apartheid and the insidious connection it had with the western democracies.

In order to counter mounting external pressures, Pretoria adapted different strategies. It unleashed state terror wherein millions of blacks were uprooted from their homes, imprisoned, killed, tortured and deprived of their citizenship. Democratic rights of expression, movement, residence and association were snatched away. African Nationalist Congress, too, suffered. Its activists either went underground or operated from across the national borders.

Pretoria's politico-military strategy of establishing 'Constellation of Southern African States' and its adoption of 'total strategy' to counter increasing pressures was accompanied by attempts to integrate South African economy with the western capitalist economies. It adopted a policy of rapid industrialisation which attracted large overseas investment in South Africa. International financial investment from the US, Britain, West Germany, IMF and World Bank had propelled the growth of South African mining, manufacturing sectors of economy in the 50s and the 60s. Foreign investors were attracted to South Africa because of the availability of cheap labour, expanding markets and hard convertible currency. Overseas investment supplied developmental capital and latest technologies, besides development of management skills. The policy of industrialisation enabled Pretoria to produce 80 per cent of industrial plants indigenously in the 70s and the 80s [Biswas nd:72-76].

COLLAPSE OF NEO-COLONIALISM

The growing domestic inequity in economically developing South Africa was unacceptable to the African nationalists and their opposition, with the support of international community, grew in direct proportion to the integration of South African economy with the world capitalist economies.

South Africa in the 80s was a beleaguered state as Pretoria was unable to insulate domestic events from external influences. ANC raised the banner of revolt and the cost of sustaining apartheid grew in direct proportion to Pretoria's ability to generate economic wealth for whites only. As a result of growing domestic violence and adverse

world public opinion, the flow of foreign investment declined in the 80s and the fear of economic and military sanctions forced the white minority government to import larger quantities of oil and modern armaments for building sufficient reserves to meet unforeseen circumstances. While South African exports were falling, the imports increased alarmingly, resulting in trade imbalance. The government urgently needed to promote domestic consumption of the goods for uplifting economy from recession and resource crunch. The reports of government commissions appointed in the 80s to investigate the problems of controlling black labour suggested certain policy changes for improving economic conditions of the labour [Sheth 1992:50-51; Singh nd:127-49]. Pretoria needed to liberalise the political system by restoring basic rights of the people and allow the labour to have better wages and greater say in the production of goods. At the same time, international community's resolve to make Pretoria see the light of the day and change its policies could be seen from setting up of 'Africa Fund' by NAM and the report of the group of eminent persons appointed by Commonwealth Heads of States and Government (CHOGAM). The white minority government, recognising the need for change in the 90s, released ANC leaders, lifted emergency and press censorship, unbanned ANC and started political dialogue.

CHANGING INTERNATIONAL ORDER AND SOUTHERN AFRICA

In contemporary world, interdependence has been globalised and has dissolved ideological aspects of hegemonic rivalries at the regional and international levels. The collapse of Soviet Union and eastern Europe and the end of cold war had a fundamental impact on southern Africa insofar as it has ended regional conflicts in South-West Africa (Namibia) and Angola and brought the apartheid rule in South Africa to a peaceful end. It has made the international relations appear unipolar with only one superpower remaining on the international scene. Unipolarity in the military field has led to the acceptance of free market and democratic processes for achieving welfare of the people. However, the dominance of the US-led western alliance has been conditioned by the emergence of new northern concert of powers (NNCP) consisting of EEC, US and Japan [Rana 1994: 121-23; Harshe 1994:137-39].

The third world countries in the bipolar conditions buttressed their capabilities by establishing regional organisations and adopted non-alignment as their foreign policy. While the non-aligned foreign policy has lost some of its old capabilities under the changing systemic pressures, regional integration processes, best exemplified by EEC, have retained their relevance as means to meet the growing demands of globalism.

Southern African states in 1979 established a regional organisation Southern African Development Co-ordination Conference

(SADCC) "to alleviate dysfunctional traditional operations of the sovereign state system on the ordering of relations" in southern Africa [Rana 1990:6]. SADCC has achieved modest success under adverse circumstances in reducing southern African states' dependence on South Africa and helped them to withstand Pretoria's policies of destabilisation and economic blackmail [Gupta 1990: 134-37]. Restoration of peace and democracy in South Africa will benefit the neighbouring states insofar as the resources utilised in meeting the damage caused by Pretoria would now be diverted to the more gainful purposes. Eminent Persons Group (EPG), appointed by CHOGAM commented in its report that Pretoria's policies of destabilising neighbouring states had cost SADCC 10 billion from 1981-82 to 1985-86 and that this amount was higher than the total foreign assistance received by SADCC [Ramchandani 1986:19-21]. Indeed, with Pretoria no longer interested in destabilising its neighbours, SADCC will now be able to devote greater resources to its ongoing development projects in the region.

Southern African region abounds in agricultural, forest, mineral and water resources, which if tapped properly has the potentiality of transforming the region into one of the powerful regional groupings in the world. All important minerals such as gold, diamond, iron-ore, coal, copper, plutonium, silver, uranium, manganese, zinc, tin, lead, bauxite, limestone, petroleum and natural gas are found in the region. Large segments of local population are engaged in the subsistence agricultural activities and grow cash crops such as coffee, cotton, sugarcane, coconuts, cashewnuts and banana. The struggle against apartheid and colonialism have kept the states neighbouring South Africa steeped in poverty in spite of having rich agricultural and mineral resources. On the other hand, the whites in South Africa have utilised economic resources to achieve prosperity for themselves, as it is revealed by the figures of investment and savings. The gross domestic investment in South African economy during 1987 was to the tune of 32,124 million rands constituting 19.5 per cent of GDP at the market prices while the domestic savings of the white South Africans in 1987 was to the tune of 32,276 million rands which was 23.3 per cent of the GDP.

During the last one-and-a-half decade of its existence SADCC has emphasised sectoral co-ordination and primacy of national decision-making in undertaking development projects. It has concentrated on improving transportation, communication and port facilities, undertaken research for improving crop production and food security programme. In spite of the opposition by South Africa to SADCC's development programmes, several international agencies, regional groupings and individual countries have given aid to SADCC. The conference had received aid from EEC, Nordic countries,

Arab Bank of Development, Kuwaiti fund, and individual countries such as India, erstwhile Soviet Union, West Germany, Italy, UK, Norway, Canada. SADCC's effort in mobilising local and international resource for implementation of its policies at national and inter-state level has been impressive in comparison to other African regional organisations [Ramchandani 1986].

The rate of investment and domestic savings in the 80s was not sufficient for maintaining the economic prosperity of the ruling classes. In order to bring the political and economic system in harmony with the demands of globalisation, Pretoria had to think of ways to dismantle apartheid structures. However, the legacies of colonialism and apartheid will continue to cast dark shadows on South African society in the post-apartheid dispensation as Pretoria addresses itself to national unity and balance of growth with equity.

Given common geo-eco system, South Africa's future is intricately linked with that of its neighbours. Any changes in the economic and political policies of Pretoria will have its effects on the neighbouring states who supply labour to South African mines and depend on it for import of capital, scientific and technical skills for industrial and agricultural expansion. SADCC could provide useful forum for joint tapping of the economic resource base in southern Africa. The field of power generation for example is of vital importance to the economic health of the region, and if hydro-electric potential is fully tapped through the co-operative efforts of all the states, it could fully meet the needs of the region and spare the coal used in generation of thermal power. With the lifting international sanctions and trade boycott, recessionary trends in the South African economy noticed during the last decade will disappear. The flow of foreign investments in South Africa will be resumed.

The changes introduced in the economic and political policies of Pretoria will affect South African labour market which is spread beyond its international borders. While presenting 1993-94 state budget South African government advocated setting up of market economy, use of labour-intensive methods of production, reduction in government expenditure, and low inflation rate for achieving higher growth rate. Over the years segmented development of South African society has led to unequal development of capital, skills and education among various societal segments. The levels of education and vocational skills of the majority community has to be raised before they could command economic power equal to that of the whites. The blacks could increase their control of economic resources through land redistribution and diversifying the location of industries, though ANCA has given up the demands of nationalisation of industries and equitable redistribution of the land holdings. South Africa needs a pragmatic approach for developing economic infra-

structure and the development and redistribution skills and wealth. Agricultural and rural development, development of labour-intensive industry and adoption of mixed economy are some of the measures needed to bridge the chasm between various segments of population. SADCC has a substantial role to play in mobilising capital, scientific and technical know-how from the regional and international sources and making the interdependence operational in the field of aid and development.

Unable to meet the domestic stress and strain created by the modernising process and the pressures of interdependence and globalisation, the nation-state is increasingly giving up some of its sovereign attributes through the establishment of co-operation with neighbours. These integrationist processes in a unipolar international relations having multiple focal points will increase state's bargaining power and enable to satisfy the rising expectations of the people. Keeping this in mind, African leaders have agreed to establish African Economic Community by the year 2050 AD. The political agenda of the southern African states should take advantage of the global changes and pool regional resources and skills for mutual advantage.

References

- Biswas, Aparajita (nd): 'The State of South African Economy' in A B Sawant (ed), *India and South Africa: A Fresh Start*, Kalunga, New Delhi.
- Clark, S (1977): *Financial Aspects of Economic Sanctions on South Africa*, London.
- Gupta, Vijay (1990): 'SADCC' and Racist Machinations of South Africa' in Rama Melkote (ed), *Regional Organisation: A Third World Perspective*, Sterling, New Delhi.
- Harshe, Rajan (1994): 'Western European Integration in the Changing World Order' in Kanta Ahuja and others (eds), *Regime Transformation and Global Realignments*, Sage, New Delhi.
- Ramchandani, R R (1986): 'SADCC: Making Steady Progress', *World Focus*, Vol 7, No 76, April.
- (1986): 'The Economies of Apartheid', *Industrial Times*, November 10-23.
- Rana, A P (1990): 'Integrative Possibilities of Regional Order in the Third World: The Theoretical Landscape' in Rama Melkote (ed), *Regional Organisation: A Third World Perspective*, Sterling, New Delhi.
- (1994): 'The New Northern Concert of Powers in a World of Multiple Interdependence' in Kanta Ahuja and others (eds), *Regime Transformation and Global Realignments*, Sage, New Delhi.
- Sheth, V S (1988): *Problems of Frontline Landlocked States* (mimeo), Patiala University, Patiala.
- (1991): 'Liberation Committee and Apartheid', *Ind-Africa*, Vol 4, No 1, April.
- (1992): 'Anatomy of South African State', *World Affairs*, Vol 1, No 2, December.
- (nd): 'Non-Aligned Support to the Frontline States: A Case of Africa Fund', *Africa Quarterly*, Vol 25, Nos 3-4.
- (nd): 'State in the Changing Global Environment' in A B Sawant (ed), *India and South Africa: A Fresh Start*, Kalunga, New Delhi.
- Singh, Harjinder (nd): 'Impact of Sanctions and Armed Struggle on South African Economy', *Africa Quarterly*, Vol 32, Nos 1-4.

Down and Out in Outer Mongolia

Lessons for Economic Reformers for 1995

Rehman Sobhan

While eastern Europe has been the hardest hit because a system, put in place over many years, which had guaranteed the basic needs of the citizens, was dismantled in rapid order under the diktat of the IMF and World Bank driven by the western countries, the crisis of living standards posed by economic reforms is by no means unique to post-socialist Europe. As the world moves into 1995, what conclusions do we draw from yet another year of failure of market reforms to restore sustainable growth to most of the third world?

RECENTLY on CNN I watched a small item on Mongolia. It showed children abandoned by their parents for reasons of poverty, living in the sewers of Ulan Bator. It appears that in the golden age of the market economy, 25 per cent of the families of Mongolia have fallen below the poverty line which stands at a handsome US \$ 10 per month. As with most such encounters with the market reform process children bore the brunt of the degeneration into poverty of their families. These same children now huddling in the streets and sewers during a Mongolian winter had in the bad old days of Communist rule in Mongolia enjoyed guaranteed health care, basic nutrition, primary education and other basic necessities of life, including a roof over their head in a warm home, as a matter of right. Their parents had guaranteed jobs, a secure and predictable future. They however did not have shops full of imported luxury goods or fleets of luxury cars on the streets available to those who can buy them in the free market. Nor were their hotels full of the much sought after foreign middlemen and consultants who are now ubiquitous in Ulan Bator in search of a quick killing at the expense of Outer Mongolia.

Are Mongolians better off under market economics? Are its citizens better fed, housed, clothed than they were in the bad old days? Obviously UNICEF does not think so. In a recently published report, *Central and Eastern Europe in Transition: Public Policy and Social Conditions*, UNICEF reports on the decline in public services in the formerly socialist countries of Europe. The report presents some horrifying statistics about the declining standards of living of the 'beneficiaries' of market reforms. The report indicates that in 1992, 53.6 per cent of Bulgarian households lived in poverty. In Hungary, poverty levels in 1991 were 21.3 per cent compared to the pre-reform level in 1989 of 10.1 per cent. In the Czech Republic, poverty increased from 5.7 per

cent in 1989 to 18.2 per cent in 1992. In Poland poverty increased from 21.8 per cent in 1989 to 41.4 per cent (57.6 per cent of children live in poverty). In Romania poverty increased from 27.3 per cent in 1989 to 51.1 per cent in 1992 (70.1 per cent of children live in poverty). In Russia households in poverty increased from 5 per cent in 1989 to 43.8 per cent in 1992. (This assumes a poverty line of 75 roubles. If this poverty line is raised to 118 roubles the households living in poverty rise to 77.1 per cent.) In Ukraine poverty was 35.7 per cent in 1992 (assuming a Rb 118 poverty line). This is a small increase over 1989. In Slovakia poverty increased from 8.5 per cent in 1989 to 30.2 per cent in 1992 (41.3 per cent of children lived in poverty). Thus as in Mongolia all of formerly Socialist Europe has faced a rapid and visible increase in poverty following the move towards the market.

As a consequence of this deterioration in the conditions of life in formerly Socialist Europe, UNICEF reports that between 1989 and 1993 the crude death rate increased by 17 per cent in Romania, 12 per cent in Bulgaria, and by an incredible 32 per cent in Russia where the report states that yearly deaths in 1993 exceeded that of 1989 by 5,47,000 units. To further quote UNICEF on the crisis in formerly Socialist Europe, 'the spread of poverty, birth contraction, escalation of death rates, decline in school enrolments and an unstoppable crime wave have reached truly alarming proportions'. The homeless street children seen in Ulan Bator are now also common in Moscow and many other cities of eastern Europe. This is the by-product of rising levels of unemployment, liberalisation of the housing market and the cuts in social services due to budgetary austerity imposed under the IMF's various stabilisation programmes.

The crisis of living standards posed by economic reforms is of course not unique

to post-socialist Europe. Eastern Europe has been the hardest hit because a system, put in place over many years, which guaranteed the basic needs of its citizens in the form of full employment, education up to secondary level, basic health, nutrition, cheap but hardly luxurious housing, cheap transport, was dismantled in rapid order under the diktat of the IMF and World Bank who were driven by the compulsion of the dominant western countries to exorcise as rapidly as possible the spectre of Bolshevism which was seen to have been haunting Europe for these many years. The exorcists from the Bank and Fund have done a rather good job of it because they have managed to transform some of the former Communist *aparatchiks* into dollar millionaires by creating opportunities for them to maximise profits as black marketeers, currency racketeers, drug dealers, pimps and common or garden criminals, in the name of promoting market economics. This same class can now live in luxurious apartments, drive Mercedes, live on imported luxuries, holiday in Spain and drive past the huddled masses, sleeping on the snow-covered pavements of Moscow, to an evening at a night club where their bill would support five Russian families for a year.

VOTING ON REFORMS

Perhaps the Russians or Mongolians or Hungarians believe that economic stagnation, increasing poverty, extremes of income inequality are a fair enough price to pay for ridding themselves of Communism. I am no scholar of eastern Europe to argue about this. However, the current news reports on the politics of post-Socialist Europe indicate that in country after country regimes sponsoring hardline market reforms are being voted out of office to be replaced by 'reform socialists'. This has happened in Russia, Poland, Hungary, Bulgaria, Ukraine, Uzbekistan. No one would suggest that the electorates of these countries want Joseph Stalin to rise from his grave and restore his version of communism. But what they are voting for is against an externally imposed reform process, put in place without a shred of sensitivity to their inherited circumstances or minimal consultation with the local population about the nature of reforms which are acceptable to them. When the citizens of the 'reform' countries are consulted through the electoral process, they reply in the only way possible, by voting out of office the regime most actively promoting the reform process.

As I have argued in the past and will report in a forthcoming piece, the World Bank IMF sponsored reform process is in some

trouble around the world, not least in Bangladesh. Milk and honey are not flowing through our towns and villages in the wake of the reforms though they have enabled a small class of people in each of these societies to get rich beyond the dreams of avarice. Where the common people are consulted on this subject, they have voted against the reformers. In our neighbourhood, this was the message in Sri Lanka, Nepal, in the states of Karnataka and Andhra Pradesh in India.

This same message of uncertain economic gains is emerging from some Latin American countries, most recently in one of the great success stories of the reform process, Mexico. As is well known, Mexico runs a one-party state which ensures its survival by a system of electoral fraud far in advance of anything we have learnt in Bangladesh. This means that the reformers manipulated their victory in the recent presidential polls even though the reforms have done little to alleviate unemployment, poverty, inflation or even restore Mexico to the robust economic growth it enjoyed in the pre-reform period up to 1980. The spectacle of rural insurgency manifest in the uprising in Chiapas state, led by the Zapatistas, growing urban unrest and crime do not suggest that Mexicans feel they are on the threshold of becoming North Americans. The recent collapse in the Mexican stock market, where 'hot' money located in portfolio holdings left Mexico as fast as it had entered it, demonstrates the fragility of the reform process, and may serve as an object lesson to developing countries who become overly excited over stock market booms which follow in the wake of reforms. Mexico has now been forced to devalue the peso and raise interest rates which may expose its economy to both inflationary pressures as well as another dose of economic recession.

Other countries in Latin America have been far from successful in ensuring either sustainable growth or improved conditions for their populations. Venezuela, Bolivia and Uruguay have all demonstrated flashes of success only to see the economy move into decline and to face a thumbs-down for reforms from the voters. Few support-constituencies for the reforms have been mobilised. Thus the base for the reforms remains politically shallow and the process remains driven either by the foreign donors and creditors or by a few individuals supported by a small class of technocrats.

Africa is another area where reforms have hardly mobilised a strong constituency of supporters. Africa has been exposed to a decade of economic reforms, yet today it is disintegrating before our eyes. It would be unfair to assume that the crisis of Africa owes exclusively to the reforms which have conditioned their economic agendas for the last decade. But for nearly a decade many countries of Africa have functioned as

mandated territories of the World Bank run by the offices of the Resident Representatives of the Bank with foreign consultants involved in drawing up every single detail of the reform process. The Bank can today thus hardly disassociate itself from the mounting chaos in Africa. The externally-driven reforms process has in no small measure contributed to state disintegration in Africa by ideologically delegitimising the state, subverting its authority through imposition of externally mandated reforms. A reform process without domestic ownership has directly led to a decade of economic stagnation, and impacted most severely on the poor by cutting down on social expenditures in the name of stabilisation, whilst the ostentatious living of a class of new rich thrown up by the reform process serves as a daily provocation to the victims of reform.

WHERE DO REFORMS WORK?

As the world moves into 1995 we are left with success stories of reform which remain few and far between. We are left to celebrate the achievements of the regime of the Chilean dictator, General Pinochet, which thrived on mass murder and concentration camps, deprivation of basic human rights, the destruction of trade unions and created high levels of unemployment which persisted for over a decade. The suffering and oppression imposed on the Chilean people appears to have paid off as Chile seems to have made a breakthrough into sustainable growth and improved living standards. We have still to understand whether having a homicidal maniac as head of state is an essential variable for successful reforms or there are other contingent elements unique to Chile, which need to be identified to understand the basis of their success. I have this to specialists on Chile to answer. Argentina is held up as a promising reformer along with Ghana in

Africa but we have to still test the durability of these few success stories or to compute their social costs. Let us not forget that till yesterday, Mexico was being touted as the second Chile.

Thus as in all such debates we are back to east and south-east Asia as demonstrations of successful but more important, durable, reform models. But by now a great deal of literature has appeared questioning whether any of these Asian economies can be legitimately classified as countries which fully embraced the Bank-Fund agenda as their model for reform. What is certain is that each of these countries designed their own development models, their own pace for the reforms and drew upon Bank-Fund advice and resources only when it suited them. No country has retained control over its reform design more closely than the Chinese who have used the market, drawn in foreign investment and technology and yet kept intact many elements of the socialist system to the point where the US is still arguing for the continued exclusion of China from GATT. From this syncretic process, China has emerged as the fastest growing economy in the world over the last decade, destined to be a superpower in the next two decades.

REFORMING THE REFORMS

What conclusions do we draw from yet another year of failure of market reforms to restore sustainable growth to most of the third world? Do we wait one more year for the pay-off? This debate over the reforms has been underway from its inception in 1981/82. From 1985, when reforms were supposed to have yielded their rewards in restored growth and rising living standards, the millennium has been postponed year after year, until in 1995 we are still seeking more time for the pay-off from the reforms. We are told that reforms started late, that

SOCIAL INEQUALITY IN INDIA

Profiles of Caste, Class, Power & Social Mobility

Edited by: K.L. Sharma

ESSAYS IN HONOUR OF PROFESSOR YOGENDRA SINGH

CONTRIBUTORS: A.M. Shah • Andre Beteille • C. Rajagopalan • Dipankar Gupta • D.N. Dhanagare • Ehsanul Haq • Jagannath Pathy • Jaspal Singh • K.L. Sharma • K.N. Sharma • Nandu Ram • P.K. Bose • R.K. Bhadra • Satish Saberwal • Shao Kumar Lal • Shrirama Indradeva • Suvira Jaiswal • Victor S. D'Souza • V.K. Vashishtha • V.M. Dandekar

ISBN 81-7033-274-5

1995

508pp

Rs. 600 (cloth)



RAWAT PUBLICATIONS

3-Na-20, Jawahar Nagar, JAIPUR 302 004

Phone: 0141-567022 Fax: 0141-567748

they take time to work, that they are not being implemented properly, that there is backsliding. For each country special circumstances are cited. What no one is questioning is the basic validity of the reforms, the timing, the flaws in the design, the lack of democratic support.

To raise questions of this nature invariably invites the standard mindless response that the critics of reform want to restore the old system or want no reforms at all and continue to ignore what happened in the past. Such responses are no help in finding answers to the present outcome of Bank-Fund reforms, nor do they suggest what may be done to make such reforms work better. To accept such a rethinking on the reform process we have to recognise that in most countries of the world the reforms have *not* worked in terms of establishing robust growth in output, investment and living standards. Having high foreign exchange reserves, low inflation and balanced budgets is not and never has been the objective of any development process but it has been and remains a means to an end I have written all this before, for the last five years at least. The fact that I am writing it again at the beginning of 1995 and making the same proposition suggests that five years have gone by and we are still waiting for the goods to be delivered from the reforms. The only difference is that in these five years the world has become a much more dangerous place to be born with the very survival of many states now coming into question.

The principal reasons for the weak outcomes of the reform process originate in the flaws in design which excluded issues of governance from the core of the reform and placed them as a post-script to the reforms. Since the quality of governance dictates whether the reforms can be implemented, this omission proved a fatal flaw in the design as did the failure to clearly define the ends of the reform in a form which relates to the conditions of life of the people. Measuring performance under reform by GDP growth rates lacks the electricity generated by reporting every year on the number of people who graduate over the poverty line or become literate or gain access to good health care. However, even more important than the design flaws was the lack of domestic ownership over the reform process which meant that the constituency of support behind the reforms was always weak.

Is there any scope to rethink the reform agenda? Many would say there is little scope for this. In many developing countries even the principal opposition parties pledge fealty to the reforms. Many such parties do so not out of any genuine conviction but because they feel that in this unipolar world the patronage of the principal donors is essential to the ascension to power by any opposition

party. This genuflection to donor concerns sometimes leads to some quite pathetic spectacles of political parties once pledged to resisting donor pressures or even more radical agendas eating their words with unseemly gusto. This sort of mindless political opportunism unfortunately provides no guarantee from the donors that these parties now in opposition will be put in power since, notwithstanding the ostensible power of the donors, their capacity to promote a political outcome of their choice is grossly overestimated, as Ninian Stevens and his diplomatic sponsors in Bangladesh will confirm. Indeed such a preference for donor opinion over domestic concerns frequently alienates opposition parties from their potential voters who want political leadership to help them to challenge the unpleasant aspects of the reform process and to give the lead in the search for alternatives to provide for a domestically more sustainable set of policy choices.

What most third world polities need today is a more plural political system where voters are presented with clear policy choices derived from a robust domestic debate on reforms. Such a debate is likely to be far more serviceable to a genuine reform process rather than a synthetic consensus fabricated by the donors which lacks domestic credibility because it remains largely incomprehensible to both voters as well as the political leadership who support reforms not from a felt need but for its talismanic power to attract aid.

To seek a more creative approach to reforms demands that in each country debate must be joined over what we have gained from the reforms. Out of this analysis will come an understanding of the appropriate redirection for the reform agenda. This debate should be carried into the regional and international arena where the hegemony of the Bank-Fund design and its outcomes needs to be globally scrutinised since most countries have been exposed to a common programme of reforms and are, in consequence, facing similar problems.

ISSUES FOR PUBLIC DEBATE

Some of the issues around which debate over the reforms may be joined should address:

- (a) The impact of the reform process on growth of investment, output, structural change, living standards, reduction of poverty, human development, social stability, national cohesion, democratic practices.
- (b) If the results in (a) point to a deterioration compared to the pre-reform phase or falls short of its promise and expectations then we need to carefully diagnose the reasons. We have to look for design flaws and important gaps in the design,

such as the absence of a critical role for good governance, to ascertain whether the reforms were poorly implemented or were indeed unimplementable because of the design defects.

- (c) In the light of conclusions at (b), we can begin to put together, through a process of national debate and political consensus building, a domestically designed and democratically supported agenda which realises, within a time-bound framework, the following development goals:
 - (i) Elimination of poverty;
 - (ii) guaranteed health, education, security against old age, basic housing and clothing to all citizens;
 - (iii) secure livelihood to all citizens;
 - (iv) sustainable and more self-reliant economic growth;
 - (v) security in the daily lives of all citizens; and
 - (vi) guarantees to all citizens their right to elect their representatives without coercion and protection of their human rights.

These goals may be amplified or modified during public debate, but they must be defined as categorical objectives of development and politics. Any model of economic and political reform must be designed to realise these goals. Our development model must thus be designed not as an end in itself but as a variable instrument to realise the above goals. The model should be reviewed, modified, transformed if, when and wherever needed, through an ongoing process of national debate. There must be no sacred cows in the reform process, to be preserved for worship in spite of the evidence of non-performance under the reforms.

In most developing countries there is no readymade answer as to what are the reform alternatives. Only fools or knaves can claim a monopoly of the truth. What we need is to reach out amongst ourselves to seek creative answers both at the micro and macro level which can help us to reach the development goals we have set out above. My suspicion will be that different answers will emerge for different countries. Not a few of these answers would vindicate elements of the reform process put in place by the World Bank. But at the end of the day our own creative efforts, sensitive to our socio-political circumstances and commanding domestic political support, would need to be deployed to design a sustainable reform process. Neither foreign donors, however much they wish us well, nor foreign experts however competent (of whom many are far from competent) will solve Bangladesh's or Tanzania's or Nicaragua's or Mongolia's problems. I would hope this may be the enduring message for 1995. My fear is that this message will have to be repeated in 1996 as we live through one more year of stagnation, political instability and state disintegration.

Painful Transition

Arun Banerji

Transition to Market: Studies in Fiscal Reform edited by Vito Tanzi; International Monetary Fund, Washington, DC, 1993; pp vii + 387 with index, \$ 30.

THIS volume is a welcome addition to the contribution which the staff of the IMF has been making continually to elucidate a wide variety of financial matters pertaining to member countries, and releasing data which are often otherwise difficult to come across. The present work is part of a two-volume project. The first, *Fiscal Policies in Economies in Transition*, 1992, dealt with analytical issues in taxation, in public spending, in the creation of safety nets, in budgeting, etc. The present volume contains case studies in fiscal reform in 15 countries.

In addition to a valuable Introduction by Vito Tanzi, director, fiscal affairs department, IMF, the book is divided into four parts – the first two deal with Central and Eastern Europe, General and Specific Issues. Parts III and IV cover Asia and Africa respectively. Each of the 19 chapters, has an excellent bibliography.

Tanzi opens his Introduction by referring to an essay on 'Issues in the Reform of Socialist Economies' by Fischer and Gelb. They estimated that 'institutional' reforms and large-scale restructuring and privatisation would require 10 years and more for 'other financial market reforms'. Tanzi draws attention to an important aspect of the transformation process that deserves attention, viz, the complementarity or interdependence of institutions and skills in a modern economy.

Again, in a socialist economy, individuals, as individuals, have little influence on the allocation of resources, on the overall rate of saving, on the pattern of production, on the level and allocation of investment, on the rate of interest, etc. The annual plans constitute the key instrument. Even the financial markets, including the state bank, and public finance have a limited role. The transformation of these economies requires that the power to allocate resources shifts largely from the government to the private sector. It would also require the establishment of a financial and equity market, a market for labour, a market for the exchange of real property, a market for foreign exchange, and many other more specialised markets. In the area of public finance, Tanzi identifies and comments on five major building blocks for reform – setting up a tax administration; reform of the tax system; setting up budgetary institutions; reform of the public expenditure; and reform of the social security system. He concludes his essay with stating quite bluntly

that "to a large extent the success or failure of the transformation process will depend on how quickly modern fiscal institutions can be created". And this is not easy.

Since the book deals with no less than 15 countries in Europe, Asia and Africa, in this brief review we limit ourselves to three of these – Ved Gandhi's essay on Poland, one of the first among centrally planned economies to have committed itself, as early as mid-1989, to the adoption of market-oriented economic reforms; Mario Blejer's study of China, our mega neighbour to the north; and Dieter Bos on East Germany, primarily for privatisation.

As in other centrally planned economies, the state had numerous responsibilities in Poland, "each of which had important implications for the country's fiscal structure prior to 1989". Thus, the state played a dominant role as investor and producer – with major implications for the tax system, public expenditure policies and the working of the parastatal enterprises. The enterprise profits tax system became more of an ex post profit-sharing system. Second, the state controlled the prices of most inputs and outputs, and hence had to constantly monitor, and in fact frequently increase or decrease the turnover tax rates to clear commodity markets, and support unprofitable sectors unable to pay the legislated turnover taxes. It also called for massive outlays on consumer subsidies, and subsidies to industrial and agricultural inputs. Third, the state played an active role in incomes policy, particularly in determining wages in the socialised sector and incomes arising in the non-socialised sector, with important fiscal implications. Finally, the lack of market orientation of the economy affected macro-fiscal policy-making and budgeting.

A fundamental reform of the fiscal structure was, therefore, needed to transform the economy to a market-oriented one, as the state was about to shed its role as a major investor and producer, and as most existing socialised enterprises were to be privatised, the inefficient ones being allowed to go bankrupt.

Concluding the study, Gandhi states that the process of fundamental fiscal reform has been somewhat slow and uneven. This, he adds, is not totally unexpected. Drafting new tax laws, in the face of a vocal and multiparty parliament, and strengthening tax administrative capacity, when trained

manpower was short, have taken time. Shifting expenditure responsibilities on to local authorities, including many social assistance schemes, was simple, but ensuring their financial viability has taken a lot of time and effort. Carrying out fiscal reform in economies in transition, and doing it right, "is simply a laborious and time-consuming process" (p 107).

Starting in 1979, China has carried out wide-ranging economic reforms with the specific aim of accelerating the rate of output growth by increasing productivity and improving the allocation of resources. Blejer stresses the difference between the nature and design of the reforms in China from those in eastern Europe – the reforms in China were not aimed at fully or partially dismantling the socialist system. So the issue of privatisation of state-owned enterprises, as well as the more general problem of ownership rights, has not played a central role here. Instead, China introduced special arrangements in order to provide incentives similar to those prevailing in a predominantly private system. Secondly, the Chinese reforms were largely 'experimental' – concentrated in specific areas, beginning with agriculture, so as not to cause wide systemic disruptions. But they achieved the objective of accelerating growth and, in this manner, tended to overheat rather than depress the economy. Thirdly, the reforms were largely grounded on regional decentralisation which meant that the power of the central government to manage the system at the macro-economic level (including the ability to raise revenue) has been lost to local and provincial governments. Lastly, unlike elsewhere, the Chinese reforms were started and proceeded over a long period in an environment of (at least apparent) macro-economic stability. China provides the longest continuous instance of a reforming socialist economy.

Radical reforms in agriculture – ending the commune system, allowing larger private plots, and legalising informal markets for farm products in rural areas raised the rate of growth in agriculture from an average of about 2 per cent a year during 1958-78 to about 8 per cent in 1979-84. Higher productivity displaced labour from this sector, but migration to cities was prevented by eliminating restrictions on non-agricultural activities in rural areas, leading to many township and village enterprises. These latter accounted for nearly one-fourth of the gross value of industrial output, and employed about 17 per cent of the labour force by 1987 (p 254).

A significant price reform was to introduce a two-tier price system, first in rural areas. Producers could sell their output, above a

set quota, at free market prices. This and other reforms raised aggregate growth to unprecedented levels. But without strong financial policies, aggregate demand rose greatly, and so did wage and bonuses to employees worsening the budgetary accounts and macro-economic discipline. The revenue/GDP ratio fell steeply, though this was partly intended. The expenditure/GDP ratio too fell, including, Blejer states, a sharp fall in defence spending. (The GDP/expenditure ratios are presumably at current values. In a period of inflation, especially as its impact will vary from sector to sector, the changes in these ratios are not easy to interpret.) One cannot also say how far this fall in defence outlay was real, as most states hide various defence outlays under a variety of civil heads.

In sum, the central elements of economic reform in China have been to grant greater decision-making powers to enterprises and to enhance the role of market forces. "while preserving the basic framework of socialist ownership" (p 267). Fiscal policies, however, must play an important role in hardening the budget constraints during the transition from a centrally planned system. This calls for a compromise to solve the conflict between the decentralisation of decision-making and the maintenance of macro-economic control and flexibility.

It is a little surprising that the one article on East Germany is mainly concerned with

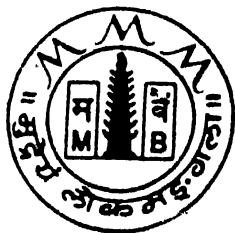
only one issue, privatisation, on the plea that privatisation of viable firms is an important step in the transition of the industrial sector from planning to market orientation – a central problem facing East Germany after German unification (p 202). Debates on this issue since 1991 have raised a number of thorny issues, including the capabilities and bias revealed in the operations of the special body managing this business. On the vital matter of restructuring, i.e., preparing firms for privatisation, the author has argued that "under political pressure" that body would try to preserve firms that should be liquidated, because "restructuring is often used as a label to disguise subsidisation of non-viable firms" (p 218).

Gerd Schwartz's article on 'Privatisation in East-European Countries' (chapter 12), speaking of preliminary policy lessons, emphasises that for privatisation to be successful, financial sector reform is crucial. It needs also the rapid creation of a legal framework that defines ownership rights clearly to facilitate public understanding of privatisation, stimulate broad-based ownership (to help formulate incomes policy), and prevent abuses of power. It is not clear to what extent these policy desiderata have been met in East Germany.

To appraise a work as the one under review is difficult. We miss in it the role of the IMF – but that is perhaps to be expected. We are not told, except indirectly, the costs and benefits of the Chinese effort where the

basic socialist system has still been maintained largely intact. This too is perhaps natural in an official publication of the IMF, though in other chapters views have crept in on this matter, which are in no sense veiled. Nevertheless, it is a valuable, thought-provoking, work, throwing light on what is happening in the fiscal sector in erstwhile socialist economies.

The serious issues, conceptual and administrative, which are arising in these countries in their transition to market have reminded us of the problems, perhaps no less serious, that India is presently facing in an all-out effort in liberalising the economy. Inevitably, the thought also comes of how many millions of ordinary people have suffered, and are still suffering, from the operations of wrong economic policies in these countries and in India. Investment has fallen behind, powerful vested interests have grown, the so-called rentiers, who are today blocking change, and foreign interests have acquired large influence. The rich have become richer, and the poor poorer, with no prospect of the gap, domestically and internationally, narrowing in the foreseeable future. Unfortunately, the words 'market', 'globalisation' and the like are fast degenerating into mantras of a creed, much as the earlier 'socialist economy', leaving no room for exceptions, nuances or grey areas of genuine doubts or uncertainties. Reason, once again, risks being a casualty.



BANK OF MAHARASHTRA

(A Govt. of India Undertaking)

BRINGS

3 WELCOME SCHEMES

SHEETAL
UNIT

JAMA YOJANA

Automatic Renewal of Deposit.
Partial Withdrawals in Units.

DEPOSIT
MIXIE

S C H E M E

Upto 75% Withdrawal
by Cheque Instantly.

S ULAB
JAMA
YOJANA **H**

Variable Recurring with Benefits
of Term Deposit.

'Development from Above' and Its Victims

Carol Upadhyia

Contours of Continuity and Change: The Story of the Bonda Highlanders by Bikram Narayan Nanda; Sage Publications, New Delhi, 1994; pp 228, Rs 275.

ARGUABLY the central problematic of anthropology over the last two decades (or more) has been the transformation of pre-capitalist societies by their incorporation into the larger capitalist world-system. This is the theme of B N Nanda's book on the Bonda of highland Orissa (Koraput district). His object is to delineate precisely the changes that have occurred in this 'tribal' society consequent upon the intrusion of the state and the market. He writes that this is not intended to be a 'monograph' about an Indian tribe, but should be read as a collection of essays; yet the diverse chapters read together become much more than either, for they provide a comprehensive picture of the Bonda today and, more than that, a view of the larger society from the perspective of the highlanders. The book is based on Nanda's 1982 dissertation plus research carried out during later field trips.

The Bonda highlanders, who according to the author still enjoyed a somewhat self-sufficient, independent existence in the early 1970s, are now well on their way to becoming an agricultural society based on wage labour. It is the increasing dominance of wage labour – which has been introduced mainly by the state through its agent, the Bonda Development Agency (BDA) – that Nanda identifies as the motor of change in the highlands, signalling the historic shift from production for use to production for exchange. The 'traditional' subsistence economy – based on shifting cultivation; irrigated rice cultivation on terraces, hunting and gathering – is described in detail and then analysed in terms of Meillassoux's theoretical framework. According to Nanda, traditional Bonda socio-economic organisation conforms to Meillassoux's 'domestic community' type. A central feature of the Bonda 'domestic community' is a form of co-operative labour called 'odja', which has been largely replaced by the wage labour form ('buti') over the last decade or two.

There is no single mode of production in the highlands at present; Nanda employs Terry, Bernstein and Godelier to analyse the "collage" of production systems and their interpenetration. Household subsistence production persists so that wage labourers are not entirely divorced from the means of production, but the very nature of the penetration of the wage economy is such that it feeds on the subsistence economy. This process is mediated by government-sponsored development programmes which encourage producers to switch from subsistence production to production for exchange. Market forces undermine the

subsistence economy in two ways – by withdrawal of labour from subsistence production, and by the monetisation of some of the elements of reproduction, which forces producers into the wage economy. The destruction of the forests and the subsequent decline in the productivity of shifting agriculture is both a consequence and a cause of wage labour.

One wonders why Nanda privileges the commoditisation of labour over commoditisation in general as the transformative factor. One reason is that for him, odja (collective labour) is "...the heart of subsistence production in a domestic community" (p 84); this 'heart' is being torn out by the wage labour form and with it, the domestic community is being destroyed. Odja is more than an economic form; it is a symbol of the 'organic unity' of the domestic community: "To participate in an 'odja' is a hallmark of... citizenship in the village... Such reciprocity of labour reproduces the cohesion of the group..." (p 83). Odja is a normative system that emphasises the solidarity of the community, while buti "initiates the imperatives of an individualistic money economy... Penetrated by the symbolic order of wage economy, the domestic community undergoes a kind of haemorrhage of the spirit of traditional solidarity" (p 89). Not only work itself, but the perception of work is altered: "Such is the ideology of wage that it disparages all work that does not earn wage as mere waste" (p 89).

This view of the depredations of wage on the spirit of the domestic community is carried through in the chapters on the concept of time, education and medicine, and the development bureaucracy. To explore how the economic shift impinges on the mind, Nanda focuses on the concept of time. When land becomes the object rather than the subject of labour, and labour itself an object of exchange, there is a qualitative change in the sense of time. For the Bonda, time is linked to the rhythms of subsistence production and reproduction – it is task-oriented and cyclical, and 'work' and 'leisure' are intermingled. With the emergence of a wage economy, leisure and work are separated, for time becomes valuable; work is time-governed and time becomes linear. The persistence of the subsistence economy within the emerging wage economy means that there is a conflict between their associated concepts of time; to understand the modern 'myths of development' the highlanders must first fully internalise the linear notion of time.

The pushing forward of the 'economic frontier' is accomplished with the aid of

institutions whose role is to further the commoditisation process. Employing the works of Foucault and Ivan Illich, Nanda dissects two such institutions – the school and the clinic (PHC). In the 'ashram' schools funded by the government, students receive an 'education' that bears no relation to the reality of their lives and that clearly conveys their subordinate position in society. In the process of becoming 'educated', Bonda boys forget or fail to learn the skills of the subsistence economy. "Under the prevailing pedagogy, the symbolic patrimony which a Bonda child inherits, perishes. In order that the symbols of the market and its ideological representations are meaningfully lodged over the symbols of subsistence, the tribe must be declared *backward* and *primitive*" (p 175, emphasis in original). Like the school, the modern clinic is 'mystifying' and 'culturally alien' to the Bonda, and the discourse of disease offered, like the school syllabus, has little relevance to their lives or needs. Equally absurd is the concept of family planning for people whose labour is the only source of wealth. Those who 'accept' sterilisation do so only for the cash incentive, and Nanda raises the important question of whether, in a situation of acute poverty, there is any difference between incentive and compulsion.

Thus Nanda covers much ground in this slim book, employing a variety of theories along the way, which is perhaps its greatest weakness. Curiously juxtaposed to the rather Durkheimian account of 'traditional' Bonda society and the simultaneous employment of a materialist evolutionary scheme is the first chapter on the social history of the highlands. If, as Nanda shows, there was a 'steady intermingling' of tribal and non-tribal cultures in early Orissa history, and 'Hindu' kingdoms were greatly influenced by the 'tribes' which formed a large part of their populations, does it make sense to speak of the Bonda as an 'independent', 'self-sufficient' community? Nanda implies that the later history of Orissa led to the isolation of the highlands people, the condition in which they were found by 19th century (British) ethnographers. He also shows that the opening up of the highlands under colonialism was mainly via trade; the process of decline of the subsistence economy began early with the entry of traders, money-lenders and cash, including wage labour. The tribal revolts starting in the 1890s demonstrate the extent to which highlands societies had been affected by colonialism. Given this, how are we to believe that the real "demise of the domestic community" is of much more recent origin, as he suggests?

These contradictions stem in part from Nanda's rather uncritical use of Meillassoux's evolutionary scheme, which also leads him to posit "... the survival, in different social layers, of many cultural forms that could allow the reconstruction of earlier stages of social organisation and their articulation"

(p 23). Such evolutionism ignores the recent debate in anthropology, stemming from a recognition that even 'peoples without history' have histories, or whether modern hunter-gatherer societies are examples of an earlier form of social organisation (the band) that has survived, or are in fact products of a history of interaction with other peoples that has pushed them into a marginal existence. It also contradicts Nanda's own plea for a history and sociology of Indian tribes that employs both of the central components of Marxism – historical materialism and critique of political economy: "If we are to take Marx's own works as revolutionary and not as a revelation, then we ought to recognise that every category of society and history belongs to socio-historical conjunctures" (p 21, fn 7).

These minor objections do not detract from an appreciation of the depth and complexity with which Nanda has handled his theme, and of the fact that he goes beyond anthropology and takes an advocacy role. Nanda places himself squarely on the side of the highlanders and other 'subsistence' peoples whose cultures, societies, and livelihoods are being swallowed inexorably by the incursions of capital and the welfare state. He recognises that his critical stance on 'development' invites the charge of nostal-

gic longing for an illusory idyllic tribal past. Yet his account leaves little doubt that even if the highlanders' life was not easy in the past, it has been made infinitely harder now, not least because of the depredations on the 'collective mind'. The discourse of development imposed from above not only robs the Bonda of their economic independence, but subordinates them within society and totally devalues their culture, their world-view, their way of life. Moreover, this transition has denied to the highlanders the possibility of understanding objectively their situation: "Between their attitude to their circumstances and their material conditions falls the veil of diabolical development" (p 208).

Nanda's scope is much wider than the Bonda; in this slim volume he manages to raise and contribute to issues central to life itself at the end of the 20th century. "As the Bonda socio-economic organisation gets absorbed by the modern state, one more society which could potentially point to an alternative future will be lost to us" (p 14). His masterful evocation of the Bonda community and its collective mode of organisation, and its contrast to the class-stratified, patriarchal, consumerist society into which it is being integrated, should give pause to the votaries of 'development', both official and otherwise. He puts the dilemma

succinctly: "Without altering the power of the planner over the people, no real progress can come about in the highlands. ... Real change ... has to do with a change in our way of thinking about ourselves and our consumerism, which devastates the ecology of the forest people" (p 195).

This book should be required reading not only for anthropologists but also for those concerned with 'development' of all kinds; for it is not just about the destruction of indigenous peoples but the potential destruction of all life by the engine of capitalist production. His writing, although dense at places, is a pleasure to read, for his imagery evokes the processes of change in the highlands in a way that dry ethnography cannot. If I have used too many quotations in this review, it is because it is often difficult to express the thought as well as has Nanda. This book, which came out just one day after Nanda's untimely death, proves that his demise was truly a tragedy, for it shows that he had much more to give to social science and to the cause of indigenous peoples. It is to be hoped that his students will carry on his work and contribute to the construction, as he advocated, of a "scientific discourse that is free from patriarchal-class bias which pervades the paradigms of planning" (p 195).

SAGE PUBLICATIONS

*A major event in social science publishing!
All six volumes now available at a Special Indian Price!*

INTERNATIONAL HANDBOOKS OF QUANTITATIVE APPLICATIONS IN THE SOCIAL SCIENCES

Series Editor: **MICHAEL S LEWIS-BECK**, University of Iowa

Each Handbook, comprising five Quantitative Applications in the Social Sciences volumes, is available at the **SPECIAL INDIAN PRICE** of Rs 695. (Each QASS volume is priced at \$ 9.95 or approximately Rs 325). Individual Handbooks will appeal to a wide variety of academics, practitioners and students in the social sciences. A complete set of Handbooks will form an essential foundation for any library of social science methodology.

RESEARCH PRACTICE

Volume 6 ■ 416 pages ■ 1994 ■ Rs 695 (cloth)

FACTOR ANALYSIS AND RELATED TECHNIQUES

Volume 5 ■ 434 pages ■ 1994 ■ Rs 695 (cloth)

BASIC MEASUREMENT

Volume 4 ■ 408 pages ■ 1994 ■ Rs 695 (cloth)

EXPERIMENTAL DESIGN AND METHODS

Volume 3 ■ 418 pages ■ 1994 ■ Rs 695 (cloth)

REGRESSION ANALYSIS

Volume 2 ■ 433 pages ■ 1994 ■ Rs 695 (cloth)

BASIC STATISTICS

Volume 1 ■ 416 pages ■ 1994 ■ Rs 695 (cloth)



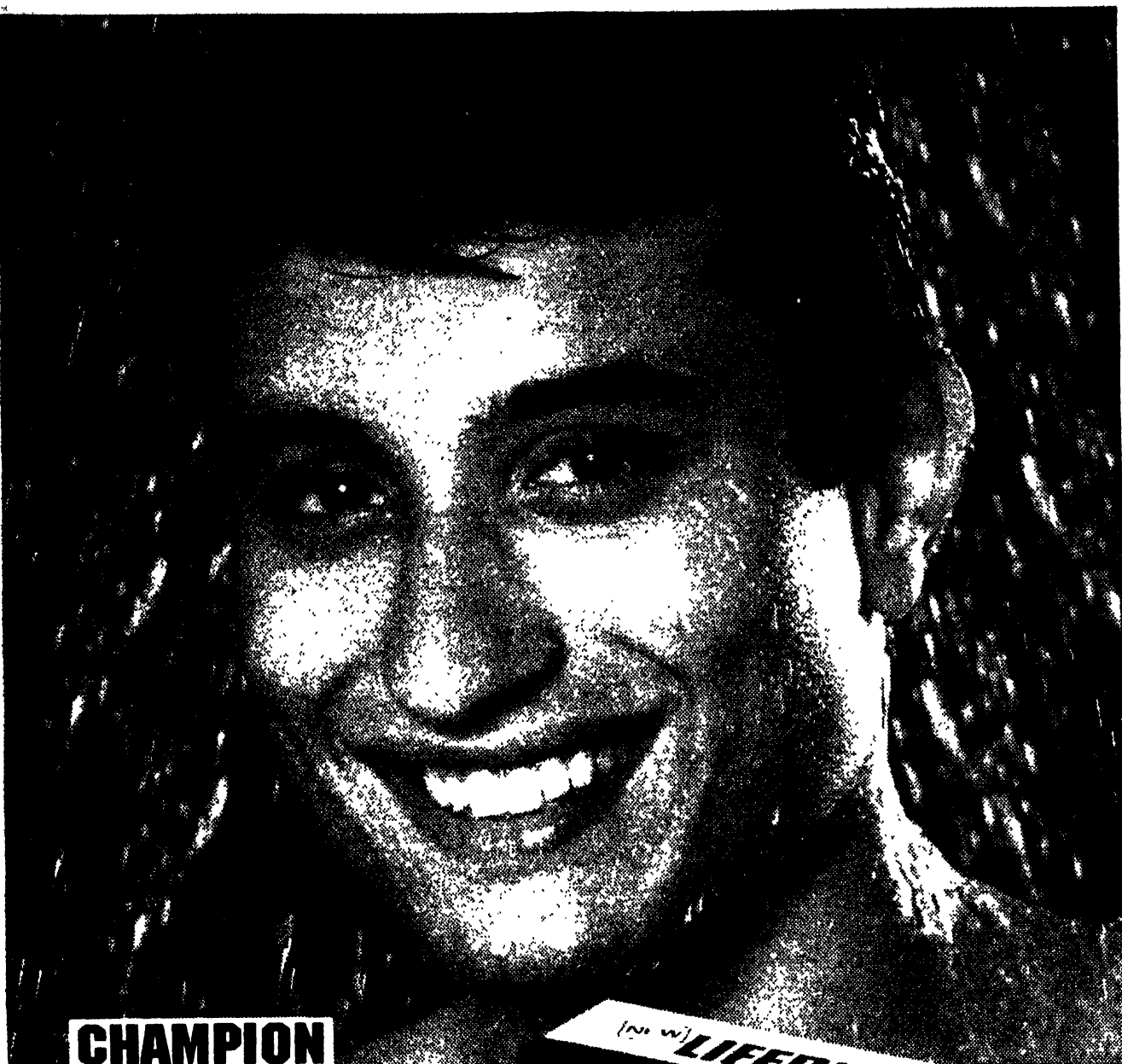
SAGE Publications India Pvt Ltd

Post Box 4216, New Delhi 110 048

(Tel: 8418824, 8444968; Fax: 91-11-4472428)

AE-66, Salt Lake, Calcutta 700 064 (Tel: 377002)

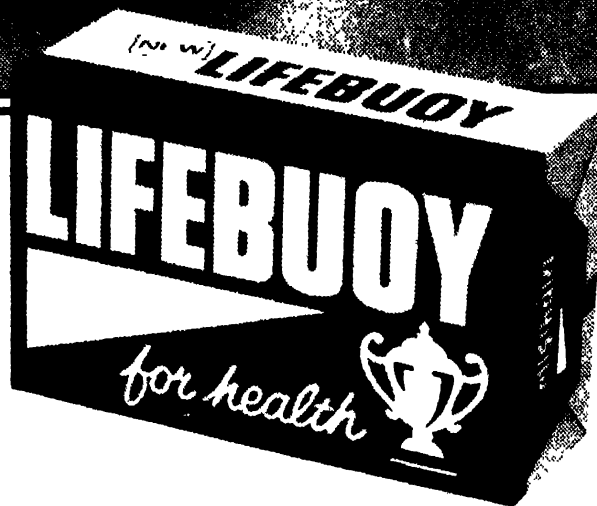
27, Malony Road, T Nagar, Madras 600 017 (Tel: 4345822)



CHAMPION

LIFEBUOY

Where there's Lifebuoy there's health. It washes away all the germs in dirt — to give you that clean, healthy feeling that comes only with Champion Lifebuoy. Now with a modern, new look.



WHERE THERE'S LIFEBUOY, THERE'S HEALTH

A quality product by Hindustan Lever

Lintas Lb Pr 2 254

Political Economy, Agrarian Question and Comparative Method

Terence J Byres

In this paper the case for classical political economy, and especially its Marxist variant, as a means of analysing the problems of economic development is argued. Three major characteristics of classical political economy are identified: accumulation, class and the state. The agrarian question is considered, and the significance of these in its analysis is posited. With the agrarian question in mind, the importance of the comparative method is urged. Some problems associated with the comparative method are considered, and, in the political economy context, the strength of the case-oriented rather than the variable-oriented variant of the comparative approach is stressed.

I

Introduction

IT was put to me recently that 'political economy is dead'. But which one? There are, of course, two quite distinct and fundamentally opposed forms of political economy. Let us call them the 'old political economy' and the 'new political economy'.

The former, broadly construed, is in the tradition of classical political economy: a line running from Adam Smith to Karl Marx. There is, I would submit, more than enough in common to justify such a broad classical grouping. To that I will return. But there is also a clear line of division, within the 'old political economy', between a non-Marxist and a Marxist variant. The more recent practitioners of both variants include a number of very distinguished economists and social and economic historians.¹

The 'new political economy' is a branch of neo-classical economics which "applies the basic economic logic of constrained choice to circumstances in which private transactions fail to maximise welfare" [Caporaso and Levine 1992:86]. It addresses market failure, and, within a property rights framework, focuses upon externalities, public goods and monopoly.² I shall say no more about it. It is not my kind of political economy.

It was the Marxist brand of the 'old political economy' whose demise was announced, although its non-Marxist variant has also long since been declared dead. Concentrating on the former, the statement is in line with similar pronouncements to the effect that 'Marxism is dead'. Or if not dead, it is about to go: a recent piece in the *Guardian*, in which an interview with Eric Hobsbawm was reported and his most recent book noted, described him as 'the last Marxist'.³ I was glad to read that during the interview Hobsbawm was "sipping malt whisky"⁴ (although which particular one was not revealed). The final days of Marxism in the

west, it seems, are at least characterised by good taste.

II

Political Economy

Let us, however briefly, consider political economy, or at least certain characteristics of it germane to my broad concerns as a development economist, and to my interest in the agrarian question. There are three aspects that I would draw to the reader's attention: accumulation, class and the state. In emphasising these three aspects, I am, of course, oversimplifying for present purposes.

As Lewis stressed, at the heart of classical political economy lies a preoccupation with capital accumulation and its determinants.⁵ That is my preoccupation. But why? To answer that we must first identify the nature of the accumulation. I have mentioned Arthur Lewis. If I might quote another great economist – a political economist of quite remarkable breadth and power – Maurice Dobb, such 'accumulation' is not "the mere piling up of durable objects of wealth", such as "barren precious metals and durable consumer goods", but, rather, "the constant creation of new means of production". It requires, in both town and country, the diversion of wealth, or surplus, on a regular basis, away from such forms as its primary expression (its disaccumulation in those forms) and into "real capital and ... productive investment" [Dobb 1967: 27].⁶ That entails a dramatic and fundamental change of practice among those who appropriate surplus, whether in the form of profit or rent.

This, for the classical economists, was a central condition for, a defining characteristic of, development. Again to quote Dobb, for Ricardo and Smith, for example, "the progress of capital accumulation was the constant goal of endeavour and the guarantee of material prosperity for the community at large and for all classes" [Dobb 1973:87].⁷ or, in another phrase, that of Ronald Meek, "the Classical economists... regarded... the accumulation of capital as the key to the

growth of wealth and abundance" [Meek 1973:33]. It had to proceed. It was Ricardo's fear that, consequent upon downward pressure on the rate of profit, "there would be no motive for accumulation", and it might come to a halt [Ricardo 1951:122]. For Marx, accumulation of capital (or 'expanded reproduction') is capitalism's historic mission, and its central dynamic. It is this which, once it becomes established, and shifts from a constant to an increasing rate, transforms a poor economy. It is the driving-force of capitalist transformation. This classical stress upon accumulation is as valid now as it was when they wrote. We must seek to understand how it comes about and what might prevent it. My postulate is that, to do that, one must seek its agrarian roots. This is a crucial dimension of the agrarian question. To it I will return.

I have referred to 'classes'. As Lewis, perhaps, did not emphasise enough, at its most powerful classical political economy is an analytical tradition within which social class is central: there is a remarkable continuity from Smith's 'three great orders of society' [Marx 1962:862], through Ricardo's 'three classes of the community' [Ricardo 1951:5], to Marx's 'three big classes of modern society' [Marx 1962:862]. It was a cardinal precept that the rate of accumulation, and, by extension, the speed and the nature of the capitalist transformation of a society, depend upon the social character of those who accumulate, i.e. upon their class characteristics. In this tradition, I would postulate that one cannot understand the roots, the causes, the dynamic of capital accumulation without a treatment of class: without careful examination of class structure, class relationships, and class conflict. It is a part of the classical tradition that is all too easily lost, even by economists who see themselves in that tradition. It is integral to treatment of the agrarian question.

In the political economy which I practise, analysis of the state figures centrally. My next postulate is that class analysis must be accompanied by – must include – treatment

of the state. Class analysis requires this, inasmuch as dominant classes (or classes, emerging but not yet dominant) may need state intervention at certain decisive moments. Moreover, their dominance, once secured, may have to be underpinned by the exercise of state power. There is a current orthodoxy, to the effect that 'development' requires that the state must be 'rolled back'; that all that is necessary is 'to get the prices right'. This seems unlikely from the perspective of political economy, both in the context of the agrarian question (I shall argue) and more generally.⁸ To anticipate, political economy suggests that where the agrarian question has been resolved it is likely that the mediation of the state will have influenced critically the manner of that resolution.

We note, then, our concern with the nature and activity of the state in relation to the agrarian question. It is impossible to consider the relevant issues without reference to the state. There is, however, a danger to be avoided. This is the trap of seeing the state as a kind of 'black box': a closed unit which can be studied by registering class input and reading off predetermined class output. Statements about the state may then reduce to simple tautologies. I would wish to resist a view of the state as a kind of residuary hypothesis, to be resorted to mechanically in order to explain particular outcomes. The state, and the perhaps complex class interests which it represents, need to be examined with the closest scrutiny, rather than simply reached for routinely, however difficult such scrutiny might be.

III Agrarian Question

Let me now turn to the agrarian question.⁹ What is the agrarian question? Why is the agrarian question important? I hope the reader will bear with some brief personal history, which allows me to answer those questions and to identify certain intellectual debts.

My concern with the agrarian question started soon after I came to the School of Oriental and African Studies (SOAS) in 1962, and from the outset it has focused on India. Most of what I have published has been on India: in SOAS I am an economist specialising on the Indian economy. I would like to express here my delight at having been able to work so closely on India for all these years. The intellectual curiosity exhibited there, the uncompromisingly high intellectual standards encountered, the excitement of controversy passionately and skilfully pursued, the constant intellectual challenge, the sense of intellectual exhilaration, have been immensely stimulating and rewarding. It has, indeed, been a great privilege. I can think of no other country which would have yielded such

high intellectual rewards (not to mention personal friendships).

It was an Indian economist, and friend, S C Gupta, who in April 1963¹⁰ first engaged my interest, when he gave me off-prints of two articles on Indian agriculture which he had published in 1962 [Gupta 1962a, 1962b]. These I read carefully. As it turned out, he was, in writing those articles, quite clearly the most important 'precursor' of the famous mode of production debate in India, that erupted some 10 years later.¹¹

I have been trying ever since I read his articles, to address the questions raised by him. They were, of course, questions raised previously by others, but never with such a sense of relevance in relation to India. This, moreover, was my first real exposure to them.

The issues he addressed related, in essence, to the extent to which capitalist farming was developing in India. The agrarian question, then, is constituted by the incomplete development of capitalist agriculture. The relations of production remain 'backward': a labour force free in the double sense (free of the means of production and free to sell its labour power) has not yet emerged fully. Agriculture, further, continues to be technologically backward, with consequent, continuing low levels of output, productivity, and surplus. The agrarian question is resolved only when capitalist relations dominate agriculture. Its analysis is concerned with whether capitalism can develop in the countryside, if it can, the extent to which capitalism has developed; the forms which it takes (which may be diverse and unexpected), the social classes or classes which are the major agents of change; the barriers which may impede its development, and the strength of those barriers.

More specifically, the issues addressed by S C Gupta were dynamic questions – questions of change – *inter alia*, of land concentration and whether it was proceeding; of the success or otherwise of action by the state to secure land reform and so clear the way for capitalist agriculture; of peasant differentiation and the possibility of 'peasant capitalism' ('capitalism from below'); of the continuing significance of landlords and the possibility of 'landlord capitalism' ('capitalism from above'); of the extent of wage labour and whether it was growing; of the nature of the productive forces in agriculture, and their transformation (and whether mechanisation was proceeding – and was, indeed, necessary) – again an area of crucial intervention by the state; of the inverse relationship between land size and land productivity – which had just surfaced as an issue, as a result of a remarkable article by A K Sen [Sen 1962] – which gave rise to the inverse relationship debate and which raised the possibility of a productive agriculture based on small holdings and

family rather than wage labour. They related, clearly, within agriculture, to accumulation, class, and the state: those issues at the heart of classical political economy, which I have already noted. Thus started my preoccupation with the agrarian question in India. And the issues I have mentioned remain as relevant now as they seemed in 1962.

My interest in the agrarian question has also been more general. To grasp and to understand the agrarian question in India (or anywhere else), I believe, requires a clear historical sense, theoretically-informed, and allied to an awareness of the need to view India in relation to other societies and other experience. I subscribe most strongly to the methodological principle that one cannot possibly understand the agrarian question – or any other important matter of that kind – without history, without theory and without a comparative perspective. My activities as editor of the *Journal of Peasant Studies*, which I helped start in 1973, have constantly reinforced, and informed, that view. I took to the *JPS* my Indian concerns, and we have published much excellent material on India; and I have gained from the *JPS* immeasurable insight into the agrarian question in India.

With the passage of the years – in part with the benefit and stimulus of the debates which have raged in India and in part with the insight gained from editing *JPS* – those questions addressed by S C Gupta have seemed to me to be increasingly complex and to be possessed of no easy answers: for India or for anywhere else, either historically or now. Moreover, as my struggle with them continued, I was seized of two growing convictions, which made their analysis the more demanding.

The first is that we need to reach for a wider reading of the agrarian question. We must seek to capture the tendencies at work in the countryside. That must remain at the heart of consideration of the agrarian question. But the implications for accumulation outside of the countryside need to be part of our analysis. Such a position finds warrant within the classical tradition. Smith stated the dependence of accumulation in industry upon the flow of an agricultural surplus, succinctly and with characteristic clarity.¹² Smith was obviously aware of the possible significance of the terms of the transfer, but he did not develop this as a possible rock upon which accumulation in manufacturing might founder. It was left to Ricardo to analyse that [Ricardo 1951].¹³ A general downward pressure on the rate of profit, he feared, would derive from a decline in the rate of profit for capitalist farmers, communicated inexorably to manufacturing, so bringing accumulation to a halt. Marx, in considering 'primitive accumulation', gave a powerful treatment of how the free wage labour necessary for accumulation in both

country and town is created in the countryside.

My argument is that these processes, and others central to accumulation in manufacturing industry, are powerfully conditioned by whether the agrarian question is resolved and how it is resolved. Clearly, such accumulation cannot proceed without some appropriate tapping of the relevant domestic sources of accumulation. These, to a considerable degree, must reside in the countryside in the early phases of transformation. Foreign sources of accumulation may be possible (in the past colonial surplus appropriation was significant). But these cannot dispense with the need for domestic agriculture as something of a 'nutrient base'. We need to examine 'voluntary' flows of surplus, appropriation of surplus by the state via taxation, and the inter-sectoral terms of trade. We must also examine, *inter alia*, agriculture as a market and agriculture and the making of an urban working class. Accumulation in manufacturing will depend critically upon these processes. They, in their turn, find an important part of their determination in the countryside. That needs to be seen as part of the agrarian question.

The second conviction came from growing unease about the constricted and analytically impoverishing way in which the agrarian question in contemporary poor countries is handled within the political economy tradition. This, I hasten to add, has been as true of my own work as of the generality of work in this area. It is so in the following way.

The prospects are considered of a limited number of possible 'paths' of capitalist agrarian transition: a set of paths which have already been traversed successfully in the past. The apparently essential features of these paths are identified and made to constitute models – historical/analytical models – of agrarian transition. These 'models' have been influential in two significant senses. Firstly, certain crucial interventions have been made, both in the colonial past and in the post-colonial era, in apparent conformity with them; while some are at present used prescriptively. Secondly, current realities in poor countries may be judged against them: they embody criteria by which one may judge whether, and in what form, a capitalist agrarian transition is being negotiated.

Practice in this respect may be defective in two ways. The first is that the paths in question – the 'models' being taken to contemporary reality – are too few. The full range of historical instances of successful transition is not referred to. Secondly, the conception of these paths is too stereotyped and too narrow. With these models as reference points, the processes at work may be seriously misunderstood: they may not

be fully recognised, or they may even go wholly unrecognised, because a set of limited and rigid criteria are not met.

It appeared to me desirable to establish thoroughly what was involved in certain major paths of agrarian transition, before bringing stylised versions (i.e. 'models') to bear upon contemporary poor countries as standards of judgment. If we are to use such 'models' as embodying criteria by which to judge whether or not agrarian transition is proceeding and to establish the nature of that transition, we incur a responsibility: to establish the exact contours of the relevant paths and to consider the processes at work in each case. Before committing oneself to conclusions about whether or not variants of a particular path are being followed, or may be followed, we need to be sure that we do not proceed from a caricature. We need, further, to avoid the analytical closure involved in assuming that the few 'models' we have in mind exhaust the relevant possibilities. Such was the impulse which led to the work in comparative political economy that I have been pursuing. The paths chosen for consideration suggested themselves easily enough. Analytical influence and possible relevance determined choice. Here were countries from whose apparent history influential models have been abstracted, or whose history seemed relevant: England, Prussia, France, North America, and Japan.

Let me sum up my view of the agrarian question. We may say that an unresolved agrarian question is a central characteristic of economic backwardness. In its broadest meaning, the agrarian question may be defined as the continuing existence in the countryside of poor countries of substantive obstacles to an unleashing of the forces capable of generating economic development, both inside and outside agriculture. It represents a failure of accumulation to proceed adequately in the countryside – that unpinning powerfully upon the town; an intimately related failure of class formation in the countryside, appropriate to that accumulation; and a failure of the state to mediate successfully those transitions, which we may encapsulate as the agrarian transition. It is that broad meaning that I maintain. My central argument is that the nature of agrarian transition not only has implications for the fate of the countryside, but has a decisive influence upon the pace, manner, limits, and very possibility of capitalist industrialisation. My focus, then, is upon agrarian transition and its central place in overall capitalist transformation.

It is this which I have sought to examine historically. Let me, in the final part of this paper, turn to some considerations on the comparative method, induced by my wrestling with comparative/historical political economy. In so proceeding, I have

certain sets of interlocking questions in mind.

The first relates to class relationships and is two-fold. It is, firstly, to capture the precise nature of the class relationships which emerged in the countryside in certain important instances of transition; and the second to disentangle the logic of why particular kinds of resolution of the agrarian question, in that sense, proceeded. Clearly, in examining the nature of any individual path of agrarian transition it is essential to identify the particular class structure which characterises it. This distinguishes a particular path of agrarian transition. The diversity of resolution in this sense is striking. But what are the implications – both in the countryside and outside – of this diversity of resolution?

My second concern is to identify and explain the forms taken by the productive forces in the countryside – if you like, the form of technological transformation. A very narrow reading of the agrarian question is concerned largely, if not exclusively, with class relationships. A fuller reading should include the outcome with respect to the form taken by the productive forces. This is crucially important. We cannot identify a particular path without reference to this outcome. It is an essential characteristic of each distinctive path. As with the emerging class structure, the diversity is considerable. Again the nature of mediation by the state must be investigated.

IV

Comparative Method

There is an established and constantly revitalised corpus of comparative work in the social sciences: including work by political economists, economists, political scientists, sociologists, and historians. It has many distinguished practitioners: Marc Bloch (certainly one of the very greatest), Barrington Moore, Perry Anderson, Robert Brenner, Theda Skocpol, Immanuel Wallerstein; among economists, Colin Clark, Simon Kuznets, Hollis Chenery and Moses Syrquin, and my colleague, Massoud Karshenas (whose book is about to appear [Karshenas 1995]; not to mention Marx and Weber. And there are many others. Comparative history has, perhaps, been especially exciting and fruitful.

Systematic comparative analysis is a distinct branch of enquiry, with discernible general goals and identifiable, if debatable, methodological principles. It has distinct variants, whose procedures differ markedly: their particular espousal depending, in part, upon the discipline and the aims of the comparativist. Nevertheless, it entails, I think, a comparative method, given early powerful statement by Marc Bloch in 1928 [Bloch 1967].¹⁴ It is that comparative method I have sought to deploy in my own work. There exists a useful interpretive and critical

literature on the comparative method.¹⁵ That I will make no attempt to consider. Rather, on the principle of learning by doing, I will draw upon my own recent experience in trying to apply it.

The authors of an influential work on comparative economic development, two economists, Chenery and Syrquin, make part of the case for the practice of the comparative method – in economics – as follows:

Inter-country comparisons play an essential part in understanding the processes of economic and social development. To generalise from the historical experience of a single country, we must compare it in some way to that of other countries. Through such comparisons, uniform features of development can be identified and alternative hypotheses as to their causes tested [Chenery and Syrquin 1975:3]

Barrington Moore, who has written one of the classics of the comparative approach, a magisterial and powerful work of comparative history [Moore 1967]¹⁶ also argues the value of a systematic comparative approach.

In the effort to understand the history of a specific country a comparative perspective can lead to asking very useful and sometimes new questions. There are further advantages. Comparisons can serve as a rough negative check on accepted historical explanations. And a comparative approach can lead to new historical explanations [Moore 1967:xiii].

The arguments made in favour of the comparative method are very similar. Yet, they are made by exponents of two approaches to the comparative method which differ markedly in their analytical procedures.

We may identify the broad nature of the differences. Although there have been many, differing ways of pursuing comparison, among a variety of authors, I concentrate on these two approaches partly because of the exigencies of space; but also because one might argue that these are the two archetypes: of which we can find either examples, variants or attempted combinations.

Chenery and Syrquin, with structural change as their central concern (in this respect, following, avowedly, in the tradition of Simon Kuznets [Kuznets 1956-67 and 1966]), practise a particular, and well developed, form of comparative analysis: that based upon cross-national data sets, using econometric analysis in order to test, for a large number of countries (in their case, 101), various hypotheses, and to establish, rigorously, certain generalisations [Chenery and Syrquin 1975:3]. This has been identified as the variable-oriented approach [Ragin 1987: ix and passim]. It is commonly practised in the social sciences; being part of "the trend in mainstream social science towards the application of ever more sophisticated multivariate [statistical] techniques to all types of social data" [Ragin

1987: viii]. That it can be powerful and illuminating is clear. It is especially valuable in establishing those 'uniform features of development' to which Chenery and Syrquin draw attention.

Barrington Moore 'discerns' and seeks to explain "three major historical [political] routes from the preindustrial to the modern world" [Moore 1966:xv]. He proceeds via a limited series of carefully conducted case studies (in his case six),¹⁷ each one taken separately, and he then makes the comparison 'carefully on a basis of the case studies. This, the case-oriented approach [Ragin 1987: ix and passim], seeks significant depth of treatment. By its very nature, the number of case-studies is strictly limited. These must be appropriate to the questions being addressed. They need to be truly comparable. They need, therefore, to be chosen carefully. The potential analytical power of such an approach, and the immense insight that it may bring, are obvious.¹⁸ It is particularly suited to qualitative analysis, although it does lend itself, also, to rigorous quantitative/econometric treatment (as Karshenas's recent work shows [Karshenas 1995])

Let me now return to the agrarian question. In considering it, we need to make certain analytical judgments. These – as we probe accumulation, class and state – fall into broad categories. They concern, firstly, the nature of performance, and what constitutes satisfactory productive performance. They relate, secondly, to the character of change (the point at which performance transforms) – crucially, structural change; to lack of change, and to what comprises desirable, or possible, change. They encompass, thirdly, what determines performance, change, or lack of change: they are about causality.

Clearly, such judgments cannot be simply empirical (I make a plea for the empirical but against empiricism). The need to be ordered by, and rooted in, theory: in the ideal types which theory establishes, and the hypotheses which theory suggests. That is essential. Treatment of the agrarian question is impossible without such theoretical foundations. But analysis, further, must be grounded, as Ben Fine has put it, "in secure theoretical foundations that remain sensitive both to diversity and historical contingency" [Fine 1993:2]. That is crucial.

Comparison is essential. It is, in part, via comparison that one might make the relevant, sensitive judgments about performance (in the context of the agrarian question, or more generally). How might one judge the adequacy of performance without some comparative yardstick? Comparison suggests what is reasonable, and even, necessary. It is, to a degree, in comparative terms that one might conceive of change in a suitably nuanced manner. How, otherwise, might one understand the nature, the scope, and

the likely direction of change? Comparison, moreover, may point to the possibility of a substantive (non-trivial) diversity of outcome. It is in a comparative perspective that one might reach for possible lines of causality. Comparison has the power to widen the range of possible hypotheses. Comparison, can, suitably pursued, prevent analytical closure: by keeping one alive to the diversity and historical contingency insisted upon by Ben Fine. The sensitivity to diversity and historical contingency, I posit, must come, in part, from carefully pursued comparison. This is why I embarked upon my own work on paths of agrarian transition.

The claims made, by both Chenery and Syrquin and by Barrington Moore, are, I suggest, perfectly justified. Comparison can clarify and make more secure the analytical judgments which we make. It can, further, be a fertilising influence. It can open analytical perspectives. It can do so, when securely based theoretically, by extending our range of criteria independent of a particular context, and so allowing theory to be more nuanced in what it can reveal.

An absence of sensitivity to diversity and historical contingency means that analytical channels may be blocked. Comparison has the power to unblock those channels. To recapitulate somewhat, I have found that this it may do in four essential ways. Firstly, it may reveal significant historical regularities. It may identify 'uniform features of development'. That, in itself, can be immensely valuable. Thus, in examining the agrarian question the kind of structural change identified by Simon Kuznets is of significance. Secondly, within those historical regularities, a variety of historical pattern may be demonstrated. That, too, is of great potential value. The detailed examination of differing paths of agrarian transition shows that clearly. Thirdly, it may lead to the questioning of stereotypes, which, I hope, my own work does, in examining the real basis of historical/analytical models taken to treatment of the agrarian question in contemporary situations. Fourthly, it may generate exciting new hypotheses. Abandoning the Eurocentrism to which I have fallen victim, I would here stress the enrichment of the study of European history by hypotheses taken from the rich and powerful literature on the agrarian question in, say, India (let us say, on sharecropping, the inter-sectoral terms of trade, or the inverse relationship to which I have already drawn attention).

But what of the two archetypal variants which I have identified? Are they equally valuable in analysing the agrarian question? They are not. Of the two, the case-oriented approach is more useful, and is the one I have adopted. It is not, however, without its difficulties.

I will make just two points about the variable-oriented approach as a possible major way of approaching the agrarian question. Each relates to complexity, but in a different way.

Firstly, by its very nature, it abstracts from complexity and diversity, in its search for the general. Its strengths are many,¹⁹ and, as I have suggested, it can yield powerful insights. But, if one's aim is to capture complexity, historical contingency and substantive diversity, then it has clear deficiencies. It cuts a swathe through complexity, abhors historical contingency and discounts diversity. It seeks the general at the expense of the particular and the specific. Thus it could not cope with the diversity of outcome characterising the case studies that constitute my examination of paths of agrarian transition: a diversity of class structure, of pattern of the productive forces, and of interrelation between the two. As a major means of investigation, it is not, thus, appropriate to an analysis of the agrarian question of the kind which I am pursuing.

Secondly, there are certain kinds of issue which it simply cannot address. How could one capture the intricacies of class and class relationships thus? The evidence available cannot be manipulated or interrogated in this kind of way. Even if one wished to wield Occam's razor, one cannot via this approach. If you like, it is increasingly at a loss as causal complexity multiplies. That is to say, it would be unable to unravel the causes of the diversity of outcome found in the different cases. For example, if we hypothesise that class conflict is the major determinant of change, and that the outcome of such conflict is crucial to the nature of the path of transition followed, the variable-oriented approach would not enable us to test either of those propositions. What is called for is a careful and sensitive qualitative treatment. Only a case-oriented strategy can allow that.

The case-oriented comparative approach has its own problems. These I cannot pursue in detail. But one that I have encountered is the problem of the nature of the evidence used by the comparativist. Let me concentrate on that, and on my own experience. The comparativist must rely on secondary sources, and must get a satisfactory purchase on these. He, or she, must get it right in this respect. The following problems arise.

The first is that of ensuring that the same questions are asked and the same analytical categories used consistently, across the individual case-studies. There is the problem of the possibly limited nature of the evidence available. One then runs the danger of becoming the prisoner of those who do not ask questions relevant to one's concerns, or of being misled by those who used analytical categories inappropriately. In this instance, for example, one may search in vain for treatment of the nature and diversity of the

landlord class; or, one which I have found especially trying, the course of the inter-sectoral terms of trade. Or, 'peasants' may be defined idiosyncratically; or peasant strata identified carelessly. Great vigilance is called for.

There may, however, secondly, be an abundance of evidence and a diversity of interpretation on particular issues. That, too, is a problem which I have met and struggled with. It is not surprising, then, that the comparativist, plundering as he must the work of specialists, encounters the reservations and suspicion of those specialists not themselves comparativists. Thus, for example, specialist historians may spend their whole life working on a particular country, or region, over a narrow range of time: perhaps to most excellent effect. Thoroughly familiar with their sources and with the literature relating to their period, they may question, and even reject, efforts to make what may seem to them to be unjustified, sweeping generalisations (although, from the viewpoint of the variable-oriented approach, they may be far from sweeping). As Eric Hobsbawm observed in his review of Perry Anderson's two volumes [Anderson 1974a and 1974b], professional historians are

increasingly shackled by the double fetters of primary research and specialised knowledge. Like animals outside their own territory, historians feel neither confident nor secure once they leave the shelter of 'my period' [Hobsbawm 1975b:177].

These feelings will, of course, be aroused by the comparativist, and they may translate into hostility when the comparative historian gets on to their individual territory, even if there is recognition of the possible value of comparative history outside of that territory.

I recall, in the 1960s, when Barrington Moore's book was being reviewed, the observation more than once that it was a remarkable piece of work displaying immense historical/sociological imagination and so on, except that it got country x wrong - country x being the country on which the reviewer was a specialist. But there is a genuine predicament for the comparativist. We do have a real problem here. The comparativist must get it right.

That problem relates, in part, to the kind of evidence used by the comparativist, and whether it is representative; how, from a perhaps vast sea of evidence, the comparativist chooses; what the comparativist does with counter-evidence. Given an inevitable need to be selective, one wonders what working principles exist, or might be established, for comparativists, in this respect. Perhaps there are none, other than the exercise of mature judgment. One may mention an outstanding comparative historian, Robert Brenner. One notes Heide Wunder's waspish and dismissive comment on Brenner, and on

comparative historians in general:

It is the lot of the comparative historian to have to rely on textbooks and secondary literature, but unfortunately Brenner has fallen victim to the Prussian myth (Hohenzollernlegende) with all its contradictions and inconsistencies [Wunder 1985: 91].

I think that this is unfair on Brenner. But how, then, does the comparative historian cope with this problem? To which particular textbooks and secondary literature does he or she resort? Above all else, I think, he or she must exercise the most scrupulous care in treating those secondary sources with respect. The best comparativists - Marc Bloch, Barrington Moore, Theda Skocpol, Perry Anderson, Robert Brenner, and many others - do, and their work is exciting, illuminating and often seminal.

It is a problem which demands immense vigilance on the part of the comparativist. It also requires certain qualities. The comparativist, having displayed, perhaps, the necessary 'foolhardiness' in confronting large themes, and having chosen to do so via a case-oriented approach, requires, as Hobsbawm has it, "an enormous appetite for reading" and a "notable capacity for synthesis" [Hobsbawm 1975b: 177 and 178]. The comparativist, then, may be doubly foolhardy, in not only addressing large themes, but in risking judgment according to such standards. Yet, the potential analytical rewards are great. As a way of investigating the agrarian question, via a comparative, historical political economy, it has much to offer.

V

Conclusion

I noted, at the beginning the premature announcement of the death of political economy. When the American Economic Association held a Centenary Appreciation of the publication of *Das Kapital*, Paul Samuelson, after a swinging attack on Marx, concluded as follows:

But this is a birthday party and I approach the boundaries of good taste. Let me conclude by wishing that, like Tom Sawyer attending his own funeral, Karl Marx, could be present at his own centennial. When 'the Moor' rose to speak, how we would all pay for our presumptuousness! [Samuelson 1966:623].

Indeed. And how they would pay for false notices of the death of political economy.

Notes

[This paper comprises the text, with minor amendments, of the author's Inaugural Lecture as Professor of Political Economy at the University of London on October 27, 1994.]

1 It is invidious, not to say tiresome, to list names. We may say, however, that economists

like Arthur Lewis and Rosenstein-Rodan, two of the founding fathers of post-second world war development economics, are clearly in the broad, non-Marxist classical tradition. It includes, too, the remarkable Piero Sraffa (who did, however, have broad Marxist sympathies), Krishna Bharadwaj and a whole school of post-Ricardians (including such as Ian Steedman). Among the Marxists, one might mention Maurice Dobb, Ronald Meek, Paul Baran, Paul Sweezy, and more recently Amit Bhaduri, Utsa Patnaik and Prabhat Patnaik; to mention a galaxy of historians, like Rodney Hilton, Christopher Hill, E P Thompson, Eric Hobsbawm, Perry Anderson, Robert Brenner. The list is far from being exhaustive.

2 It includes economists like James Buchanan and Douglas North, and in the field of development Anne Krueger, Jagdish Bhagwati and T N Srinivasan. For a brief treatment see Caporaso and Levine (1993: 79-99).

3 *The Guardian*, October 15, 1994. The piece was by Martin Walker. Hobsbawm's latest book is *The Age of Extremes — The Short 20th Century, 1914-1991* [Hobsbawm 1994], the final in a remarkable series on the capitalist era from the 18th century to the present [Hobsbawm 1962, 1975a, 1987].

4 We are told that: 'The last Marxist sits high above New York, an open window bringing the honking of cabs from Union Square 11 floors below. He is sipping malt whisky...'

5 Those familiar with Lewis's writing will recall the opening words of his celebrated essay 'Economic Development with Unlimited Supplies of Labour':

This essay is written in the classical tradition, making the classical assumption, and asking the classical question. The classics, from Smith to Marx, all assumed or argued, that an unlimited supply of labour was available at subsistence wages. They then enquired how production grows through time. They found the answer in capital accumulation, which they explained in terms of their analysis of the distribution of income. Classical systems thus determined simultaneously income distribution and economic growth, with the relative prices of commodities as a minor by-product [Lewis 1958:400].

A more succinct, elegant and direct statement would be difficult to imagine.

6 This is from one of the three lectures which Dobb delivered at the Institute of Statistics of University of Bologna in 1962. These lectures were entitled 'Some Problems in the History of Capitalism', and the one from which I have quoted had the title 'Prelude to the Industrial Revolution'.

7 This is from Dobb's powerful chapter on David Ricardo, which, he tells us (see his Note of Acknowledgement at the beginning of the book), was heavily influenced by Piero Sraffa's work.

8 This may sound curious as part of a tradition that includes Adam Smith. I am not, of course, claiming his authority for policies of concerted state action. That would be

absurd. It would sit ill with his consistent attack on the Mercantilist state, his belief in the power of the 'invisible hand' and so on. But what I am suggesting is that Smith was acutely aware of the historically specific nature of his analysis, in a way in which his latter-day disciples are clearly not. Cf. Parker (1982: 25-26) and Bharadwaj (1989: 20-21).

9 What follows is a most brief treatment of the agrarian question. I deal with it at far greater length, and in a more nuanced way, in Byres (1986a, 1991, and forthcoming).

10 He was then spending a year's leave in Oxford, from the Agricultural Economics Research Centre of the University of Delhi, where he was, at that time, Director.

11 For a most useful survey of the debate up to 1982 see Thorner (1982) and for an excellent collection of contributions to the debate from the *Economic and Political Weekly*, Patnaik (1990). The debate did not, however, take place exclusively in the pages of the *Economic and Political Weekly*. See Byres (1992), where [Patnaik 1990] is reviewed.

12 In the *Wealth of Nations*, for example. See Smith (1976: 141-42, Book I, ch X, 'Of Wages and Profit in the Different Employments of Labour and Stock'; 376-77, Book III, ch 1, 'Of the Natural Progress of Opulence'; and 188, 284). See Meek (1962: 353; 1973: 290-91).

13 Ricardo provides a treatment of what we would now call the terms of trade problem.

14 As Bloch himself tells us, he had several predecessors, including Henri Pirenne (whose influence on him was great) and the linguist, A. Meillet. He was especially interested in, and impressed by, the use of the comparative method in comparative linguistics. Scrutiny of this, he argued, had much to offer the historian [Bloch 1967: 45, 67-68, 76]. See also his biographer [Fink 1989: 106, 117-19].

15 See, for example, Bloch (1967), Ragin (1987), Sewell (1967) and Skocpol and Somers (1980).

16 While Barrington Moore's book is clearly a classic, and a work of some power, it is not without serious blemish. Thus, for example, the ignoring of colonialism and imperialism, in a work on the early industrialisers in Europe, and, of course on Japan, and on an ex-colony and a former semi-colony, India and China, represents a significant shortcoming. But this, we must stress, is not a defect of the comparative method *per se*. It is, rather, a weakness in the manner of its pursuit.

17 His cases are England, France, America, China, Japan and India.

18 There are now many notable instances of the case-oriented approach. One notes, in different traditions but using the case-study approach in broadly similar fashion, for example: Eric Wolf's *Peasant Wars of the Twentieth Century* [Wolf 1969] (six case-studies); Perry Anderson's outstanding *Lineages of the Absolutist State* [Anderson 1974b] (ten cases); Theda Skocpol's *States and Social Revolutions* [Skocpol 1979] (three cases); Clive Trebilcock's *The*

Industrialisation of the Continental Powers, 1780-1814 [Trebilcock 1981] (three separate cases and three taken together); Colin Mooers's *The Making of Bourgeois Europe* [Mooers 1991] (three cases). There are several variants of the approach. Peter Kolchin, for example, takes two cases, in his *Unfree Labour American Slavery and Russian Serfdom* [Kolchin 1987]. He does not follow the Barrington Moore procedure of separate case studies. Rather, he takes his cases together and develops the comparative argument as he proceeds. He tells us that "at the simplest level the comparative approach reduces the parochialism inherent in single-case studies by showing developments to be significant that would otherwise not appear to be so" (p ix). Another example of a 'running comparison' — a straight comparison from start to finish — is Patrick O'Brien and Caglar Keyder's, *Economic Growth in Britain and France, 1780-1914* [O'Brien and Keyder 1978]. Two cases are chosen and they are compared, as far as possible, indicator by indicator, before conclusions are drawn. The study by Byres and Nolan, *Inequality: China and India Compared, 1950-1970* [Byres and Nolan 1976] is a further example of such a comparison. Robert Brenner's immensely stimulating writing on agrarian class structure and economic development in pre-industrial Europe is an important illustration of the comparative method [Brenner 1976, 1985]. This differs from the examples of the case-oriented approach already cited. A particular argument is made, and runs through the whole presentation. He does not present discrete and separate case-studies, to provide the basis for an eventual set of conclusions and generalisations. Rather, the argument is presented at some length, and then illustrated by a reading of the evidence of a limited number of cases, back-to-back, so to speak: now England, now France, now Germany; or now eastern Europe and now western Europe; and so on. E L Jones, in two works of comparative history that have attracted much attention, is different again [Jones 1981, 1988]. He develops a wide-ranging argument, drawing examples from a bewildering variety of time and place, now and then focusing on a case-study that catches his attention.

19 These strengths are identified and discussed in Ragin (1987: 53-68). They are obvious enough. I will not repeat them here.

References

- Anderson, Perry (1974a): *Passages from Antiquity to Feudalism*, New Left Books, London.
 — (1974b): *Lineages of the Absolutist State*, New Left Books, London.
 Aston, T H and C H E Philpin (eds) (1985): *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe*, Cambridge University Press, Cambridge.
 Bharadwaj, Krishna (1989): *Themes in Value and Distribution: Classical Theory*

- Marx, Karl (1867): *Das Kapital*, London.
- Bloch, Marc (1967): 'A Contribution Towards a Comparative History of European Societies' in Marc Bloch, *Land and Work in Mediaeval Europe - Selected Papers*, translated by J E Anderson, Routledge and Kegan Paul, London. This article is an extended version of an address given in 1928 to the International Congress of Historical Sciences (mediaeval section) in Oslo.
- Brenner, Robert (1976): 'Agrarian Class Structure and Economic Development in Pre-Industrial Europe', *Past and Present*, February, No 70. Reprinted in Aston and Philpin (eds) (1985).
- (1985): 'The Agrarian Roots of European Capitalism' in Aston and Philpin (eds) (1985). Originally published in *Past and Present*, November 1982, No 97.
- (1989): 'Economic Backwardness in Eastern Europe in Light of Developments in the West' in Chirot (ed) (1989).
- Byres, T J (1986a): 'The Agrarian Question and Differentiation of the Peasantry', Introduction to *Rahman* (1986).
- (1986b): 'The Agrarian Question, Forms of Capitalist Agrarian Transition and the State: An Essay with Reference to Asia', *Social Scientist*, November-December, Nos 162-63.
- (1991a): 'The Agrarian Question and Differing Forms of Capitalist Agrarian Transition: An Essay with Reference to Asia' in Jan Breman and Sudipto Mundle (eds), *Rural Transformation in Asia*, Oxford University Press, Delhi.
- (1991b): 'Agrarian Question, The' and 'Peasantry' in Tom Bottomore (ed), *Dictionary of Marxist Thought*, second edition, Basil Blackwell, Oxford.
- (1992): Review of Patnaik (ed) (1990), *Journal of Peasant Studies*, January, Vol 19, No 2.
- (forthcoming): *Paths of Agrarian Transition: The Diversity of Capitalist Resolution of the Agrarian Question*.
- Byres, T J and Peter Nolan (1976): *Inequality: India and China Compared, 1950-70*, Milton Keynes. The Open University Press.
- Caporaso, James A and David P Levine (1992): *Theories of Political Economy*, Cambridge University Press, Cambridge.
- Chenery, Hollis and Moises Syrquin (1975): *Patterns of Development, 1950-1970*, Oxford University Press for the World Bank, Oxford.
- Deane, Phyllis (1978): *The Evolution of Economic Ideas*, Cambridge University Press, Cambridge.
- Dobb, Maurice (1940): *Political Economy and Capitalism: Some Essays in Economic Tradition*, second edition, Routledge and Kegan Paul, London.
- (1955): *On Economic Theory and Socialism: Collected Papers*, Routledge and Kegan Paul, London.
- (1967): *Papers on Capitalism, Development and Planning*, Routledge and Kegan Paul, London.
- (1973): *Theories of Value and Distribution Since Adam Smith*, Cambridge University Press, London.
- Fine, Ben (1993): 'Towards a Political Economy of Food', *Unpublished*, Department of Economics, School of Oriental and African Studies, University of London.
- Fink, Carole (1989): *Marc Bloch: A Life in History*, Cambridge University Press, Cambridge.
- Gupta, Sulekh Chandra (1962a): 'Some Aspects of Indian Agriculture (As Revealed in Recent Studies)', *Enquiry*, 6.
- (1962b): 'New Trends of Growth', *Seminar*, October, 38.
- Hobshawm, E J (1962): *The Age of Revolution, 1789-1848*, Weidenfeld and Nicolson, London.
- (1975a): *The Age of Capital, 1848-1875*, Weidenfeld and Nicolson, London.
- (1975b): 'From Babylon to Manchester', review of Anderson, (1974a and 1974b), *New Statesman*, February 7.
- (1987): *The Age of Empire, 1875-1914*, Weidenfeld and Nicolson, London.
- (1994): *The Age of Extremes - The Short 20th Century, 1914-1981*, Michael Joseph, London.
- Jones, E L (1981): *The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia*, Cambridge University Press, Cambridge.
- (1988): *Growth Recurring: Economic Change in World History*, Clarendon Press, Oxford.
- Karshenas, Massoud (1995): *Industrialisation and Agricultural Surplus: A Comparative Study of Economic Development in Asia*, Oxford University Press, Oxford.
- Kolchin, Peter (1987): *Unfree Labour: American Slavery and Russian Serfdom*, The Belknap Press of Harvard University Press, Cambridge, Massachusetts and London.
- Kuznets, Simon (1956-1967): 'Quantitative Aspects of the Economic Growth of Nations, I-X', *Economic Development and Cultural Change*, Vol V (1956, No 1, October, and 1957, No 4, Supplement, July); VI (1958, No 4, Part II, July), VII (1959, No 3, Part II, April); VIII (1960, No 4, Part II, July); IX (1963, No 4, Part II, July); X (1962, No 2, Part II, January), XI (1963, No 2, Part II, January); XIII (1964, No 1, Part II, October); XV (1967, No 2, Part II, January).
- (1966): *Modern Economic Growth: Rate, Structure and Spread*, Yale University Press, New Haven and London.
- Lewis, W Arthur (1958): 'Economic Development with Unlimited Supplies of Labour' as reprinted in A N Agarwala and S P Singh (eds), *The Economics of Underdevelopment*, Oxford University Press, London. This was published originally in *The Manchester School*, Vol 22, No 2, May 1954.
- Marx, Karl (1961): *Capital*, Volume 1, Foreign Languages Publishing House, Moscow.
- (1962): *Capital*, Volume 3, Foreign Languages Publishing House, Moscow.
- Meek, Ronald (1962): *The Economics of Physiocracy: Essays and Translations*, Allen and Unwin, London.
- (1973): *Studies in the Labour Theory of Value*, second edition, Lawrence and Wishart, London.
- (1977): *Smith, Marx and After*, Chapman and Hall, London.
- Morris, Colin (1991): *The Making of Bourgeois Europe: Absolutism, Revolution, and the Rise of Capitalism in England, France and Germany*, New Left Books, Verso, London.
- Moore Jr, Barrington (1967): *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, The Penguin Press, Allen Lane, London.
- O'Brien, Patrick and Caglar Keyder (1978): *Economic Growth in Britain and France 1780-1914: Two Paths to the Twentieth Century*, Allen and Unwin, London.
- Parker, Noel (1982): 'What's So Right about Adam Smith?', *Radical Philosophy*, Spring, No 30.
- Patnaik, Utsa (ed) (1990): *Agrarian Relations and Accumulation: The 'Mode of Production' Debate in India*, Oxford University Press for the Sameeksha Trust, Bombay.
- Ragin, Charles C (1987): *The Comparative Method: Moving beyond Qualitative and Quantitative Strategies*, University of California Press, Berkeley.
- Rabinan, Atur (1986): *Peasants and Classes: A Study in Differentiation in Bangladesh*, The University Press and Zed Books, Dhaka and London.
- Ricardo, David (1951): *On the Principles of Political Economy and Taxation*, Cambridge University Press, Cambridge.
- Volume 1 of *The Works and Correspondence of David Ricardo*, edited by Piero Sraffa, with the collaboration of M H Dobb.
- Samuelson, Paul (1967): 'Marxian Economics as Economics', *American Economic Review*, May, Vol LVII, No 2, Papers and Proceedings of the Seventy-ninth Annual Meeting of the American Economic Association, session on *Das Kapital: A Centenary Appreciation*.
- Sen, Amartya (1962): 'An Aspect of Indian Agriculture', *The Economic Weekly: Annual Number*, February, Vol 14, Nos 4-5-6.
- Sewell, William H, Jr (1967): 'Marc Bloch and the Logic of Comparative History', *History and Theory*, Vol VI, No 2.
- Skocpol, Theda (1979): *States and Social Revolutions: A Comparative Analysis of France, Russia and China*, Cambridge University Press, Cambridge.
- Skocpol, Theda and Margaret Somers (1980): 'The Uses of Comparative History in Macrosocial Enquiry', *Comparative Studies in Society and History*, Vol 22.
- Smith, Adam (1976): *An Inquiry into the Nature and Causes of the Wealth of Nations*, two volumes, Oxford University Press, Oxford.
- Thorne, Alice (1982): 'Semi-Feudalism or Capitalism? Contemporary Debate on Classes and Mode of Production in India', *Economic and Political Weekly*, Vol XVII, Nos 49, 50 and 51, December 4, 11, and 18.
- Trebilcock, Clive (1981): *The Industrialization of the Continental Powers*, Longman, London and New York.
- Wolf, Eric R (1969): *Peasant Wars of the Twentieth Century*, Harper and Row, New York, Evanston and London.
- Wunder, Heide (1985): 'Peasant Organisation and Class Conflict in Eastern and Western Germany' in Aston and Philpin (eds) (1985).

Development Priorities

Practical Issues of Methodology and Modelling

Kalyan Raipuria

In arriving at the total outlay for the Five-Year Plans, the sectorwise allocations and priorities for the plan-period broadly follow a macro-model. But we do not have a model for annual plan exercises and the prioritisation to be followed, though the sectoral allocation of resources by the planning system amounting to more than a hundred thousand crore rupees annually profoundly affects the future of the economy and the people. This paper looks at annual forecasting models outside the planning system and seeks to indicate some specifics of research and action required for development of annual plan modelling.

IN reaching the total outlay of the Eighth Five-Year Plan (FYP) of Rs 8,71,100 crore, at 1991-92 prices, the sectorwise allocations and priorities for the Plan period, 1992-97, broadly followed the macro-model,¹ results being consistent with the projected overall growth rate, the contribution of the various sectors in growth, and the estimated ICORs for the selected sectors. The much more detailed sectorwise and centre-statewise public sector allocations were based on micro-level projections and negotiations but in line with the above results.

But, for annual Plan exercises, at current prices we do not have a model and detailed exercises, towards prioritisation to be followed, once the FYP is finalised, which is at base year's prices. There exist at least three major annual forecasting models of NCAER,² IEG-DSE,³ and RBI,⁴ outside the planning system, aimed primarily to bring out the economic outlook on annual basis and/or simulate certain policy objectives like containing budgetary and fiscal deficit, change in administered prices, and export-import variations. The CMIE forecasts are quoted by *The Economist*, London, regularly as part of 24 emerging market economies' indicators. However, we have not come across any model on the basis of which forecasts are issued, comprehensive database notwithstanding. The issue is whether some of these and the FYP models are mutually exclusive and amenable to interplay.

PRESENT SYSTEM

Given the consistent distribution of resources between the centre and the states, according to major heads of development and ministrywise projections, for five years, the annual exercise undertaken by the Planning Commission in terms of sectoral allocation corresponding to the assessed availability of financial resources leaves much to be desired. The task in hand, therefore is to optimise (aside from consistency) results for Annual Plans and examine if modelling can help in this, covering the private (notably, corporate)

sector by way of providing guide-posts to the market. Guidelines provided on inter-sectoral distribution fall too short of the requirements.

The plan size which is determined according to the own resources of all the states, including the states' share in central taxes, estimates of utilisation of external aid, i.e. externally-aided projects, (EAPs) and central support (within the control totals) indeed calls for choices on sectoral details which should emerge from a macro-model, keeping in view crucial magnitudes and direction of the state FYPs. However, no such effort for any state is presently made at the centre or by any state due to lack of model usage and acceptance in regard to the derivation of annual plan, in both financial and physical terms, from the corresponding Five-Year Plan aggregates.⁵

In determining the sector/ministrywise levels of Plan outlays at the centre, which include Plan investment by central public sector enterprises (CPEs) for the Annual Plans, the reference point would indeed be the Eighth Plan (at 1991-92 prices) and the size that had been built in the Annual Plans (at current prices).

But determination of the annual Plan size and the allocations should not be mere extrapolations of growth over the past years, but should be guided by the resources in sight with due regard to the possibility of changes affecting sources also broadly furthering Plan prioritisation.

Thus, the total central budgetary support should be in conformity with the need for limiting the fiscal deficit. Given the control total, the budgetary support to some of the sectors/ministries may have to be scaled down, while in some cases the level may have to be protected. The pattern of budgetary support thus projected for the various sectors/ministries would have to reflect the Plan priorities indicated in the Eighth Plan unless significant change is required based on the mid-term review and/or replanning exercises.⁶

To determine the investment of the CPEs comprising 70-75 per cent of the central sector Plan outlay, the feasibility of IEBR

and the possible modes of economically rational additional resource mobilisation (ARM) need to be systematically looked into. The ARM need to be finalised in net terms, net of the cost escalations in sight. Indeed, mobilisation is also a function of policy plans and investment levels, including new projects/expansion of the existing capacities, as investments depend on growth and levels of incomes albeit time-lag. Ideally, these may be endogenised through structural relations part of a macro-model, providing price adjustments. The model based on structural relations need to cover depreciation related to capital and retained profits related to normative rates of return. ARM requirements could then be derived and the feasibility of realising the projected ARM ascertained. Sectoral capital-coefficient matrix may be used in determination of investment band replacing unique figures.

The estimates in respect of bonds/debentures of central public sector enterprises need to be determined in the light of the projected overall market borrowings of the centre and the central public enterprises for the Eighth Plan, which may hold good after the reduction in the SLR as may be targeted on incremental or average basis. Tax-free bonds at 9 or 10.5 per cent interest rate need to be phased out in view of the high final or effective interest rate and lack of real market for them, originally evolved to tap rural savings. The levels have been squeezed already in view of their distortionary effect as also difficulties in mobilisation in the changed conditions. Considerable increase in bonds may be projected for selected core infrastructure sectors whose outlays will be increasing but budgetary support may not keep pace with them. This should of course be subject to prudential limits determined by repayment liabilities in regard to bond redemption and their impact on IR.

As for the resources in terms of ECBs and suppliers' credit, according to sectors or ministries, the possibilities need to be analysed in the light of emerging international environment, feasible level of inflows judged in terms of debt service and perspective of international capital markets.

MONETARY ENVIRONMENT

Among the national level planning and policy models, the formal one used as an aid to projections of Five-Year Plan targets with macro-economic magnitudes and to formulation of the country's long-term (15 years) perspective is the one published in the context of the Sixth and the Seventh Plan.⁷ The model consists of a core model and seven sub-models in respect of (i) agriculture, (ii) forestry, (iii) industry, (iv) consumption, (v) exports and imports, (vi) financial resources, and (vii) demography and employment generation. The core model consists of an interdependent macro-economic model (MEM), an input-output model (IOM) and an investment model (IVM). The MEM involves usual national output and expenditure identities, and this in co-ordination with IOM of 50 sectors (compressed from 115 sectors), determines investment in the terminal year of a plan endogenously.

Given the target growth rate and base year GDP, saving and consumption of the public and the private sector and certain other exogenous variables, the MEM determines allocations for investment in major 11 sectors.

But the relations mostly being arithmetic, are amenable to adjustment of change in figures needed due to iteration or their availability at different points of time period of running the model.

The crucial financial sector sub-model has: (i) the public sector, (ii) the private sector separated between the corporate and the non-corporate, and (iii) the rest of the economy (ROE). The relation between the scale and the composition of the household sector saving, disposable income and inflation is considered. There may be elaborate modelling for the public sector savings, separated into budgetary savings and surplus from public enterprises and

may cover operation of the capital market and detailed flow of funds between financial institutions and other sectors. Such wealth of information and estimates from the model have their source in RBI, which publishes the seven sector flow-of-funds data⁸ on much reduced time lag in recent years. The model, however, covered flow-of-funds only from major sectors, viz. public, private and corporate and household, aside from the rest of the world (external) sector. The description of the sub-model, in the *Technical Note* (1986), clearly indicates, short of a real formal financial model, the kind of regression equations considered, relating to currency, bank deposits, provident funds, private corporate and co-operative shares, securities of term-lending institutions, and different assets. For example, bank deposits are regressed to GDP and GDP deflator, while shares are a function of the factors:

GDP at market price deflator;
Shares of non-agricultural income in national income;

Ratio of current year's to the previous year's prices;

Growth pattern of shares and debentures (dummy);

Lagged (by one year) shares; and
GDP at constant market prices.

In such an exercise, when practical judgment is applied at every point in determining the period of analysis, the parameters and more importantly *what finally determines what*, without annual phasing and as also state-level disaggregation, the results remain idealistic/academic particularly as little attention is given to the clearing mechanisms, factor prices, and output/input prices.

Interest rate, for example, appears nowhere in the financial resources model, nor the fiscal (especially the overall tax rate) and monetary policy variables (viz. SLR and

CRR, minimum/maximum lending and deposit interest rate, and share of priority lending in total). Draft of the government and private corporate sector on household financial savings by instruments (viz. currency, deposits, contractual savings, and corporate shares) is projected to the overall extent of over 95 per cent, but its effect on growth and savings/investment is not considered and any change in policies needed becomes out of question.

It is in view of the above operational problems of planning and certain methodological issues raised by serious researchers, published earlier and also recently in *Economic and Political Weekly* (Bombay) and elsewhere, that one looks for annual forecasting models/systems which can take into account the latest trends and can complement the present annual planning system in the context of the Five-Year Plan.

NCAER MODEL

Among the available annual forecasting models, that of the NCAER⁹ is well formalised, documented, and regularly operated for counter-factual analysis and forecasting GDP; growth of money and prices; external trade and payments; growth of industry, infrastructure, and agriculture; and investments. The model is also used for policy analysis in respect of money and price variations in tax rate; expenditure switching notably in subsidies; and growth of exports and imports.

The economy is represented by eight production (goods and services) sectors and four agents; government; non-agricultural wage income earners; non-agricultural profit (non-wage) income earners; and agricultural income earners. The model is built around the consistency framework of a Social Accounting Matrix

TABLE 1: SUMMARY OF NCAER FORECASTS AND ACTUALS OF MAJOR-LEVEL VARIABLES, 1992-95
(Percentage change over the previous year)

Variables	1992-93		Actual	1993-94		Actual	1994-95	
	September 92 (F)	December 92 (E)		July 93 (F)	December 93 (E)		March 94 (F)	August 94 (F)
(A) Real Economy (at 1980-81 prices)								
(1) GDP*	3.2	3.7	4.0(QE)	4.8	4.5	3.8(AE)	4.8	4.8
(2) Agriculture and allied	2.1	3.4	5.0	3.2	3.0	2.3	2.6	3.2
(3) Industry	3.8	3.8	2.6	5.9	4.3	3.0	6.8	6.4
(4) Tertiary	4.2	4.3	4.1	5.8	5.7	5.3	5.5	5.3
(B) Money and Prices								
(1) Money supply	15.7	15.0	15.7	13.2	14.2	18.2	14.0	15.3
(2) Prices (WPI) (average)	11.3	11.7	8.0	8.4	8.1	8.3	10.2	9.6
(C) External Sector								
(1) Export growth (i)	10.0	7.0	3.8	16.0	19.0	19.6	21.0	16.9**
(ii)	-	-	-	-	-	-	-	-
(2) Import growth (i)	13.4	15.0	12.7	18.0	18.0	3.8	15.0	17.0**
(ii)	-	-	-	-	-	-	-	-

* Factor Cost

(i) DGCI&S

E = Estimated (based on partial information), F = Forecast, P = Provisional,

** Assuming Rs 33 per US \$;
devaluation of 5.27 during 1993-94

(ii) RBI-BOP version

QE = Quick Estimate (CSO), AE = Advanced Estimate (CSO).

(SAM). The model assumes excess capacity in non-agricultural sectors and, postulates that supply adjusts to demand thus branding the model as demand-based. The model (a' la Kalecki) determines prices in these sectors applying variable mark-up rates on prime costs. The agricultural output and prices are exogenously determined from an agricultural sub-model.

The 77 equations are operated under nine blocks, viz:

Price-wage block;
Output block;
Income block (covering income classes);
Savings consumption block;
Investment block;
Government block;
Balance of payments determination;
Accounting identities (national accounts);
and Monetary block.

The basic equations of the output block cover the output of intermediate inputs, output for private consumption, output for government consumption, increase in savings, investment, exports and imports. Imports are endogenous. The commodity balance equations are included in the input-output framework. GDP, at current market prices, is the sum of all the final demand elements less imports. The price-wage equations are based on quantity-price relations.

An interesting equation in the price-wage block determines prices, and considers material input prices, wages and import cost. This block shows how these costs can be endogenised.

The merit of the above model lies in its structural nature and number of behavioural (with clearing mechanisms) equations. The parameters are estimated on the basis of time series or cross-section data using regression analysis. The model is solved using the system of Gauss-Siedel interaction routine, also used for the planning model. Another noteworthy feature is the scenario analysis developed on the basis of different assumptions regarding the exogenous variables. Prices are responsive to the specified determining factors. Thus, it has direct relevance to the policy processes. The model gives an explicit relationship between money supply, GDP and prices of so much of common interest to macro-management experts, media, and public at large.

The difficulties with the above model primarily relate, for application in planning, to limited sectoral disaggregation and certain exogenous variables, viz, government investment which is a kind of instrument variable insofar as sectoral allocations speak volumes for government's current policies and a planner would like to see the implications of the alternatives. In the present environment, variables like competitive imports also need to be endogenised.

Table 1 presents a summary of NCAER model forecasts, made twice in a year, for the three-year period 1992-95. The forecasts for 1992-94 are compared with the actuals/official estimates. Statistical analysis of the observed deviations is a matter of a separate exercise.

IEG-DSE Model System

The other short-term modelling system is that of Institute of Economic Growth (IEG) by K Krishnamurthy *et al*¹⁰ and Delhi School of Economics (DSE) by V Pandit.¹¹ The system is an ongoing developing macro-modelling project. Its results (latest 1993) are biannually presented in project Link meetings, and published in popular Indian economic/financial dailies.

According to the main authors, the system is quasi-econometric to the extent judgment is applied at every step. A comparative study of the two models shows that neither of the two models was meant, in their present form, to be a forecasting model; they were aimed to study the issues of rate, structure, and sources of growth. The form itself is changing and each of them covers certain aspects of the economy left out by the other. Thus, these two models are being operated in a system as complements. The two models have a number of similarities, though different not only in size and the sample period, but in approaches notably in dealing with price behaviour.

Both models have agriculture sector divided into food and non-food crops, and cultivated area for the two kinds of crops is visualised to respond to relative prices; both consider the growth-inflation trade-off implied by the challenge of further mobilisation of resources (FMR), and both focus on deficit financing of public sector investment, and the budget constraint.

TABLE 2: SUMMARY OF IEG-DSE FORECASTS AND ACTUALS OF MAJOR MACRO-LEVEL VARIABLES, 1992-95
(Percentage change over the previous year)

Variables	1992-93				1993-94				1994-95	
	F-1	F-2	F-3	Actual	F-2	F-3	F-4	Actual	F-3	F-4
(A) Real Economy (at 1980-81 prices)										
(1) GDP*	4.2	3.9	2.8	4.0(QE)	3.7	3.3	4.5	3.8(AE)	4.6	5.4
(2) Agriculture and allied	1.3	4.2	4.2	5.0	1.5	2.8	2.3	2.3	2.2	3.5
(3) Industry	5.4	3.3	1.1	2.6	5.9	3.5	2.5	3.0	6.7	4.0
(4) Tertiary	5.5	4.1	2.8	4.1	3.9	3.5	2.8 INF 9.7 SV 4.5 PA	5.3	5.0	3.5 INF 9.2 SV 4.7 PA
(B) Money and Prices										
(1) Money supply	15.0	15.0	12.0	15.7	13.5	12.0	17.8	18.2	12.0	16.0
(2) Prices (WPI) (average)	10.0	10.0	9.0	8.0	8.3	8.0	8.3	8.3	7.0	10.7
(C) External Sector										
(1) Export growth	(i) 6.0	3.5	NA	3.8	10.0	NA	20.4	19.6	NA	NA
	(ii) 6.0	4.0	3.5	NA	10.0	12.0	19.6	NA	15.0	22.3
(2) Import growth	(i) 14.8	21.1	NA	12.7	11.5	NA	6.8	3.8	NA	NA
	(ii) 14.8	12.1	12.0	NA	11.5	10.9	7.1	NA	15.0	14.3
(3) Trade deficit (level in \$ bn)	(ii) -4.7	-6.4	-4.6	-4.1	-7.4	-4.7	-2.7	-1.3	-5.3	-1.2
(4) Current A/C deficit (level in \$ bn)	(ii) -4.2	-6.9	-4.8	-3.6	-7.1	-4.8	-1.7	-0.32	-5.8	-0.2

* Factor Cost

(i) DGCI&S

(ii) RBI-BOP

(1) = As made in September 1992

(2) = As made in March 1993

(3) = As made in October 1993

(4) = As made in September 1994

E = Estimated (based on partial information), INF = Infrastructure, F = Forecast, SV = Services, P = Provisional, PA = Public Administration, QE = Quick Estimate (CSO), AE = Advanced Estimate (CSO).

Approaches, however, differ. The first (IEG-KK) explains change in agricultural output via productivity, while the other (DSE-VP) explains in terms of factors such as cultivated area, rainfall and irrigation. In respect of price behaviour, the first explains absolute price levels, whereas the equations relating to prices in the second are specified in terms of the annual rates of change in all the relevant variables. The KK model consists of 77 while VP model of 60 equations and the sample period in the former relates to 1950-78, while in the latter to 1960-80.

In KK, output of the tertiary sector is demand-determined and the manufacturing sector is supply-determined by means of production functions, aimed to highlight lagged effects of capital formation.

In VP, even though non-agricultural output as a whole is demand determined, it is highly constrained by several exogenous and endogenous factors and the multiplier mechanism cannot be relied upon for raising output. Output of services is determined by levels of activity in the agricultural and the manufacturing sectors.

A notable feature of the KK model is the scope for analysis of the links between public and private investment decisions and the complementarity and crowding-out effects of public investment.

In KK, the volume and allocation of investment in the public sector is considered to affect output through current demand as well as potential supply. In VP, revenue and expenditure take into account the effect of price level variations, and policy decisions are transmitted to the monetary variables, as also to saving, investment, and output. Monetary sector is dealt with in VP in more detail than in KK. The external trade is exogenous in KK; while in VP non-food imports, exports and export prices are treated endogenously.

There are also differences in specifications of variables and functional forms of relationships. In their (KK-VP) own assessment:

By virtue of its emphasis on (i) the capacity-creating effect of investment on potential supply, (ii) the role assigned to infrastructure, (iii) productivity changes in the economy, and (iv) the secular relationship between money, prices and output, KK is more suitable than VP for studying the pattern and tempo of growth and other long-run movements in the economy. On the other hand, its treatment of (i) the saving-investment equilibrium, (ii) monetary and fiscal policy issues, (iii) causes and consequences of inflation, and (iv) impulses arising from the external sector in an open economy, renders VP more appropriate for policy analysis of the short- and medium-term problems.¹²

KK Model¹³ consists of equations which include clear-cut four sectors of national

accounting. VP model¹⁴ consists of fewer equations and agriculture gets focus, aside from macro-economic aspect.

The notable feature of the KK model is its treatment of the public sector and importance of the infrastructure in the growth process. For example, the following model result is directly relevant to the basic objective of the present paper, i.e. to develop ability to model for the annual plan allocations in public sector:

Public sector investment acts as an engine of growth. It augments output in all the sectors. It has a complementarity effect on

private investment in agriculture and both complementarity and crowding out effects in industry. Public sector infrastructure improves productivity in industry and in tertiary sectors.¹⁵

In VP, private investment is treated in some details of interest in the present context of its increasing share even in the infrastructure sector. Investment is disaggregated between household and corporate sectors. Saving behaviour of household is treated as a function of disposable income, lagged inflation and ratio of output of agriculture to the non-

ANNEXURE I: COMPARISON OF SELECT THREE MODELS

Feature	Long- and Medium-Term	Short-Term	
	PC-PPD (1986)	NCAER (1993)	IEG/DSE(1984)KK/VP
(1) Stated objective	Projections of plan magnitudes	Estimates and simulation of macro-economic variables*	Structural macro-economic analysis
(2) Type of model	Consistency, comparative static	Consistency	Structural dynamic
(3) Theoretical base	Demand-determined output	Demand-determined output	Demand-determined output with emphasis on supply
(4) Framework	Macro-economic identities in line with National (CSO) accounts statistics (NAS)	Social-accounting matrix (SAM) and time series/cross-sector based regression equations	Time series based equations; focusing on long-term movements
(5) Equations	14n + 2nT + 19** under 9 blocks	77 under 9 blocks	77/60
(6) Exogenous variables	3n + 2nT + 15**	37	8***
(7) Sectors	11	8	4/4
(8) Income classes	i) Rural/urban ii) People below/above poverty line	Four —	Nil —
(9) Basic data-base	NAS and IOT of CSO	NAS and IOT of CSO	Time series for select variables
(10) Solution algorithm	Gauss-Siedel**** Iteration routine	Gauss-Siedel**** Iteration routine	Gauss-Siedel**** Iteration (specially developed) routine
(11) Time lag	8 years in IOM	8 years in SAM	3 years in NAS, 5 years for other time series
(12) Usage in government	Five-Year Plan	Ministry of finance review of the economy	Part of project Link
(13) Relevance to economic reforms	Reduction in government dissavings considered	Increment in trade, globalisation and exchange rate considered	Reduction in share of public sector and its effects considered
(14) Price clearing mechanism, if endogenous	No	Yes	Yes
(15) Relevance to federal policy issues	Break-up of magnitudes between centre and states attempted at broad levels of magnitudes	Nil	Nil

Notes: * Project commissioned by the Ministry of Finance (Department of Economic Affairs, Economic Division).

** Where, n stands for sectors mostly corresponding to IOM, i.e. compressed from 225 to 89 sectors. There are 14 in case of relatively aggregative exercises, viz. investment model; total number works out to 2,242, under 9 blocks.

*** Aid, exports, price index of exports and imports, population, index of rainfall, government expenditure, and public sector investment.

**** As explained by Montias,¹⁶ in a Gauss-Siedel iterative procedure, each industry's gross output is calculated by adding its (pre-determined) net output and the material requirements on the part of other sectors, these requirements being computed on the basis of last-obtained estimates of the consuming sectors' gross output. If the matrix can be perfectly triangularised (the order of ranks and columns so arranged that only zero appear above the diagonal), a consistent set of gross outputs can be ground out in a single iteration.

agriculture sector. Corporate savings are taken exogenous and split into its fixed and inventory components. Household investment is explained by rates of interest and inflation. Corporate investment in terms of fixed capital formation is explained by changes in the level of non-agricultural output as a proxy for the expected change in demand, the lagged rates of profit, and lagged investment. Inventory investment is related to the level of output and the real cost of holding stocks.

The system of KK-VP models has constantly been in the process of growth. The exact state-of-the-art is not known as consolidated documented version is not available in print. The major problem has been how to update parameters of a medium-term model when every year the system is asked to make forecasts.

An evaluation reveals that both the models remain weak in treating the issues of energy sector, transport modes, and the social services. In the context of adjustment, the prioritisation of the social sector is gaining significance. It may, however, remain difficult to model this sector except analysing the effect of increased public expenditure on this sector.

A more directly relevant modelling exercise, in the present context, aiming a resource mobilisation and allocation, with emphasis on supply side, and focus on variations in 'celebrated ratios' of economics such as output-capital ratios, rates of saving and investment, share of public-private sectors, and import intensity, is reported in Krishnamurthy et al.¹⁶

Table 2 presents the summary of IEG-DSE model/system forecasts made for recent period covering 1992-95, compared with the actuals/official estimates. Variations among the first forecasts and actuals, particularly notable in external sector, point to the required strengthening of information as well as estimation basis. A statistical exercise analysing systematic error and 'bias' in the forecasts will be reported separately.

LIMITATIONS AND POSSIBILITIES

No single model can meet the increased requirements of policy formulation and planning in the changing domestic and outside conditions. Computable general equilibrium (CEG) models indeed have their limitations. Long- and medium-term models cannot be applied for quick short-term estimates. Economywide models can adopt regional disaggregation to a limited extent. Similarly, macro-econometric models can capture sectoral trends only to an extent in terms of number of sectors and in terms of capturing human behaviour and technology.

What is true is also that some models are readily acceptable as they are based on

judgments, rules of thumb, and are non-mechanical in results, while some are highly sophisticated but unacceptable on account of 'outliers' they may show, as results, at least from the short-term point of view.

Due to the above difficulties, it is worth considering if we can identify a few accessible models which show possibilities of interplay and help us to maximise comparative advantage of these, i.e. if they may complement and supplement each other, in respect not only of parametric estimates, but also of economic approach and policy simulations by way of cross-checking the forecasts of mega variables.

Such interplay is greatly facilitated if there is consistency in sectoral disaggregation and data base (source and period) and harmonisation in parametric estimation.

A concrete case is an interplay between a pure macro-econometric model with models of a few sectors corresponding to broad GDP classification of agriculture, manufacturing and services, and a model which provides in-depth analysis of agriculture sector alone with largest share of material GDP and more so of employment.

To what extent interplay between the Planning Commission medium-term model and one of the short-term models reviewed in the present paper is possible would depend on the commonality of the objective and required research and action discussed later. The comparative features of these models are brought out in Annexure I. Their sectoral disaggregation is shown at Annexure II, which aside from data base would need to be harmonised as a prerequisite of interplay.

Certain areas of interplay, which we think could be part of agenda for research, action, and development (RAD) include inputting

agriculture-industry linkages,¹⁷ prices, foreign trade and different financial flows, technology choices, and exchange rate determination, relative roles of public-private sector and state level disaggregation notwithstanding. The final exogeneity can be minimised through interplay as presently there are a large number of exogenous variables in the individual models, and their exact feasibility can be discussed among the partner modellers.

INTERPLAY WITH A GLOBAL MODEL

To strengthen the external sector simulations and bring out the implications of the emerging trends in the world economy, as also the developments which may be taking place in the domestic economy for liberalisation and globalisation, networking with select global forecasting models would be in order.

The relatively well known short-term global forecasting organisations/model builders are those of Economic Intelligence Unit (EIU), Golden Sachs, Merrill Lynch, J P Morgan, Morgan Stanley, Nomura, Salmon Brothers and the Cambridge Economic Policy Group. Their forecasts are synthesised regularly by *The Economist*, London, covering GNP, prices and current account. However, models of Project Link, OECD and the multilateral organisations may have comparative advantage especially of policy interactions leading to empirically more useful forecasts. Our close association with the select organisations may enable us to get detailed forecasts on prospects of the world economy in general and the advanced economies in particular. As a next step, attention be paid to develop the interplay with the forecasting models of the select organisations.

For networking with the short-term global modelling systems, one in sight to consider

ANNEXURE II: SECTORAL DISAGGREGATION IN THE SELECT MODELS

PC(PPD)	NCAER (1993)	IEG - DSE (1984)
(1) Agriculture	(1) Foodgrains	(A*1) Agriculture and allied activities
(2) Forestry	(2) Other crop agriculture	(2) Infrastructure (electricity, gas and water supply, transport, storage, communications and mining and quarrying)
(3) Fishing	(3) Livestock, forestry and other allied activities	(3) Manufacturing and construction industry
(4) Mining and quarrying	(4) Consumer goods industries	(4) Services, tertiary
(5) Manufacturing	(5) Intermediate goods industries	
(6) Construction	(6) Capital goods industries	
(7) Electricity	(7) Infrastructure (railways, electricity, mining, quarrying) *	
(8) Railways	(8) Services	(B**1) Agricultural products
(9) Other transport services		(2) Capital goods
(10) Communication		(3) Fuels, etc
(11) Other services		(4) Raw materials and intermediates

Notes: * Refers to GDP.

** Refers to merchandise trade.

is that of the Institute of Public Policy Studies, University of Michigan, which has undertaken a collaborative project with the NCAER project discussed earlier, to analyse some of the policy reforms relating to trade and other sectors of the Indian economy in a global framework.

AN AGENDA FOR RESEARCH, ACTION AND DEVELOPMENT (RAD)

In this section, an opportunity is taken to think aloud, aside from indicating some specifics of research and action required for development of annual Plan modelling. One instance is to consider many 'as-if' scenarios before a unique estimate of resources and allocation is finalised, to bring out policy implications in the context of Plan priorities. For example, the scenarios, e.g., in allocations for energy may include large projects to be taken up jointly with the neighbouring countries (such as Karnali in hydro-power sector with Nepal and gas-based with Bangladesh). Resource mobilisation may include a number of innovative schemes to bring informal and black economy into the resource-net and schemes to mobilise project-specific NRIs funds and Euro-money by the states.

Thinking aloud would also mean that the modelling-system includes private sector resource mobilisation and allocation analyses. Sectorwise data-base needs to be built-up, now easy for private organised sector after capital market has taken-off in a significant way and several orgwares and softwares have been developed outside the government (such as Prime Data Base). Considerable quantitative and futuristic research on unorganised sector, however, need to be done.

As for modelling, one had an unhappy thought after review: with so much work done every five years, and then every year, by central as well as state-level experts and administrators on resource mobilisation and allocation of projected resources, why have we not done well on intra-central governmental and centre-state planning relations which are conducive to appropriate prioritisation, faster growth and balanced development of the country. Have we not ignored, for long, each other's good advice and worked rather at cross purposes. With lot of research being done and given further capabilities as also the necessary hardware (super computer facilities) and software personnel such as the National Informatics Centre (NIC), is it not possible and has not the time come to take stock of the best available anywhere to input for the national cause of planning for long-, medium- and short-term development. The agenda should include what can be done now as also location of the best of the state-of-the-art available in the field of development and policy planning.

Indeed, sectoral allocation of resources by the planning system amounting to more than rupees hundred thousand crores annually is one such cause affecting the future of the millions of the people. While ministry or sectorwise, public enterprisewise and statewise specific allocations of outlays/investments and corresponding budgetary support to be given may still have to be worked out by way of discussions and application of judgment, the modelling system may provide broad guidelines, which help maximise economic returns and social benefits.

In what follows, specifics of the agenda for required research and action are brought out:

(1) Data Base:

- Concurrent updating of basic data-base with consistency in concepts, e.g., use of CSO comparable statewide SDP (gross/net) data consistent with all India GDP estimates.
- Data build-up and construction of surrogate indices to bridge select crucial gaps when actuals are likely to be quite late by two-three years.
- Common classification of industry and foreign trade on the one hand and customs and excise on the other, all to intermesh with the input-output table.
- Technology (present and alternative) information and project assessment.
- Build-up of data base on capital cost and financial norms, sector and statewise, corresponding to DFIs sanctions and disbursements.
- Transformation of present revenue/capital expenditure corresponding to grants/loans to be changed according to economic and functional classification not only at central but also at the state level.

(2) Parametric Estimation:

- Estimation of economywide public and private sector production and investment coefficients.
- Behavioural functions for estimating price response parameters in respect of commodities, factors of production (capital and labour), and foreign trade.
- Input-output and capital coefficient matrices towards updating and using the latest sectoral data base.
- Interaction with RBI for updating of monetary parameters.
- Undertaking estimation of major states' production, consumption and investment parameters.

(3) Analytical Research:

- Endogenising internal resource mobilisation in public sector resource allocation and private sector investment functions.
- Programming model-building for allocation optimisation.
- Interplay of the available short-term models with medium-term models, and of national with global models.

- State-level forecasting and modelling.
- (4) Action and Development:
 - In-house building-up of a Group of macro-level and sectoral experts.
 - Networking of national and outside researchers on specific aspects; and
 - Networking with researchers working on global models to increase capabilities of simulating the external trade, services, and financial inflows.

CONCLUDING REMARKS

The RAD agenda is best concluded in terms of the observation made by Klein:¹⁴

From my perspective, India appears to be in need of a serious 'model-building effort drawing on the best econometric talent, and designed to function as an *ongoing effort*, over many years, turning out rolling forecasts every month or two on the most refined time period possible – probably annually at the present time. Such a project should have the form and appearance of the best effort in western industrial countries, and I hope that in this academic enclave such a research effort will be launched. (Emphasis added.)

The effort was indeed launched reflected in IEG-DSE model, but as we see, we have still 'miles to go' before we compete with the best in the world.

Notes

[The views expressed here are the author's personal views.]

- 1 Planning Commission, 'A Technical Note on the Seventh Plan of India, (1985-90)', 1986; also S R Hashim and J Satyanaranyana (H-S), 'Plan Modelling Techniques for India', paper presented in SAARC Workshop on Plan Modelling Techniques, New Delhi, October 29-31, 1990. The original presentation of the core model is found in, Planning Commission, *A Technical Note on the Sixth Plan of India (1980-85)*, 1981.
- 2 NCAER (Manoj Panda and Hiren Sarkar), 'Analysis of Fiscal Squeeze through a Structuralist CGE (Computable General Equilibrium) Model', *Margin*, April-June 1991, and papers on forecasts for following financial years, latest for 1993-94; the current version in Shashank Bhide and Sanjib Pojit, 'Forecasting and Policy Analysis: Through a CGE Model for India', paper presented in the NCAER Workshop on Macro Modelling, New Delhi, September 1-3, 1993.
- 3 The latest paper 'Indian Economy: Problems and Prospects in the Medium Run', presented in the Fall meeting of the Project Link, September 13-17, 1993, Beijing, in *Financial Express*, October 21-23, 1993.
- 4 RBI, 'Macro Economic Model of Indian Economy, 1979-80 to 1989-90', paper presented in the NCAER Workshop on Macro-Modelling, New Delhi, September 1-3, 1993.

- 5 Radipura Kalyan, 'Model Usage and Acceptance in Policy-Making and Planning in India', paper prepared for the SAARC Workshop on Plan Modelling Techniques, New Delhi, October 29-31, 1990.
- 6 C Rangarajan and J K Satia, 'On the Goals and Mechanics of Replanning', *Economic and Political Weekly* (Annual Number), February 1978.
- 7 Planning Commission (1986) and H-S (1990), op cit.
- 8 RBI, 'Flow of Funds Accounts of the Indian Economy: 1987-88 to 1990-91', *RBI Bulletin*, June 1993, the previous presentation in *RBI Bulletin*, January 1992 covering 1986-87 to 1989-90.
- 9 NCAER (1993), op cit.
- 10 K Krishnamurthy et al, 'Inflation and Growth: A Model for India', *Indian Economic Review*, January-June 1984.
- 11 V Pandit, 'Economic Adjustments in a Developing Economy: A Medium-Term Model of Output and Prices in India', *Indian Economic Review*, January-June 1984.
- 12 K Krishnamurthy and V Pandit, 'Macro-Economic Modelling of the Indian Economy: An Overview', *The Indian Economic Review*, January-June 1984. See also K L Krishna, K Krishnamurthy, V N Pandit and P D Sharma, 'Macro-Econometric Modelling in India: A Selective Review of Recent Research', papers and proceedings of a Regional (ESCAP-RIS) Seminar, February 27-March 1, 1989, New Delhi, published as *Econometric Modelling and Forecasting in Asia*, Development Papers, No 9, Bangkok, 1991. The paper reviews seven models (including their own) and concludes noting special features that "in a way the different models complement each other" (emphasis added).
- 13 Krishnamurthy et al (1984), op cit.
- 14 Pandit (1984), op cit.
- 15 Krishnamurthy et al (1984), op cit.
- 16 K Krishnamurthy, K V Pandit and P D Sharma, 'Parameters of Growth in a Developing Mixed Economy: The Indian Experience', *Journal of Quantitative Economics*, July 1989. This exercise with the sample period 1960-83 specifies the 40 equations model in non-linear form and is capable of answering specific questions in the area of resource mobilisation and allocation, if used for interplay for annual plan modelling exercise discussed in this paper.
- 17 See the relevant research done by Isher Judge Ahluwalia and C Rangarajan, 'Agriculture and Industry: A Study of Linkages - The Indian Experience', presented at VIII World Congress of International Economic Association, December 1986, New Delhi.
- 18 Silver Jubilee Lecture at the Institute of Economic Growth, 1984. The discussion which followed the lecture supported the observation and revealed its inspiring value.
- 19 J M Montias, 'On the Consistency and Efficiency of Central Plans', *Review of Economic Studies*, 1962.
- 20 V Pandit, 'Macroeconomic Structure and Policy in a Less Developed Economy', *Journal of Quantitative Economics*, January 1985.

INSTITUTE OF DEVELOPMENT STUDIES

Jaipur

Requires three Senior Faculty at the level of Senior Fellow (equivalent to University Professor) or Fellow (equivalent to University Reader). Social scientists having specialization in Development Policies, Rural Development, Gender Studies, Education and Development and Econometric Modeling will be given preference. Other scholars with proven academic and publication record and research experience in any relevant area of development studies may also apply. Applications giving full details of the academic qualifications, publication record, work experience, and other relevant information should reach the undersigned within three weeks of the publication of this notice. The candidate should give names of three referees to support his/her candidature. Applicant should clearly indicate whether he/she is to be considered for the position of a Senior Fellow or a Fellow. Incomplete or delayed applications will not be considered. Those who have applied in response to an earlier advertisement issued by the Institute need not apply again.

Prof. V.S. Vyas

Director

Institute of Development Studies

8-B, Jhalana Institutional Area

Jaipur 302 004.

Televisions, Maharashtrian Social Reform and Literary Imagination

Bombay Doordarshan's *Paulakhuna*

Anupama Rao

History, 'realist' novels and Doordarshan collude in the claim to representing a particular brand of the real Maharashtrian woman in the tele serial Paulakhuna. This reality helps and hinders the feminine subject. If the claims of historical change are taken seriously, they could be seen to provide a space for the contestation and struggles of women. At the same time, the constraints of form render the serial incapable of 'seeing' women except through the lens of suffering, sacrifice and struggle within the confines of a family narrative.

THIS article is about a 'tele-event'. The first week of September 1993 saw extensive coverage in Marathi newspapers¹ of Bombay Doordarshan's upcoming broadcast of a 13-part Marathi serial, *Paulakhuna* (i.e. footprint), based on a series of six Marathi novels and a short story published during the period 1890-1950.² That the publishing house Popular Prakashan³ had underwritten the venture, in turn directed by prominent stage, screen, and TV personality Amol Palekar, only added to the sense of 'quality programming' heralded by the print media. In a press release of September 7, 1993, Ramdas Bhatkal (who along with his son Harsha Bhatkal co-produced the serial) introduced the serial as an attempt to portray "...the evolution of Maharashtrian womanhood as depicted in the literary writing from the 19th through the 20th century" (emphasis mine). The novels themselves – Hari Narayan Apte's *Pan Lakshat Kon Ghetu* (But Who Takes Notice, 1893), B V Varerkar's *Vidhwakumari* (The Widowed Virgin, 1928), Narayan Hari Apte's *Na Patnari Gost* (An Unacceptable Incident, 1923), Vaman Malhar Joshi's *Susheelecha Dev* (Susheela's God, 1930), Sridhar Venkatesh Ketkar's *Brahmankanya* (An Unmarried Brahmin Girl, 1930), Vibhavari Shirurkar's *Shabari* (1953), and Arvind Gokhale's *Manjula* (1950) – are landmarks in Marathi literary history. They are what I would describe as the enactment, on the literary topos, of the (problematic) desires embedded in social reform as a historic moment.

Sudha Kulkarni, who did the research for the serial, talked about the importance of these novels thus: "Because of these novels a questioning spirit was created in society; through these novels a thoughtful attempt at social reform was made; and these novels clearly reflect the progressive thinking of their writers.⁴ Let us provisionally accept that social reform was overdetermined by the presence of the woman's question (banning of sati, widow re-marriage, age of consent, etc) yet simultaneously undermined

by its studied dismissal of the voices of 'real' women; its inability to get beyond its position as a conversation between men about women.⁵ The importance of *Paulakhuna* lies in its attempts to represent the legacy of social reform as the story of woman's improvement. In doing so, I will argue, it forces us to come to terms with the ways in which television culture engages productively with the writing of women's history today; questioning the all too easy dismissal of televisual texts by scholars.⁶ It also tries to suggest that we look at the alternatives that mainstream, dominant television culture itself offers – however minimal, constrained, or co-opted they may be – rather than using television culture as a source which is then incorporated into academically stylised modes of reading that are not sensitive enough to the specificities of television broadcasting.

At first glance, *Paulakhuna* does indeed seem configured as yet another exemplary progress-narrative. It is this to some extent: I will later argue that the serial gives the category 'woman' a narrative fullness through the delineation of a progressively evolving feminine 'self'. Initially, my interest in the serial was sparked by what I saw as the convergence between the realm of televisual culture and the arena of history (as a specialised academic discipline with its own discursive modalities) that *Paulakhuna* seemed to map; at least as far as narratives about women were concerned. I was intrigued by the contemporaneity of *Paulakhuna* with the current historiographical interest in social reform.⁷ How was it that the question (drama, really) of the brahmin, middle class woman's improvement was enacted (in the serial) with the same teleological fervor and ventriloquial skill that characterised the debates of the social reformers? Why was the "evolution of Maharashtrian womanhood" being recreated for us as the story of her improvement at the very moment that feminist historiography was questioning her improved status?

Ramdas Bhatkal, in an interview, described the serial: "The writers we've chosen were those who wrote literature from a progressive perspective. They created literature that was sometimes in opposition to [the practices of the] time, and sometimes ahead of it."⁸ But we need to be careful about translating this progressive urge into the site of a perverse pleasure for the academic imagination (the popular as resistance, the location of polyphonous voices, etc). Given its progressive inclinations, *Paulakhuna* ended up mapping the popular as pedagogy: the serial was to be educational, a means of familiarising people with Marathi novels of which they were perhaps unaware. Because of its unusual format, watching the serial involved a degree of preparation which would be provided by the weekly previews in Marathi newspapers. In *Paulakhuna*'s role as pedagogical tool, as the Doordarshan equivalent of BBC's Masterpiece Theatre, the reliance on "great works" is an attempt to legitimise the serial by suggesting that it functions simultaneously as history. The translation of these Marathi novels into a visual narrative is partial, restricting itself to elements that emplot a tale of women's improvement through education. We see here the subservience of the individual novels to their grander design, and a flattening of the possibilities offered by the 'literary' in telling different stories.

The effect of television as a medium also contributes to the flattening process. Relative to the control the reader has in modulating her pace of reading, the televisual narrative constricts the interpretive rhythms of the viewing subject with its own inexorable pace. *Paulakhuna* is self-consciously about literature: it recreates the act of reading through the act of viewing. In the process, the telescoping of reading and viewing renders the activity of viewing transparent. For instance, Bhatkal notes, "These novelists and thinkers put forward many facets of the woman's question, and

Doordarshan is the most effective medium to draw attention to them. Books will have their impact slowly. But a Doordarshan serial can have an effect on the viewer while it is being shown." The simulation of viewing as reading renders unproblematic the pedagogic impulse underlying the particular reading. The process of viewing simulates the process of 'becoming educated' that is forefronted by *Paulakhuna* as the cause of woman's progress and improvement.

I

Paulakhuna began with a 'modern' young woman refusing to play the role of a passive, subservient wife abused by her alcoholic husband in the play *Ekaj Pyala* written by Ram Ganesh Gadkari. She fumes at home about the indignity of playing such a role, and questions the social toleration of such abuse. Thereupon her grandmother introduces her to her strong foremothers who fought for their independence and selfhood in a heavily patriarchal system. Her grandmother persuades her to understand and empathise with the struggle waged by (brahmin, middle class) women by reading about them. What follows is the young woman's journey through the literary masterpieces that posed various questions about women's lives in the late 19th and early 20th century. We 'see' what she reads. It might not be out of place to say a little about each novel here. The serial seeks to make the novel's protagonist singular yet representative (of Maharashtrian women of the time); presenting an individualised version of struggle to stand in for the forging of a collective identity based on familial oppression. I shall have to do the same for constraint of space.

Yamun in *Pan Lakshat Kon Ghet* is educated by her husband, who unfortunately dies, leaving her to suffer a widow's life, symbolised in the serial by the dreaded 'keshavapan' (shaving of the widow's head). In *Vidhwakumari*, Mathu is married off to an old widower who dies before she reaches puberty. Supported by her step-daughter (who is old enough to be her mother), she fights to wear the kumkum though a widow, saying that wearing the kumkum (as opposed to the mangalsutra) is not specific to married women, but is a right she has had since her childhood, and continues to have regardless of her marital status.

Neera in *Na Patnari Gost* is not a child-bride, but is married off to a widower by her maternal uncle and aunt after her parents die. She fights to retain her independence in her matrimonial home and slowly convinces her husband about the injustice of marrying someone young enough to be his daughter. He wipes the kumkum off her forehead, declares her henceforth a widow,

and tells her she is free to remarry. He goes to the extent of arranging a meeting with a young man her parents had wanted her to marry, suggesting that she marry him now. Neera decides to remain single, and devote herself to the uplift of women.

Susheela, in *Susheela Dev*, is married to a childhood friend. Susheela is initially religious, seeing god first in idols, then in her husband. After he brings home another woman, however, she begins to see religion in social service. After her husband's death she enrolls herself in a missionary school, and devotes herself to the uplift of the downtrodden. She also re-marries another childhood friend; in a marriage based on respect and equality.

Brahmankanya's Kalindi is the daughter of a brahmin man and the grand-daughter of a prostitute (on her maternal side). She leaves home to live with a Lingayat man, and has a child by him before he leaves her. She goes to work in Bombay, leaving her son with a good friend. There she gets involved with a trade-union leader, and marries him.

Shabari gets married to Abhiram. Though it is a love marriage, she lives with the persistent inequalities inherent in the family structure within a patriarchal society.

Manpala is about a working woman's evening in a Bombay chawl. Coming home from work, she is confronted with taking care of the household work, as well as sexually satisfying her husband. Her lack of interest in sex is woven into a portrayal of her dreary, everyday life between the office and home. The format of the serial is a framing of the novels by a discussion in the present about the novels' relevance. The discussion between the young woman, her boyfriend, his younger sister, their well-read (male) friend, and the ji-ji who has initiated the reading are efforts to encourage us to probe our modernity. The presentation of these interactions as purely dialogic is meant to erase any semblance of gendered power in the present. We can read this as further indication of the gap that separates us from the all too visceral issues that touched our foremothers. In this framework of debate, it is the male friend who holds forth about the importance of the novelist, their social context, the questions they posed, etc. Yet again the woman viewer is being guided gently through her history, it would seem.

Now I want to ask about this presentation of a narrative which presents us to ourselves as 'ourselves undressed', to paraphrase Michelle Z. Rosaldo (1980). Rosaldo writes about the tendency for western feminist anthropologists to view their non-western sisters as living in a time lag, where the encounter between feminist self and female other is often couched in a spatial (made temporal) divide which denies the non-

western woman a history. I find her phrase useful in this context also, where we are asked (and consent) to view ourselves as living in an utopian, modern present. We are asked to see our history as the traversal from victimhood to emancipation. We are able to view the woman on the screen across the distance afforded us by our modernity. Initially *Paulakhuna* necessarily invokes a doubled, ambivalent response: an empathy for the oppressed woman and her struggle for self-definition, as well as a refusal to consider the reasons for the continuity of these oppressions into the present, a studied denial of the claim that 'woman' might still be a troubled/troubling category.

Paulakhuna attempts to make the category 'woman' meaningful rather than troublesome, and it does so through the contours of a feminine self that emerges as the serial progresses. The emergence of this self is closely tied to its "educatedness" since it is this which allows for the articulation of its singularity. The argument runs thus: brahmin, middle class women were being educated. This allowed for the articulation of their experience, and the formation of an interior self-grounded precisely in the over-determination of such experience as (women's) history. It also led to the formation of an oppositional will which would enact women's history as improvement and progress. Education, then, was primarily about the simultaneous construction and knowledge about this feminine self.

What this educated self articulates, as I said earlier, is that realm of women's experience which functions as the foundation for the history the serial aims to chart. Making visible woman's experience is equated with charting her history. To that extent her history is obvious, self-evident; the Maharashtrian woman is the sum total of her experiences. Experience constitutes the grounds for self-reflexivity and understanding, and since 'woman' is the subject of this narrative, her experiences occur under the sign of 'oppression'. This tends towards representing 'woman' as an always-already oppressed category. Involved here, I would argue, is the satisfaction of the desire for a particular sort of narrative about the turn-of-the-century Maharashtrian woman. The empathy of the male novelist for the woman as victim, her narrative of strength-in-suffering, its closure in an utopian present which is seen to have resolved the woman's question to a certain extent, need to be interrogated not for what they want us to see so much as what we ourselves believe, given who we are today. How much of *Paulakhuna* is about the contemporary, male(?) desire for a particular kind of history of the brahmin, middle class woman? One that presents her countering the configurations of

patriarchal power, and obtaining education, emancipation, and progress?

To ask this question about desire in a slightly more tangible fashion is to ask about the underbelly of the notion of education as emancipation. S V Joshi's *Anandi Gopal* repeatedly recreates the experience of education as terror. Written in 1962, the novel is based on private letters between Anandibai Joshi (1865-1887) and her husband Gopalrao, newspaper accounts, and other written material; most importantly Kashibai Kanitkar's biography and collection of personal letters in *Anandibai Joshi Yanche Charitra Va Patre*, written in 1889 but reprinted in an abridged form in 1912, published by the Manoranjan Grantha Prasarak Mandal.¹⁰ At the age of nine Anandi is married to a man about whom "it was whispered that his first wife had died because he bullied her with his eccentric efforts to teach her to write" (1992: Foreword by Suma Chitnis, vii). Gopalrao desperately wants to marry a widow, but settles for Anandi instead, with her father's assurance that he (Gopalrao) will be allowed to educate his wife. "I am going to educate my wife to the highest standards possible... She will have to study all day. I will teach her English" (1992:25).

Gopalrao's desire to educate Anandi is matched by her reluctance to learn, supported in turn by the women in the household (Anandi's grandmother throws the books Gopalrao buys for her into the cowshed, for instance). Anandi agrees to learn after Gopalrao threatens to convert to Christianity and "discard" her if she doesn't, "You must like it [reading books] because I want you to" (1992:60). This conversation, her initiation into the world of education, takes place on the night she first has sex with Gopalrao. She is as afraid of the sexual act (because of Gopalrao's harsh, abrasive behaviour) as she is of the consequences of learning (the violence she will have to face from the women in the household). That Anandi's subjectivity is shaped by the violence of these encounters, will become clearer in what follows. It forces us to ask about narratives that would accommodate the contradictory intermingling of violence, pleasure, and desire accompanying women's education. Counterposing these 'dirty' categories against the sanitised versions of women's education questions the latter's presentation as a monumental event leading to women's progress.

Why aren't you sleeping then? [Gopalrao] wondered. "You haven't finished with me yet. What, what do you mean?" "The thing you do with me every night" (1992:68).

I would juxtapose this against Anandi's learning. Gopalrao asks her to draw the first letter of the alphabet.

Her hand was shaking. The tears welled up in her eyes. Gopalrao's hand was right behind her back. If she went wrong she knew he would hit her. She tried very hard for ten minutes, sweat was streaming down her face but she managed somehow (1992:64).

Anandi is also beaten by her mother for going up to her room during the daytime (considered shameful and wanton) to do her lessons, at Gopalrao's command. This further positions her at an oblique to the women of the traditional brahmin household where the education of women was viewed as the first sign of a threatening, perverse 'modernity'. It also points to the two notions of women's education that competed for hegemony. One occurred through lived experience: it was fuzzy, unrigorous, and need-based. The other was a different sort of an initiation. Systematic, methodical, and time-consuming, it was based on the notion of learning (and teaching) as occurring in a specific ideologically charged space. The following excerpt plays on the dual notion of being taught a lesson (by Gopalrao and her mother): She left [Anandi's] ear alone but she had a burning twig in her hand. She hit Anandi with it in such a frenzy, on her legs, on her back "You must be taught a lesson!" she said (1992:74).

We do not need to continue with Anandi's rather tragic success story in any greater detail. Having been educated by Gopalrao and then missionaries in Kolhapur, she goes to medical school in the US and returns after three years as Maharashtra's first woman doctor. Unfortunately she dies soon thereafter of tuberculosis. In the process of becoming educated, Anandi rewrites much of the story I am trying to tell, and gives us a textured feel for the (subjective) importance of education for women. But pausing here draws attention to the complications involved in a discussion of what becoming educated might have meant (and felt like) for women themselves. To that extent hopefully, it disturbs the tale of the always ready-to-be-modern subject.

While *Paulakhuna* certainly merits critical attention, it is important to note that in the serial, the category of 'experience' allows the feminine self to emerge in history with a certain amount of agency. Most importantly, it is 'experience' which upsets the story of progress towards the end of *Paulakhuna*. If S V Ketkar's Kalindi in *Brahmankanya* posed the question of woman's economic independence as indexing her true freedom, her freedom to choose, Shabari and *Manjula* complicate the very notion of choice.¹¹ To paraphrase Chitra Palekar, *Paulakhuna*'s script-writer, "As we approach modernity some problems are resolved but new ones crop up".¹² They map out the subtler, more complicated forms of oppression located in the middle class, urban, nuclear family; especially when that family's

ostensible framework is the love marriage. The operation of patriarchy in its everyday, banal forms, its internalisation by the female subject, and its role in the construction of her subjectivity begin to problematise and complicate *Paulakhuna*'s own story, and it begins to disintegrate. The interiority of the feminine self, which *Paulakhuna* has alluded to all along, demands a voice (coincidentally this is inaugurated by the first and only woman writer in the series),¹³ and proceeds to ask the question: are we really so modern?

Accepting the importance of experience as a category of analysis in feminist theory and practice, Teresa deLauretis has written about its processual nature as well as the need to problematise it:

Through that process [experience] one places oneself in social reality, and so perceives and comprehends as subjective (referring to, even originating in, oneself) those relations – maternal, economic and interpersonal – which are in fact social and, in a larger perspective, historical (1984:159).

With this in mind, let me ask a question. So far it is the brahmin, middle-class woman's position in the family, her struggle for individuality in the context of a violent attack on her body and sensibilities, which has become representative of woman's experience. Given the need to locate the specificities of subject formation through the category of experience, why is she the site of, and partial agent to, history-making? Why is her history – complex and contradictory though it may be – the history of the category "the Maharashtrian woman"?

II

Though it may seem like a digression, I would like to speculate about the curious ways in which recent historical writing might also participate in this blindness towards the specificity of the brahmin, middle class woman's experience as history. (My interest will be focused on the elision of narratives of caste.) This is on the one hand to listen to the echoes between history and the popular (here, television culture). Specifically through the various ways in which history (however, radical and/or exclusive it might be) is taught, transmuted, and transformative of people's lives: how it lives in popular memory, so to speak. On the other hand I want to try to disentangle a problem troubling me. This has to do with the ways in which an agenda for a feminist historiography risks suggesting that work on gender (no doubt a rather marginalised activity), because it is about gender, is somehow excused from its caste (mainly) and class-specificity. I am not talking about the oft-repeated injunction to take caste and class (along with gender) into account. Its importance is

widely acknowledged, and springs to some extent I think, from the sense that the holy trinity "cover" all the possible cases of oppressive and/or subaltern positions. Needless to say this runs the risk of assuming that the work done by each category is similar; that it mimics what the others do, and closes off the possibility of exploring the ways in which they complicate, interact, and exist alongside each other. Rather I am addressing myself to the (theoretical) framing of certain questions which makes the taking of caste (especially) difficult, if not near impossible. In this symptomatic reading of Partha Chatterjee (1989), I will stick to those points that resonate with *Paulakhuna*. Hence the limits of this exercise will be obvious.

Chatterjee situates the (brahmin?) middle class woman (especially her body) as the silent participant in the construction of an Indian nation worthy of countering colonial rule. Through a suggestion about the interpenetrability of nationalist and social reform discourse, and, the eventual sublation of the latter by the former, Chatterjee argues for the importance of social reform (especially the woman's question) in the nation's narrative about itself: in fact that woman's question is about the inner, hidden self of nationalism. Coincidentally, *Paulakhuna* begins at about the same time that Chatterjee locates the disappearance of the woman's question from "the agenda of public debate" (1989:233) and the increasingly political character of nationalism. There is a striking absence of reference to nationalist politics in *Paulakhuna* – the result of a conscious decision justified by the technical problems of time-constraint – but the nation and nationalism cannot but be an absent presence for viewers.¹⁴ This seems to lend credence to the idea that nationalism and the woman's question cannot occupy the same discursive space, that they construct themselves as mutually exclusive yet constitute of each other. In addition *Paulakhuna*'s novels fall under the purview of those personal writings Chatterjee suggests we look to for the struggles of women. Chatterjee acknowledges that the 'stuff' of woman's history is located in the interior through a striking reification of the political and the social/cultural spheres. He writes:

We would be mistaken to look for the evidence of such a struggle [by women themselves for equality and freedom] in the public archives of political affairs, for unlike the women's movement in 19th and 20th century Europe, that is not where the battle was waged here in the era of nationalism. The domain where the new idea of womanhood was sought to be actualised was the home, and the real history of that change can be constructed only out of the evidence left behind in autobiographies, family histories, religious tracts, literature, theatre, songs, paintings

and such other cultural artefacts that depict life in middle class homes. (1989:250)

I agree with much of Chatterjee's insights about nationalism's 'new woman' and the peculiar modernity she was to represent. His provocative thesis offers a powerful heuristic map of what has been a hitherto relatively uncharted domain. But Chatterjee's language of separate spheres runs the risk of reifying his binaries and embodying them with a weighty reality.

Working with material/spiritual as the organising binary, Chatterjee goes on to locate it spatially outside/inside, and then literalises the entire venture with 'bahir'/'ghar'. Rather than showing how these have come to be associated with a gender distinction, he merely asserts that "It [bahir] is typically the realm of the male. The home in its essence must remain unaffected by the profane activities of the material world – and woman is its representation" (1989:239). This works on the assumption of a 'fit' between 'real' social space, and the gendering of these spaces, without questioning the slippage.¹⁵ Rather than remaining a useful heuristic device that might facilitate our thinking about the incompleteness and peculiarity of Indian nationalism, it runs the risk of exhibiting Chatterjee's own binarism of thought. Take for instance his claim that "The content of the resolution was neither predetermined nor unchanging, but its form had to be consistent with the system of dichotomies which shaped and contained the nationalist project" (1989:244). It is unclear to me whether the dichotomy of nationalist thought is alluded to, or given a duality that it perhaps did not always exhibit. Is this the use of the binary in a descriptive exercise, or is binarism given an intrinsic explanatory value much like in the Levi Straussian model – where nature becomes culture through the traffic in woman as sign?

Instead of launching an attempt to question these divisions as the inheritance of a bourgeois historiographical tradition – Chatterjee himself suggests this at the end of his article when he calls these binaries 'false essentialisms' (1989:252) – a major portion of the article seems to take these binaries at face value; as having a reality which allows them to be deployed effectively. It is silent about the effects of recreating the public and private in the historical writing about women's lives (which is itself a political act with real consequences for the women who are representational subjects of that narrative), and runs the risk of launching a search for an Indian private (feminine) self (whatever be its eccentricities) largely as it emerges through autobiographical and other personal writing. Precisely because we are told that this is the strength of Indian nationalism: its construction of an inner,

feminine self. Inadvertently this self, demarcated as feminine and middle class, would be endowed with the historic task of writing the nation's autobiography. If nationalism writes its history on the middle class woman's body, then clearly even critics of the nationalist project need look to her to point to the contradictory, incomplete, dichotomous character on Indian nationalism. The middle class (brahmin?) woman is marked perhaps as the site of negative desire, but desire all the same, since her history is the necessary complement to the political face of nationalism. Can the focus on desire prove to be useful in talking about the ways in which history writes women into the picture as desirable subjects?

What would happen if we included the narratives of caste, which Chatterjee scrupulously avoids. In his narrative, the nationalist self is devoid of the markers of caste. The hesitation to look at caste practices as forming antagonistic, if not parallel narratives to the ones we have before us, indicates the unease in acknowledging that caste too shapes the nationalist self. In the context of Maharashtra, where the non-brahmin movement and the "Dalit" movement led by Ambedkar offered trenchant critiques of nationalism as a form of neo-brahminism, the interior and exterior facets of nationalism might themselves achieve their unity at the cost of ignoring the ways in which caste structures public and private lives. The suggestion here is that we need to ask why, and in what important ways, nationalism secures its status as an upper caste, middle class phenomenon, so that we might more sensitively acknowledge its effects on other's lives. The distinctions of public and private might serve to occlude, rather than explain, these processes. For instance, where is the lower caste maid-servant who straddles these spheres. Where in this seamless web of middle class desires might we position the lower caste educated woman symbolised in Maharashtra at least by the figure of Savitribai Phule.¹⁶

Contrary to nationalism [and the historian]'s discomfort with caste as making the middle class self, *Paulakhuna* acknowledges caste as quite central to its narrative; the 'interior' thrives on its caste-specificity. Caste emerges as a critical component of the 'feminine self' and her experiences in the family. The oft-cited reason for *Paulakhuna*'s focus on the brahmin household followed from the fact that the novels were written by brahmins (and men at that). It was presented this way in a discussion between the moderns about Brahmanikanya. V B Deshpande puts it this way:

The first 70-80 years of modern Marathi literature was dominated by brahmins...But we cannot find fault with them. If I haven't

lived in a *zhopadpatti*, then there is no point in my writing about false experiences. If I haven't [ever] lived in the *Maharwada* or the *Mangwada*, then how will I write about it?... "Rather than writing falsely, it is better to describe the world of the middle classes in which I have lived". The writings were written with this intention... The reader comes from the same [social] background as the writer. If there is a *Yamu* – or a *Subhadra* – in the '*zhopadpatti*' I'll ...read about her for interest, because it is something novel, but I won't become one with her grief and sorrow.¹⁷

Clearly this unbroken continuum between the text and reading mirrors the intentions of 19th century realism, which sought to construct a reading public along the lines of a particular experience of social reality. In *Paulakhuna*'s case, the identification with the novel runs along the contours of caste because it shapes the realm of woman's experience as well as the writer and the reader's subjectivity. The readability of the text and the positions for identifying with the novel, are rooted in certain experiences of caste in the home. The outcome is that certain stories can be found in certain places: the novel is by nature an exclusive form, at least initially. But as de Lauretis has noted in another context, "A story too is a question of desire", and the question before us is about the story broadcast television wants to tell (1984:112). The complexity of thought, action, and feeling that accompanies the middle class woman's development within and later outside the brahmin home becomes a hegemonic narrative. Hegemonic not because it is monolithic, but because it is layered, diffuse, subtle, and complicated; as one's subjectivity is bound to be. The fullness of this category, the Maharashtrian woman, as what Denise Riley has referred to as the surfeit of identity assigned to 'woman' (or women) as a category. "Can anyone fully inhabit a gender without a degree of horror? How could someone 'be a woman' through and through, make a final home in that classification without suffering claustrophobia?" She asks (1988:6). Perhaps an inattention to the ways in which caste frames the middle class women's subjectivity in *Paulakhuna* allows us to inhabit a category shot through with horror, rather than questioning the horrors we ourselves have perpetrated (in the same of caste). *Paulakhuna* allows us to rest content that our history as women has been about struggle, sacrifice, and suffering, without taking into account the fact that the narratives of caste might not permit these same stories for other women; that caste fractures the narrative of 'suffering as a woman' quite drastically.

I have posed a series of question about the exclusions and silences whereby *Paulakhuna* succeeds. Again, it succeeds not because it frames a totalising narrative,

but because it works through contradictions that exist at the level of individual subjectivities, experiences, and desires. Does the female subject as viewer have a position from which she is able to view her history as something other than state-sponsored education, compliments of Doordarshan? A fruitful way of describing the process of viewing could be through the notion of accessing a televisual text.¹⁸ Here, the act of reading the text from a socio-politically constituted, gendered position is complemented by one's own life-history: meaning is completed by the understandings one brings to the text. This rewriting of the hegemonic narrative can work as a disturbance or interruption of what's 'on TV'.

Through the serial, we (as women viewers) are given a history of our struggles and sorrows; consolidating the sense of a community of the oppressed. But how one might represent the fragmented subjectivity of women, and thereby question the reified category 'woman' through a medium that has opted for the filter of realism for 'women's issues'. As feminist critics of the media have noted, the cinema of realism has as an implicit corollary of its 'reality effect', the solidifying of patriarchal attitudes towards women. This is because the structure of the visual gaze is voyeuristic; seeing women through a male perspective.¹⁹ The elision here of the crucial component of visual pleasure is also well known via critiques of 'screen' theory. In *Paulakhuna*, which attempts to chart a history, the 'reality effect' must be taken on at the level of the visual narrative, as well as at the level of the novels that function as a historical source or document of 'what really happened' to women. History, 'realist' novels, and Doordarshan collude in the claim to representing a particular brand of the real Maharashtrian woman. This reality helps and hinders the feminine subject. If the claims of historical change are taken seriously, they could be seen to provide a space for the contestations and struggles of women. At the same time, the constraints of form render the serial incapable of 'seeing' women except through the lens of suffering, sacrifice, and struggle within the confines of a family narrative; a narrative that lets them down anyway, at the end of it all. I think the uneasy tension between these two positions maintained by *Paulakhuna* leads to its overturning the normative televisual narrative. It is this possibility that this piece has attempted to chart out.

Notes

[I would like to thank Ramdas Bhatkal, V B Deshpande, Veena Dev, and Chitra Palekar for giving generously of their time, Arvind Rajagopal for his incisive criticism, and V V Modak for his invaluable help with Marathi.]

1 There was also some coverage in English newspapers. As far as the Marathi coverage goes, I am familiar with coverage in newspapers popular in the Bombay-Pune belt; especially *Kesari*, *Lokasatta*, *Maharashtra Times*, and *Sakal*. *Kesari* and *Sakal* carried weekly preview written by professors of Marathi literature, Veena Dev and V B Deshpande, respectively. *Maharashtra Times* carried write-ups supplied by Popular. I cannot claim to know about media coverage in southern Maharashtra and the Marathwada and Vidarbha regions.

2 *Paulakhuna* began on September 14, 1993 and ended December 21, 1993. The serial was broadcast every Tuesday (with a few intermittent misses) at 7:47 pm (!) by Bombay Doordarshan.

3 *Popular* is famous for its publication of Marathi literature and criticism, and its English social-science and medical texts. In 1989 *Popular* began publishing a series, *Streemuktichya Maharashtraatil Paulakhuna* (Footprints of Women's Liberation in Maharashtra), which focuses on writing by women encompassing the bhakti poets, women's writing during the Peshwa times, during the 19th century, and interviews with present-day women writers. Seven books have been published under this title to date.

4 Interview with Shrish Paw in 'Streejeevanavishayak Doordarshan Malika: *Paulakhuna*', *Lokasatta*, September 5, 1993 (my translation).

5 See Mani (1989), and Kosambi (1991).

6 It seems to me that this implicitly involves looking at the differences of the televisual medium that might modify or redefine the literature on feminist film theory. This piece does not attempt this.

7 The interest in historicising women's oppression and women's attempts to break out of oppressive structures differentiates *Paulakhuna* from the other serials about women. For instance, Punwani mentions the domestication of the numerous, ostensibly progressive, televisual narratives about women (1988). *Paulakhuna* is important precisely because it holds dear the moment of struggle and change, and focuses on a (limited) critique of turn-of-the-century family practices. This is not to hold up the serial as exemplary, but to mark the moments that do depart from conventional televisual narrative in however a limited fashion.

8 Interview in 'Streejeevanavishayak Doordarshan Malika', *Lokasatta*, September 5, 1993 (my translation). Interestingly Bhatkal speculated that it was the fact of these novels being Marathi literary classics which contributed to certain 'radical' statements being allowed by Bombay Doordarshan during the course of the serial (personal interview December 6, 1993). Their canonical status as great literature put them into a different category, and allowed certain scenes to bypass the censors (Bhatkal made specific reference to *Brahmankanya*). This is an important point given Doordarshan's strong interest in maintaining the family as an ideological unit *par excellence* through television broadcasting.

9 *Ibid* (my translation). In an interview with Chitra Palekar (November 25, 1993) she talked about the power of the remote in the viewer's hand, and her attempts to make the serial contemporary and interesting so that people would watch it. Clearly we need to be aware of this aspect of the production also.

10 Kashibai Kanitkar was a novelist in her own right. She wrote two novels, several short stories, essays, and reviews, and maintained a long-lasting intellectual friendship with Hari Narayan Apte (Tharu and Lalita, 1991). See Vaidya (1991: 282-83) for a list of Kashibai Kanitkar's publications.

11 Attention must be drawn to the complexities of *Brahmankanya's* narrative since the serial is unable to recuperate and proceed teleologically after Ketkar's novel. It moves away from outlining rebellious actions to a focus on woman's interior (in Shabari). This has a great deal to do with issues posed by Ketkar. This is the only time caste and caste prohibition become topics of discussion in the serial. Kalindi's father says in Paulakhuna that he married his wife for the cause of 'samaj sudharna' (improving society). He works under the legal notion of a wife and children as belonging to their husband/father's caste. In Kalindi's case she lives with a lower-caste man. Since caste is earned by men, she has lowered her caste status. This is as important as the fact that she merely lives with him, threatening the sanctity of the patriarchal family. There is also a theoretical discussion about matriarchal and patriarchal family structures in the serial. After this assault on the family structure, Shaban and "Manjula" revert unquestioningly to that selfsame structure, and talk about the problems within them in a different way. This points to the inability to imagine an alternative to the middle class family as we know it. I would argue that the discussion about caste (which is inextricable from discussions of the family) in *Brahmankanya* serve to derail the teleological narrative as much as Shirurkar's inauguration of a feminist voice which problematises the "modern" woman. S V Ketkar is quoted as saying, after reading Shirurkar's short stories, "Men will never be able to understand women's mind using their own logic. For society to understand women's minds, women must speak" (Tharu and Lalita 1991: 425).

12 Personal interview, November 25, 1993.

13 I don't mean to essentialise this point, which would be difficult anyway given Arvind Gokhale's sensitive mapping of Manjula's subjectivity. At the same time of course, we do need to be sensitive to the positions from which women write and read. It seems to me that rather than asking the question of men's or women's writing, it would make more sense to question why and in what ways the development of a modern (middle class) subjectivity through the novel form is itself associated with a peculiar sort of an interior, which women are seen to possess. That way one might link the specific history of the rise of the Marathi novel with the question of who writes (and of course, who

doesn't). There is also the question of reading: the politics and pleasures of reading might not always be modulated by the knowledge of female authorship *per se* (i.e., they might not locate female subjectivity in women's writing exclusively). Rather, they might be motivated by the stylistic and formal pleasures of genre. Though *Women Writing in India* claims Vjbhavari Shirurkar for their anthology of feminist writers (see pp 424-26), Paulakhuna locates her work within a very different trajectory, that of reformist writing, to put it crudely. It is Shirurkar's mastery over form and content that Paulakhuna draws on; both R Bhatkal and V B Deshpande spoke of the lack of notable women novelists as contributing to their focus on male novelists. Clearly, these two very different positionings of women's texts raise questions about our own politics of reading (the desire to read as feminist readers perhaps?) which makes us see a work by a woman writer as essentially different. This does not suggest that we ignore the difficult objective conditions under which women write.

14 In talking about the pressure to fit a novel into two episodes of the serial, Chitra Palekar was quite clear about the fact that the woman was central in *Paulakhuna*, and making reference to nationalist politics would only draw attention away from the serial's focus. Clearly there was no necessary connection between the two; so much so that we could pretend that nationalism had completely passed women by. Doordarshan is a set of state-regulated socio-technological practices, and undoubtedly it has its obdurate constraints. But these are finally mediated and resolved at the level of social practices (what is important, what is not, etc). I am pointing to this facet here.

15 I would also point to the slip between 'male' and 'female' - terms of sexual difference - and 'man' and 'woman' as socially constructed categories in Chatterjee's passage. Typically, accounts of the socio-political nature of women's oppression have delinked the two to avoid the trap of biologism. It is troubling to see them elided here because it points to the literality of Chatterjee's argument (male = man and female = woman). Gender seems to be attached solely to women, who then become a special category to be retrieved from the inner, private recesses of the home for history. But 'woman' as an overdetermined category perhaps stands in for the family (as a historically constituted structure) rather than the home (which retains its connotations of a spatial organisation). Her oppression becomes a family issue (wife-beating, dowry-death, etc) and serves to further interiorise the all too political and public characteristics of control over the family (though the juridico-legal apparatus which regulates inheritance, succession, etc, to give an obvious example). Questioning ghar/bahar distinctions would lead to examining the discursive connections between these discontinuous domains. Recently Judith Butler (1990) has argued for the discursively constructed, unnatural (political and performative) character of

sex; of sex itself as already gendered. I think this allows for a more sophisticated sense of gender (and sex) as shifting, historically constituted entities.

16 Clearly, we can also talk about the lower-caste, especially dalit, woman as a site of desire, and more importantly, the target of institutionalised upper-caste violence (through rape, sexual harassment at work, etc). But this is part of another argument...

17 Personal interview with V B Deshpande, November 18, 1993 (my translation).

18 Hartley, who I borrow this term from, writes: Viewers 'access' television discourses and representations both in and beyond the act of watching television ("accessing" goes on after the television set is switched off). And vice versa: television accesses its viewers' (culture's) discourses and identifications in the act of production (1992:28).

19 See Lakshmi (1988), Punwani (1988), and Tharu (1986). I am indebted to their arguments.

References

- Butler, Judith (1990): *Gender Trouble: Feminism and the Subversion of Identity*, Routledge, New York.
- Chatterjee, Partha (1989): 'The Nationalist Resolution of the Women's Question', *Recasting Women*, Kali for Women, New Delhi.
- de Lauretis, Teresa (1984): *Alice Doesn't: Feminism, Semiotics, Cinema*, Indian University Press, Bloomington.
- Hartley, John (1992): *Teleology: Studies in Television*, Routledge, London.
- Joshi, S J (1962): *Anand Gopal*, abridged and translated by Asha Damle (1992), Stree, New Delhi.
- Kosambi, Meera (1991): 'Girl-Brides and Socio-Legal Change. Age of Consent Bill (1891) Controversy', *EPW*, Vol XXVI, Nos 31 and 32, August 3-10.
- Lakshmi, C S (1988): 'Feminism and the Cinema of Realism', *Women in Indian Society*, Rehana Ghadially (ed), Sage, New Delhi.
- Mami, Lata (1989): 'Contentious Traditions: The Debate on Sati in Colonial India', *Recasting Women*, Kali for Women, New Delhi.
- O'Hanlon, Rosalind (1985): *Caste, Conflict and Ideology*, Cambridge University Press, Cambridge.
- Punwani, Jyoti (1988): 'Portrayal of Women on Television', *Women in Indian Society*, Rehana Ghadially (ed), Sage Publications, New Delhi.
- Riley, Denise (1988): *Am I That Name?*, University of Minnesota Press, Minneapolis.
- Rosaldo, Michelle (1980): 'The Uses and Abuses of Anthropology: Reflections on Feminism and Cross-Cultural Understanding' *Signs*, Vol 5, No 3.
- Tharu, Susie (1986): 'Third World Women's Cinema Notes on Narrative, Reflections of Opacity', *EPW*, Vol XXI, No 20, May 17.
- Tharu, Susie and Lalita (1991): *Women Writing in India: 600 BC to the Early 20th Century*, Oxford University Press, New Delhi.
- Vaidya, Surojini (1991): *Shrimati Kashibai Kanitkar: Almacharitra Ani Charitra (1861-1948)*, (2nd edition), Popular Prakashan, Bombay.

Is There Hope for the Indian Economy?

Romesh Diwan

I READ with interest the commentary, 'Between Friends: A Conversation'.¹ Both Ashok Mitra and K S Krishnaswamy have been involved with economic policy and ideas for many decades. Ashok Mitra was my teacher, from whom I learnt some of the intricacies of econometrics. I have read his 'Calcutta Diary' regularly and found it, always, incisive. It requires guts to publish thoughts written for private use, particularly when Krishnaswamy writes about his unhappiness "because of the involvement of persons who I have been friends with for a long time" and "because I think *they have been knowingly dishonest*";² a courageous act indeed specially when these friends are still in high office. It is a fascinating reading. Our hats to these two stalwarts and thanks to the editors for publishing it.

It made me reflect a little. Married as I am to a US 'upper class' white American university professor, it gives me a useful vantage point to observe and understand myself, other Indians and some aspects of India. As I read this piece, I was reminded of the scenes in Mahabharat where Bhisham, Dronacharya and Vadur regularly talk about Dhritrashtra's 'moha', Duryodhan's 'ahankar', and their 'adharma'. All three had feelings of anguish and yet were unable to act in favour of 'dharma' because of their perceived sense of loyalty. Bad things were happening, they recognised it but could not help change it for the better. It is at the end of his life when Bhisham was suffering his death on the bed of arrows that he realises, as he explains to Arjun and Yudhister, that his grand blunder was his inability to distinguish between two paradigms defined by (i) Raja and (ii) Rajya. He had a loyalty to the Rajya of Hastinapur but confused it with that to Dhritrashtra, the Raja. Something similar is happening in this conversation. Two highly placed officials in previous governments and scholars are in anguish that country is sliding downwards but are unsure if they can do anything useful or helpful.

Part, if not most, of the source of their anguish lies in a similar error where they, like most experts, are unable to recognise the implications and limitations of the ideological paradigm of the western rationalist thought based on a mechanistic world-view. All modern science and expertise, including Marxian, is based on this view. This world-view came into being in 17th century Europe to explain and justify capitalist modes of production and exploitation. The fundamental social and intellectual problem then was that of order. The image of nature and woman in this period was one of being chaotic and disorderly, so that both had to be controlled, dominated and subdued. Even today, this

mechanistic view "taught in most western schools is *accepted without question* as our everyday, common sense reality... as a conceptual framework, the mechanical order had associated with it a framework of values based on *power*, fully compatible with the direction taken by commercial capitalism".³ The brilliant achievement of mechanism as a world-view was its re-ordering of reality around two fundamental constituents of human experience – order and power.⁴ Accordingly, what is missing in this conversation is a lack of questioning; why has the situation in India moved in the direction it has? The late V K R V Rao, in one of his major papers in 1970s, argued persuasively that most of the 'plan expenditure' was not for the benefit of the poor. It was instead for infrastructure to help promote the capitalist and business class. Arun Shourie provides concrete examples that the current situation is a natural progression of Nehruvian policies to create and strengthen the business class which would eventually take over the government and the country.⁵ These were initiated in early 1950s when Nehru, his political followers and their handmaiden intelligentsia, mesmerised by western rationalistic ideas, followed plans, policies and practices in the name of the society but for the benefit of the rich and powerful. This was, has been and still is, development of the trickle-down, spread-a-little-around, talk-of-plans but fiddle-with-the-middle variety. In fact these policies have been successful. The desired moneyed class has matured and as expected has taken the country over; the bride which has been readied for so many decades has now been married off. Why this lament?

A conceptual framework is consistent with a particular ethical framework. The conceptual framework of market ideology requires, in an essential way, an ethical framework of corruption, lack of integrity and of character. AM's concern in his first letter, that "the most staggering development is the obliteration of old scales of values and their supplanting by moral – and decency – codes transmitted by the satellite television channels"⁶ misses the relationship between the conceptual and value framework. The link between market ideology and corruption follows logically. Market ideology imparts desirability to profits. Profits follow from exploitation based on the use of power. Power corrupts. Those who can influence relevant legislation or regulation that helps them use their power make legal profits. Mafia types lacking the legalisation capacity use their raw power directly. Thus corporations raise prices by creating a monopoly through advertisements exempted from taxes, pay lower wages to workers

by encouraging governments to maintain high unemployment, and transferring costs to any other groups they can by externalising. Getting government officials, political and bureaucratic, to follow such policies for a small payment is a normal business expense and practice. The evidence of such corruption is everywhere; Japan, USA, Italy, Mexico, Nigeria. How can India be different? Without corruption the market system, even under the watchful eye of a planning commission, will not function much less survive. Need there be surprise when AM in his second letter makes the statement, "I still remember the ecstatic praise the Fund-Bank pundits would shower on black-marketeters throughout the 50s and 60s."⁷ After all, is not blackmarket a market? What if the market is black? What is important is that it is market. Its blackness can be changed to whiteness by 'reforms'. Non-white Asian Indians have been changed to behave like whites; in dress, language, table manners, prejudices, etc. Changing markets should be a comparatively easy task. Are not the Bank-Fund consistent in promoting these 'economic reforms'? Is not the major objective of these 'economic reforms' to white-wash?

It is interesting to read about the country's "servility – to government, to custom, to the developed 'white' world, to a host of other forces considered superior". Once again it is not a creation of these few years. Has not the ruling RNI society been promoting such servitude all these 50 years?⁸ In fact it lies deep in not only colonial ideology and what Albert Memmi calls colonial minds, but in the very acceptance of the western rational thought whose major objective is to describe, explain, and justify exploitation as well as rape of nature, women and the colonised people by those in power. It condemns and marginalises all thought and ideas based on principles of whole, unity, organic by denouncing them as inferior to scientific ideas that proceed from parts. It implies the principle of divide and rule. Since Gandhi's death, the power structure in India controlled by the RNI has been condemning everything Indian; its civilisation, its values, its heritage, its dress, its food, its rituals, etc. The westernised Indian, proud of his/her rational attitudes, has simply adopted the prejudices of the colonial white male; except when it contradicts one's own ego. This too has been successful in achieving its objectives. Should it surprise any one that the natural consequence of these karma is to damn the very Hinduness and Indianness, including the Indian person? Why should any one respect or trust an 'Indian expert'? Does it not contain the adjective Indian which is an automatic denunciation? When Krishnaswamy writes in his second letter, "As you know, what we say has little value, unless it is confirmed by *some white man*"⁹ he misses the history

of Indian colonialism and its continuance in the last five decades.

Most economists of right or left have mistakenly accepted the fallacious idea that the ethical framework is independent of the conceptual framework. Similarly they have accepted another equally fallacious idea that economy and society are independent of each other. The economics textbooks rarely talk about social problems such as poverty, arms race, polluted environment, breakdown of the family, violence in streets and homes. It is fashionable, for example, to find explanations of social problems everywhere else but not in economic policy and institutions. In fact, and in real world, economy and society are highly interrelated so that most of the social problems emanate from, and get aggravated by, the economic structure, ideas and policies that a country promotes. The economic policies implied in the market ideology conceptual framework are destructive of all the sustainable functions in the society. Because of such inter-relatedness, the current 'economic reforms' are bound to place still greater stress on the Indian society to possibly a breaking point. In this sense both AM and Krishnaswamy are right in reaching the conclusion that this can lead to a "bloody and anarchic" change.

Unfortunately, history does not provide many examples, much less an assurance, that the 'collapse of irrationality' will come about by the uprise of the oppressed, however logical and rational it may sound. Even if such a change takes place, it can, and will, introduce its own irrationality because this whole 'rationality' is based on divisiveness. A positive change will need a paradigm shift of ideas; a different conceptual framework with its consistent ethical framework. Its underlying principle has to be integrative and not divisive. The ethical framework is clear: it is one where personal integrity, quality of personal character and commitment to public good at a high personal cost are not only honourable values in themselves but also considered honourable and desirable by the society. It is also clear that these ethical values are not consistent with the conceptual framework of planning, market ideology and 'economic reforms'. The conceptual framework that is needed, then, is the one based on organic and holistic ideas best articulated by Huxley's *Perennial Philosophy*. It is a framework that promotes, not destroys, sustainable functions of man, woman, family and nature. It is a framework that assigns a higher image to humans than merely physical beings who can be satisfied by material goods so that progress is not measured only by the multiplication of material possessions and increases in physical comforts.¹⁰ It is a framework that promotes well-being of humans and nature and not their exploitation and the exercise of power. Since human welfare is not possible without community of which family is the basic unit, it is a framework that exalts, strengthens and stabilises the family, neighbourhood, mohalla and village. Fam-

ily, not the individual, has to be at the centre, and litmus test, of all economic and social policy. Thus, every activity and institution that weakens the family has to be taxed heavily. Similarly every activity and institution that promotes the cohesiveness of family and community has to be subsidised. It is such a paradigm shift that some of the avant-garde thinkers are working on. It was this paradigm shift that Gandhiji had articulated in his immense wisdom. He had even developed a part of the framework in the concept of 'swadeshi'. Sadly, and unfortunately, the RNI intelligentsia ignored and condemned it; partly because it is a Hindi word and has images of the Hindu heritage, both anathema to the 'rationalist' colonial minds. There is a need for AM and Krishnaswamy and all others who care about this country and society to rethink about their own paradigm and revisit Gandhian ideas; this time with some humility and objectivity. From my vantage point, I am convinced that in this paradigm shift and Gandhian paradigm alone lies hope for the Indian society, though not for the 'reform led' Indian economy as we understand it today.

Notes

- 1 EPW, October 22, 1994, pp 2783-86.
- 2 Ibid, p 2783. Emphasis added.
- 3 Carolyn Merchant, *The Death of Nature: Women, Ecology and the Scientific Revolution*, Harper and Row, San Fransco, paper back edition, 1980, p 193, emphasis added.
- 4 Ibid, p 216. "Here, in bold sexual imagery, is the key feature of the modern experimental method - constraints of nature in the laboratory, dissection by hand and mind, and penetration of hidden secrets - language still used

today in praising scientist's 'hard facts', 'penetrating mind', or 'the thrust of his argument' ", p 174.

- 5 A Shourie, *Mrs Gandhi's Second Regime*, 1988.
- 6 EPW, October 22, 1994, p 2784.
- 7 Ibid, p 2786.
- 8 I have developed the concept of RNI - Resident Non-Indians - and explained it in Romesh Diwan, 'Minorities, Development and Communalism', *Gandhi Marg*, Vol 15, April-June, pp 5-23. This generated a healthy debate with Rajmohan Gandhi in the different volumes of *Gandhi Marg*.
- 9 EPW, October 22, 1994, p 2785 (emphasis added). It is interesting that the lament is against the white man, not a Japanese who is also part of the success story.
- 10 "The physical approach to life has become a kind of epidemic in modern industrial civilisation...Never in the history, to my knowledge, has a civilisation reflected a lower image of the human being: a physical, chemical organism with no motivation than self interest, no aspirations that cannot be fulfilled on the physical level...Believing that the human being is physical, we have by some three centuries of concentrated effort developed the technology to do what we like in the physical world. We have an unprecedented capacity to pursue material goals and produce material goods to satisfy every desire. If the physical image of man is accurate, we in the United States must be living in the Golden Age". Eknath Easwaran, *The Bhagavad Gita for Daily Living*, 3 volumes, Petulama, CA, Nilgin Press, 1984, pp 10-11, Vol 3. I have argued that there are two types of affluences, one defined by material goods and the other by the care of those for whom we care. See Romesh Diwan, 'Gandhian Economics and Contemporary Society', *Gandhian Perspectives*, Vol 4, No 1, 1991, pp 1-28.

New
Book
from

MD

Publishers of the
Hindustan National
& Social Sciences

FERTILITY BEHAVIOR OF TRIBALS IN RAJASTHAN

By
B C Mehta

The present study investigates the data pertaining to 269 households from eight villages in Udaipur, Dungarpur, Banswara and Sirohi districts of Rajasthan. The book attempts to analyse the fertility behaviour of people living in the predominantly tribal region of Rajasthan. Generation gap and fertility decisions with policy implications have also been studied.

1994, 211p, bibliography, index, tables; 22x14cm
ISBN 81-85880-41-7

Rs 250.00

Send your orders and write for complete catalogue to :

M D PUBLICATIONS PVT LTD
11 Darya Ganj, New Delhi-110 002
Tel : 3278347, 3271378, 3286430, 3288415
Fax : 01-11-3276642 Cable : INDOLOGY

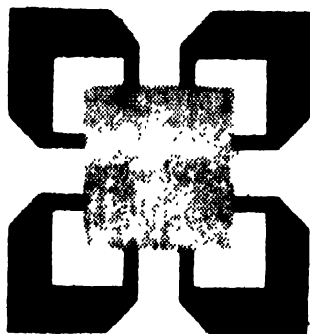
PUBLISHERS
DISTRIBUTORS
EXPORTERS

HDFC BANK LIMITED

(Incorporated on August 28, 1994 under the Companies Act, 1956)

REGISTERED OFFICE : SANDOZ HOUSE, DR. ANNIE BESANT ROAD, WORLI, BOMBAY - 400 018.

TEL : 4951616 FAX : 4951771



EQUITY ISSUE AT PAR

OPENS ON 14TH MARCH, 1995

ISSUE OF 5,00,00,000 EQUITY SHARES OF RS. 10/- EACH, FOR CASH AT PAR
AGGREGATING TO RS. 50,00,00,000

HIGHLIGHTS

- Promoted by the Housing Development Finance Corporation Limited (HDFC), a premier housing finance company in India
- Strategic alliance with NatWest Markets, the world-wide investment banking arm of the NatWest Group, United Kingdom

RISK FACTORS

Internal

- HDFC Bank Ltd.'s operations would be centred mainly in Metropolitan and Urban Areas which are already highly saturated with banking services, in view of this, the Bank will have to face stiff competition from existing and future commercial banks

External

- Interest rate and disintermediation risk due to deregulation of the domestic financial system
- Lending risks associated with banking business
- Risks from government policy changes
- Risks involved in the start-up of a new bank

MANAGEMENT PERCEPTION OF RISK FACTORS

- The Bank has instituted a system which will continuously monitor the changes in the economy and consequently be in a position to reasonably assess and pro-actively position itself vis-à-vis interest rate fluctuations
- The Bank has an appropriate credit appraisal and review system, by virtue of which lending risks will be kept at manageable levels
- The Bank has an experienced management team and professionally qualified staff and will be able to effectively compete with the existing and new commercial banks

CEILING ON APPLICATION

- Investors may note that an application can be made for a maximum of 20,00,000 Equity Shares

"If the Bank does not receive minimum subscription of 90% of the issue amount on closure of the issue, the Bank shall forthwith refund the entire subscription received. For delay beyond 78 days, if any, in refund of such subscription, the Bank shall pay interest as per Section 73 of the Act."

LEAD MANAGERS TO THE ISSUE



DSP FINANCIAL CONSULTANTS LIMITED

Tulsiani Chambers, West wing,
11th floor, Nariman Point,
Bombay 400 021. Tel. 2845275
Telex : 011-86744 Fax : 022-2048518



IND GLOBAL FINANCIAL TRUST LIMITED

91/92, Bajaj Bhavan,
Nariman Point,
Bombay 400 021
Tel 2841466 Fax 022-2874556



MAS SERVICES PRIVATE LIMITED

A8-4, Safdarjung Enclave,
New Delhi 110 029
Tel: 011-605145
Telex: 031-82084 MASD IN
Fax: 011-600128

REGISTRARS TO THE ISSUE



Jeevan Shree

**An exclusive
policy for the
exclusive
people.**



- ◆ Whether you belong to rural or urban India — whether you are a successful businessman/professional or a prosperous agriculturist, the kind of stature you have achieved in your field — does your life insurance figure match up?
- ◆ Should you not insure the contribution of the key persons to the profitability of your enterprise?

Jeevan Shree is a policy with a difference.

- There is no upper limit for Sum Assured. We leave it to you to decide.
- Guaranteed additions @ Rs. 75/- per Rs. Thousand Sum Assured every year.
- Loyalty additions upto 75% of basic Sum Assured.
- Facility of receiving policy proceeds in instalments.

Jeevan Shree.

Because you're worth a lot more.

For further details please contact your Agent or nearest Branch Office.



**FLAG BEARER OF
FAMILY SECURITY
IN INDIA**



Life Insurance Corporation of India

**ECONOMIC
AND
POLITICAL**

WEEKLY

Sameeksha Trust Publication

Rs 15.00

Vol XXX No 11

March 18, 1995

UNIVERSITIES AS INSTITUTIONS

• **DOLLAR EMPIRE: LOGIC OF DECAY**

• **NARMADA STRUGGLE'S GAIN:
RE-OPENING OF SARDAR**

• **INDIA AT COPENHAGEN SUMMIT**

• **POLITICS OF COMMUNALISM
IN KERALA**

• **COMMON PROPERTY
RESOURCES: BIOGRAPHY OF A
RESEARCH PROJECT**

• **AUTHORITY, GENDER AND
KNOWLEDGE: PARTICIPATORY
APPRAISAL OF RURAL
DEVELOPMENT**

■ **COMMODITY TAX REFORM: VAT IN A FEDERATION**



Gresoil (India) Limited

Regd. Off: 72-B Kohli Niwas, Prabhat Colony, Santacruz (E), Bombay 400 055 Tel 610 6195 • Fax 611 6697

PUBLIC ISSUE OF 27,80,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT PAR AGGREGATING RS. 2,78,00,000/-

HIGHLIGHTS

- 1 Project enjoys locational advantage of being situated near Bombay which is one of the biggest centres for consumption of petroleum products
- 2 Project appraised and financed by Dena Bank
- 3 Firm Equity participation by 20th Century Mutual Fund, BOI Mutual Fund and NRIs
- 4 The plant has flexibility to modify the capacity between Transformer Oil and Microcrystalline Wax, subject to maximum of 6000 TPA
- 5 Environment friendly process for Re-Refining of waste oil
- 6 Backward area benefits, including State Subsidy and Sales Tax deferral equivalent to investments in fixed assets under this project.
- 7 Easy liquidity -- Listing at Bombay, Madras and Ahmedabad Stock Exchanges

RISK FACTORS Internal (To The Company)

- 1 The capital subsidy of Rs. 25 lakhs is yet to be sanctioned by SICOM
- 2 Company is yet to receive final sanction for the term loan
- 3 Requirement of Working Capital will be appraised by Dena Bank in due course
- 4 Out of the total requirement of 300 KW of electricity, 125 KW has been sanctioned and balance is yet to be sanctioned

External (To The Company)

- 5 With the entry of multinational oil companies/brands, the petroleum industry is expected to become extremely

competitive

- 6 Recent Import liberalisation may affect the indigenous production due to lower prices and better quality
- 7 Any changes in Government Policies will affect the performance of the Company

MANAGEMENT'S PERCEPTION OF RISK FACTORS

- 1 The Company has already made an application to SICOM for the eligible portion of capital subsidy. The disbursement of the capital subsidy will start after the plant is commissioned
- 2 Dena Bank has already given in-principle sanction of term loan and final sanction is awaited. Disbursement will be made only after full subscription of the Issue
- 3 The Company's application for Working Capital facilities has already been made to Dena Bank and will be sanctioned before the commercial production starts
- 4 The Company has already made an application to the State Electricity Board for the balance of electricity load requirement which will be sanctioned before commissioning of the plant
- 5 The Company would be marketing its lubricants and greases in bulk. Since the total sales of these products in quantitative terms is in fraction percentage of the total lubricant and grease market in India, the Company is confident of meeting the target of sales of these two products in Maharashtra itself
- 6 Following the recent decanalisation of import of various petroleum products by the Government, the Company has an advantage of importing the raw materials at lower prices and better quality in the international market

Firm participation by 20th Century Mutual Fund: Rs. 20 lakhs, BOI Mutual Fund: Rs. 28 lakhs, NRIs: Rs. 55 Lakhs.

IF THE COMPANY DOES NOT RECEIVE THE MINIMUM SUBSCRIPTION OF 90% OF THE ISSUE AMOUNT INCLUDING DEVOLVEMENT OF UNDERWRITERS ON CLOSURE OF THE ISSUE, THE COMPANY SHALL FORTHWITH REFUND THE ENTIRE SUBSCRIPTION AMOUNT RECEIVED FOR THE DELAY BEYOND 78 DAYS. IF ANY IN REFUND OF SUCH SUBSCRIPTION, THE COMPANY SHALL PAY INTEREST AS PER SECTION 73 OF THE COMPANIES ACT, 1956

LEAD MANAGERS TO THE ISSUE

 **20TH CENTURY FINANCE CORPORATION LTD.**
Centre Point, 2nd Floor, Dr. Ambedkar Road, Parel,
Bombay 400 012 Tel 4153030 Fax 4153028

 **DENA BANK**
Corporate Services Division, Maker Tower 'E',
9th Floor, Cuffe Parade, Bombay 400 005.
Tel 2189151 Fax 2189048

CO-MANAGER TO THE ISSUE

 **KANORIA SECURITIES & FINANCIAL SERVICES LIMITED**
Air India Bldg, 14th Floor, Nariman Point
Bombay 400 021 Tel 2023841 Fax 2022884

ADVISOR TO THE ISSUE

 **MASFITAL FINANCE COMPANY LIMITED**
Merchant Banking Division, Mahalal Centre,
8th Floor, Nariman Point, Bombay 400 021
Tel 2837118 Fax 2043571

REGISTRAR TO THE ISSUE

 **SPECTRUM CORPORATE SERVICES LIMITED**
58 Apollo Industrial Estate, Off Mahakali Caves Road,
Andheri (E), Bombay 400 063 Gram SPECTCORP
Tel 2616858 Fax 2610721

ISSUE OPENS ON 23RD MARCH 1995

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

Cynical Prescriptions	531
Maharashtra Non-Congress, Non-Maratha	
—The Economy Distorted Outlook —	
Panchayats: The Dark Side — Pharma-	
ceuticals On the Political Agenda	533
Current Statistics	536
Companies	538
Of Life, Letters and Politics	
Amusing Times for Once?	
— GPD	541
Commentary	
Re-opening Sardar Sarovar Issue Significant	
Gain of Nagnada Struggle	
— Sanjay Sangvai	542
Politics of Communalism in Kerala	
— John Oommen	544
India on the Eve of Copenhagen Summit	
Issues in Social Development	
— Rajiv Balakrishnan	548
Dollar Empire: Logic of Decay	
— Frederic Clairmont	554
Perspectives	
Studying Common Property Resources:	
Biography of a Research Project	
— N S Jodha	556
Reviews	
On the Beaten Path	
— A K Pat	560
Russia: Change with Continuity	
— Anuradha M Chenoy	561
Special Articles	
Universities as Institutions	
— Andre Beteille	563
Authority, Gender and Knowledge	
Theoretical Reflections on Participatory	
Rural Appraisal	
— David Mosse	569
Value Added Tax in a Federation: Commodity	
Tax Reforms in India	
— M N Murty	579
Discussion	
Vedic Mathematics	
— Jashbhai Patel	585
Ideology as Contagion	
— Madhava Prasad	587
Letters to Editor	530

ECONOMIC AND POLITICAL WEEKLY

Hitkari House
284 Shahid Bhagatsingh Road, Bombay 400 001
Phones 261 6072/73 Grams Econweekly
FAX: (022) 261 6073

Editor
Krishna Raj
Senior Assistant Editor Padma Prakash
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager M K Ansari
Manager K Vijayakumar

EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887 3038/3041
FAX: (022) 887 3038
Director

Vol XXX No 11

PM-712268

March 18, 1995

Universities as Institutions

An institution is not simply a social arrangement, but one which has a certain meaning for its members such that they acknowledge its moral claims on them and are willing to submit to its demands, at least some of the time, even when they find those demands to be contrary to their individual interests. By this test can universities in India today be called functioning institutions? **563**

Participatory Rural Appraisal

The popularity of techniques of participatory rural appraisal (PRA) in rural research and project planning comes in large part from their ability to generate information at the community level directly with members of the community. Such information is held to be more reliable, more efficiently obtained and more relevant to community interests than that generated by conventional social research methods. But while techniques of PRA offer new opportunities for the articulation of local knowledge, including perspectives of women and other subordinate sections of communities, they may also expose projects to new risks by creating public contexts and a new idiom in which dominant interests can gain legitimacy. The greatest danger, however, is the promotion of PRA as a 'quick' methodology of participation, rather than as a set of techniques or tools to be used in the context of project-specific strategies for participatory planning. **569**

VAT for India

A comprehensive value added tax (VAT) with consumption base, tax credit method and destination principle to determine VAT on international and inter-state trade flows can form an ideal commodity tax system for India. In a federal set-up it may be ideal to have state and central VATs substituting the current state and central taxes on goods and services. A VAT with one or two rates has to be supplemented by special excises and subsidies to deal with the problem of equity, environment and social preferences. **579**

Dollar in Disarray

In the wake of the recent panic, foreign exchange markets are looking for some beacon of hope and stability. But none is on the agenda and the universe of finance capital will continue to be one of chronic instability, fear, bankruptcies and massive job liquidations. The empire of the dollar and the financial galaxy in which it orbits are a ticking time-bomb. **554**

In the Dock

The findings of the review report on the Sardar Sarovar project and the MP government's decision to call a halt to the construction of the dam give credence to the arguments of the anti-dam movement **542**

Communalism in Kerala

By aligning with small splinter communal parties, the major political parties which could have played an important role in secularising the political process have become participants in communal processes in Kerala. **544**

Research on Research

An aspect of 'methodology' researchers rarely report on are the processes and procedures they have to use while conducting research and disseminating its results. The many hazards of conducting an unconventional but worthwhile research study. **556**

Amusing Times

While Zhirinovsky's visit was an amusing international event, providing some relief in the dismal times we live in, courtesy our new economic policies, amusement in our public life is not confined to the doings of a Zhirinovsky or a Seshan. **541**

India and Social Summit

The three core themes of the international summit on social development hosted by the UN in its 50th year were alleviation and reduction of poverty, generation of productive employment and enhancement of social integration. An Indian perspective on these aspects of social development. **548**

University Syllabi Censored

I WISH to bring it to the notice of *EPW* readers that, conniving with the communal forces, the government of Karnataka has recently withdrawn *Mahachaitra*, a Kannada play, from the syllabi of Gulbarga and Kuvempu universities.

Mahachaitra was written by H S Shiva Prakash 10 years ago and had won the state and central Sahitya Akademi awards. It was widely performed in various places in Karnataka over the years. It was prescribed as a textbook by Gulbarga and Kuvempu universities for first year BA students sometime ago.

The Lingayat seers of religious mutts 'discovered' suddenly in last September that *Mahachaitra* contains 'some objectionable portions' and some derogatory remarks against Basavanna, a social reformer, after 10 years of its circulation. Acting upon the request of the then Congress government, the Board of Studies (an academic body that decides matters of syllabi in universities) discussed the issue and decided to continue the textbook till the end of the academic year (1994-95).

After a few months, the communal/casteist forces woke up again. Recently, the Basava Dala, a Veerashaiva organisation, renewed its demand and set March 7 as the deadline for the withdrawal of the textbook. The issue took both caste and religious dimensions (as the religious seers belong to the dominant Lingayat caste in the state) when several Lingayat seers of religious mutts, including one Mathe Mahadevi, resorted to an indefinite hunger strike in Gulbarga and Bidar demanding immediate withdrawal of the textbook from the syllabi. The state government appointed a committee on March 6 to study the text and present a report within 15 days. In a surprise move, the state governor, the chancellor of the universities in the state, issued an order on March 9 asking Gulbarga and Kuvempu universities to withdraw the text from syllabi immediately just 15 days before the final examinations, leaving the students in a quandary.

The 'controversy' illustrates the fact that communal forces have gained strength over the years to such an extent that they could use the play as a pretext to whip up communal/casteist sentiments even after a long time of its publication. The Janata Dal government, known for its appeasement of communal forces - Muslims were forced to hoist the national flag at the Hubli-Idgah maidan in January this year under pressure of the Janata Dal government - has withdrawn the textbook not only to please the communal/casteist elements but also to

bag Lingayat votes in the zilla panchayat and taluk panchayat elections currently under way. It has been proved that the appointment of the expert committee was only an eyewash to buy time and make a pretence of democracy. By its unilateral decision, the state government has undermined the autonomy of academic bodies in framing their syllabi and actively connived with communal forces in communalisation of academic institutions by dividing the academic community on caste and religious lines. The claim of the communal forces that the 12th century social reformer portrayed in the play is a mythological figure must be understood as part of the larger politics of Hindutva that involves the historicisation of religious figures and mythologisation of historical figures. Basavanna was a secular social reformer who has fought caste and other kinds of oppression. He does not belong to any community.

In the context of the growing intolerance towards creative writing, I appeal to writers and intellectuals in the country to send protest letters/telegrams on the withdrawal of *Mahachaitra* from the university syllabi to the chief minister of Karnataka and demand immediate cancellation of the withdrawal of the play.

K SATYANARAYANA

Bangalore

Gujarat and Development

GUJARAT is one of the most developed states of India in terms of industrial and economic growth, having a very high per

capita income. In terms of capital income generated in the manufacturing sector, Gujarat now stands first in the country. Its urbanisation rate is much higher than that of most other states. It is one of the very few states where NRIs after the recent liberalisation and economic reforms are returning to set up industries and business. Moreover, Gujarat has evolved a pragmatic culture, has a multi-ethnic population, absorbing various traditions.

Yet, Gujarat lags behind in social development. Its rate of literacy is low, infant mortality is high, suicide rate among women is one of the highest in India, slums abound and the chart of economic and political crimes as also violence shows an upward trend. This clearly signifies that faster economic growth *per se* cannot enable the state to achieve high social welfare. Private enterprise and market planning, that work within the framework of the current institutions, at least, have no inherent tendency to bring about balanced growth, hence the failure to achieve social welfare.

In the absence of concern on the part of the politicians and bureaucrats, lack of equitable distribution of real incomes and failure to alleviate poverty and unemployment, such stark economic and social contrasts are unlikely to disappear over the foreseeable future.

Thus, while framing Gujarat's urbanisation policy the state and central governments and civic authorities need to be more 'responsible' for uplifting social welfare. Political will is a must for efficient management of civic affairs with existing resources.

ANKIT MEHTA

Ahmedabad

Revised Subscription Rates

Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	-	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	-	325	-	900
Students	-	225	-	-

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign

(in US \$)

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe,				
Japan, New Zealand,				
Australia & Russia	150	100	90	65
All other countries	100	70	70	50
All remittances to Economic and Political Weekly				

Cynical Prescriptions

DESPITE the socialist rhetoric of the years of planning, the sharply dualistic character of Indian society reflected in varied forms of disparities (rural-urban, inter-regional and inter-state and above all inter-personal) not only persisted but got steadily accentuated. The accelerated economic growth of the 1980s did not make any significant difference and by the beginning of the 1990s it was clear that even the capitalist path of development that the Indian state had espoused required vastly greater emphasis on human capital and social infrastructure development. The economic reform measures under implementation for the last four years have been oblivious of the needs of social sector development and have widened inequalities in all spheres. The persistence of double-digit inflation, the sharp increase in the prices of the items of common consumption especially, has hurt the poor the hardest. The problem is compounded by the sluggish growth of employment and reduced societal support to improve educational and health standards and rural and urban amenities for the poor. Against the Eighth Plan goal of generating 32 to 36 million jobs in four years, the number of jobs created during this period would not exceed 21 to 22 million. And compared to the social sector expenditure target of 18.2 per cent of the Plan outlay, actual expenditure has been 15.5 to 16 per cent. The claims of higher allocations for IRDP, Jawahar Rozgar Yojana and Nehru Rozgar Yojana and such other special employment programmes notwithstanding, the amounts spent, families assisted and mandays of employment generated have all remained relatively modest compared to what had been achieved in the second half of the 1980s. The much-talked-about national renewal fund (NRF) has remained a facade for offering retirement benefits to the middle-level employees with the help of funds provided by the World Bank.

Despite several years of high agricultural growth, the terms of trade have been moved in favour of agriculture to benefit the surplus farmers and against the interests of the labouring classes in the rural and urban areas. The over-8 per cent growth of industry expected in 1994-95, though it appears broadbased, is led by automobiles and consumer durables. Some of the large increases, as in commercial vehicles and other capital goods, do little more than recover the ground lost in the first three years of reform marked by ruthless fiscal compression. The stimulus to growth in 1994-95 has emanated primarily from liquidity created by large portfolio investment by foreign institutional investors (FIIs) and the vast increases in consumption expenditure by the centre reflected in higher levels of revenue and gross fiscal deficits. The high inflation and the distorted pattern of industrial development are

obviously the result of such liquidity growth and rise in consumption expenditure. The rise in public consumption expenditure has been reinforced by burgeoning private consumption expenditure of the middle and upper classes, the rise in whose personal disposable incomes has been augmented by reductions in direct taxes and, more significantly, in customs and excise duties. The increase in consumption expenditure is reflected in the persistent drop in the rates of domestic saving and capital formation.

Finance minister Manmohan Singh's budget for 1995-96, his fifth in a row, has to be judged against these macro-economic distortions brought on by the new economic policies. The budget is obviously a cynical attempt to assuage the people's wrath, as reflected in the many electoral reverses suffered by the Congress, with long declamations on equity and poverty alleviation, anti-poverty programmes and schemes for scheduled castes and scheduled tribes, khadi and village industries, the handloom sector and small-scale industries, in preparation for the parliamentary elections of 1996. The whole manoeuvre is hypocritical because the perspectives which have guided the stabilisation and structural adjustment programmes remain firmly in place.

The finance minister has just stopped short of removing the 15 per cent surcharge on corporate taxation though he admitted after presenting the budget that he would have so much liked to do so as it was part of the government's tax reform commitment. The finance minister and other government spokesmen also admit in the same breath that many big companies pay no corporate tax at all due to the various concessions and that the overall incidence of company taxation is as low as 18 to 20 per cent against the nominal rate of 40 per cent plus 15 per cent surcharge. For the insurance sector, the government is content with the establishment of an independent regulatory authority for the present, but only because there is stiff opposition to the opening up of the sector to private and foreign capital. All the same, the budget speech is emphatic that the reform package has to be pursued with vigour. Barriers to further expansion of agriculture have to be identified and lifted; the public sector has to be revamped; industrial relations have to provide for greater flexibility in the deployment of labour; capital market reforms have to be widened and deepened; and insurance sector reforms have to be pursued with the aim of greatly widening access to insurance services and promoting competitive and efficient custom-oriented services. However, action in these directions has to wait until the next year's elections are out of the way. Hopefully, this cynical game will not succeed. Inflation, which concerns the common people most of all, is unlikely

to be controlled by reducing customs and excise duties on commodities of middle class consumption. The anti-poverty programmes are too meagre to have any significant impact on poverty. The resort to the banking system for the government's infrastructural projects will deprive many small-scale borrowers of bank credit. At the other end, the reduction in customs and excise duties is bound to further stimulate the consumption of the middle classes with adverse consequences for domestic saving and investment. Also, with the meagre central transfers to the states proposed in the budget, there can be little hope of any worthwhile improvement in social sector outlays.

The finance minister's argument that following the tenth Finance Commission's recommendations the flow of funds to the states would increase by 22 per cent from Rs 28,832 crore in 1994-95 to Rs 35,055 crore in 1995-96 is a piece of obfuscation. In the first place, among all the Finance Commissions so far the tenth Commission's recommendations (as accepted by the government) appear to have been the least generous towards the states. While it has recommended an increase in the states' share in the net proceeds of shareable union excise duties from 45 per cent to 47.5 per cent, it has also recommended a reduction in the states' share of taxes on income from 85 per cent to 77.5 per cent. True, non-plan grants, as per the tenth Finance Commission's recommendations, are higher by Rs 3,689 crore in 1995-96, but the centre has simultaneously reduced plan grants to states by Rs 2,478 crore. In the first year following the ninth Finance Commission's report, namely, 1990-91, there had been a 26.1 per cent rise in net resources transferred to state governments, whereas in the first year of the tenth Commission's dispensation the increase works out to just 5.2 per cent. Even if the unexpectedly large small saving collections transferred to the states in 1994-95 are excluded, the increase in resource transfers in 1995-96 does not exceed 12 to 13 per cent. The state's development expenditures, which were rising at the rate of 18 per cent per annum during 1985-86 to 1990-91, have thereafter risen by 13 per cent per annum during 1990-91 to 1994-95. If inflation rate differences are taken into account, the rate of increase in real development expenditure may have fallen dramatically from about 10 per cent to 2 per cent per annum between the two periods.

A major stratagem of the budget for 1995-96 is to pass on part of the burden of development in agriculture, tribal areas, khadi and village industries and handloom and small and tiny units to banks and concerned financial institutions. The government has proposed the setting up of a new rural infrastructural development fund in the NABARD for providing loans to state governments and state-owned corporations for completing ongoing projects relating to medium and minor irrigation, soil conservation, watershed management and

other forms of rural infrastructure. The fund would be created from out of the contribution of banks to the extent of their shortfall in achieving priority sector lending target for agriculture subject to a maximum of 1.5 per cent of a bank's net credit. In the first place, this should have been restricted to only those banks which do not have the necessary infrastructure in the form of rural or semi-urban branches to service agricultural loans in the initial period of their operations. For other banks, which constitute the bulk, priority sector lending cannot be substituted by finance for infrastructure lending, the two should be considered complementary. Admittedly there are large shortfalls in priority sector lending by banks – rough estimate of the annual shortfall in agricultural lending would be Rs 9,000 to Rs 10,000 crore – but they should have been prevented through rigorous performance criteria for the banks. Yet another question would be the rate at which the state governments would be lent money under the scheme. As there is state government guarantee for the loans so granted, the rate of interest (not revealed as yet) has to be moderate commensurate with the project profile of infrastructure development in agriculture. The proposals contained in the finance minister's budget speech for expanding institutional credit for khadi and village industries and for small-scale sectors do not address the problem of an acute reluctance on the part of scheduled commercial banks to lend in favour of the priority sectors, as a consequence of the financial sector reforms.

Yet another much-publicised budgetary programme relates to an increase in the centre's expenditure earmarked for the department of rural development. In the first place, the increase is meagre, from Rs 7,336.80 crore in 1994-85 (revised estimates) to Rs 7,718.06 crore or just by 5.2 per cent. Secondly targets have been slashed in physical terms: from 1,150 million mandays of employment to 917.23 million mandays under the Jawahar Rozgar Yojana, or from 23.5 lakh to 19.5 lakh of rural families below the poverty line to be assisted under the integrated rural development programme (IRDP). Five years ago in 1989-90, the target was to assist 29.11 lakh poor rural families under the IRDP.

This narrowing of targets could not have been otherwise, for the government has hardly mobilised any additional resources in proportion to the growth of GDP during the past five years or so. Gross tax revenues of the central government as percentage of GDP has declined by over a percentage point from 11.3 per cent in 1989-90 to about 9.90 per cent in 1995-96 (budget estimates). The claim that the reduced tax rates have brought in better tax compliance and additional tax revenues has to be accepted with a pinch of salt, for if the gross tax to GDP ratio for the central government had remained at 11.3 per cent which generally obtained in the second half of the 1980s, the absolute amount of additional revenue accruing to the government would have

been a whopping Rs 13,500 crore or more per year. In regard to higher collections under corporation and income taxes during 1994-95 in particular, the government's perception that reduced tax rates have brought about improved tax compliance can only be called a self-imposed deception. Higher corporation and income tax collections have come about because a large number of companies have garnered phenomenal amounts of other incomes and non-operating profits during 1993-94 and 1994-95; salaries of high income earners in the financial sector and even in manufacturing firms have shot up during the past two to three years at rates of increases far beyond the increases in GDP at current prices. Non-petroleum imports have risen by over 30 per cent in 1994-95 and hence a rise of about 19.2 per cent in customs revenue in the wake of reduced rates, cannot be said to be due to better tax compliance; likewise, the estimated rise of 16.4 per cent in union excise duties when large companies have generally been reporting even 25 per cent rise in sales turnover.

As a result of the reduced tax mobilisation in relation to increases in nominal GDP and the failure to contain non-development expenditure growth, the goal of achieving fiscal correction has remained a distant dream and the quality of fiscal adjustment made so far has been poor. Manmohan Singh has declared that large revenue deficit was a curse of the Indian fiscal system, but in his regime it has galloped from Rs 18,562 crore in 1990-91 to Rs 32,716 crore in 1993-94 to Rs 34,132 crore in 1994-95 and now finally to Rs 35,541 crore in 1994-95. Even the proposed decline in revenue deficit to GDP ratio from 3.8 per cent in 1994-95 to 3.4 per cent in 1995-96 after it had attained 4.2 per cent in 1993-94, may turn out to be only wishful thinking. For, the budget has not taken into account the possible *interim* relief that the government may have to confer in the wages and salaries of government employees which may be recommended by the fifth Pay Commission: (mindboggling expectations have been generated in the minds of the government employees in this respect) and the recommendations will coincide with the impending general elections. A 10 per cent rise in pay and allowances of central government establishments including defence personnel implies about Rs 2,300 crore of additional expenditure in a full year. Besides, the final expenditure figures always turn out to be higher than the budgeted amounts. In 1994-95, such excess rise was of the order of Rs 6,097 crore (excluding the increased small saving transfers), the bulk of it being under revenue expenditure. Some problems may also arise on the receipts side, particularly in capital receipts such as PSU equity disinvestments which is supposed to be stepped up from about Rs 2,800 crore in 1994-95 to Rs 7,000 crore in 1995-96. The resource requirements of public enterprise through bonds and debentures have also been raised from

Rs 7,234 crore in 1994-95 to Rs 8,354 crore in 1995-96. In 1994-95, the shortfalls in market and other long, medium and short-term borrowings and in disinvestment of equity holdings by the government was compensated for by the net accrual to the centre of Rs 4,351 crore (against the budgeted amount of Rs 848 crore) under small savings. The cost of borrowings would also be much higher during 1995-96 than in the previous year; the interest rates on government borrowings have been kept down during 1994-95 because the government has been able to mop up the surfeit of liquidity artificially created out of the portfolio capital inflow from abroad. The money market has already started experiencing stringency which is likely to persist during 1995-96. The provision of interest payments has been brought down as between the budget and revised estimates of 1994-95, from Rs 46,000 crore to Rs 44,000 crore or from 53.4 per cent of the centre's total revenue receipts to 49.5 per cent; in the budget for 1995-96, it has been pushed up again to Rs 52,000 crore or 51.5 per cent of revenue receipts. Overall, the government would be hard put to achieve even the moderate decline in revenue deficit to GDP ratio or to contain the gross fiscal deficit to GDP at 5.5 per cent. In any case, the government's resource requirements even at that level are sure to put tremendous pressure on the financial system and push up the interest rates to rather dramatically high levels as the year 1995-96 may not see the availability of high liquidity from external sources.

The centre's budget for 1995-96 is unlikely to contribute to any expansion in development activity because the total development expenditure consisting of non-plan development expenditure and plan expenditure would show an absolute reduction in nominal terms during the year. The total plan expenditure which went up by 13.8 per cent from Rs 42,855 crore during 1993-94 to Rs 48,761 crore during 1994-95 is expected to decline to Rs 48,500 crore in 1995-96. Non-plan development expenditure consisting of non-plan revenue expenditures for social and economic services and non-plan capital expenditure together would experience a fall from Rs 8,590 crore in 1994-95 to Rs 7,955 crore in 1995-96 after experiencing a rise of 5.2 per cent from Rs 7,521 crore in 1993-94. If industrial activity has revived during 1994-95, it is partly due to the fact that the centre's total capital expenditure, which experienced an erosion even in nominal terms between 1990-91 (Rs 31,782 crore) and 1992-93 (Rs 29,916 crore) and a modest recovery in 1993-94 (Rs 33,684 crore), has shown a sharp rise by 16.9 per cent to Rs 39,370 crore in 1994-95. In 1995-96, it is expected to register an absolute decline to Rs 35,823 crore, partly because the collections under small savings are expected to be lower. Aside from the sources of the expenditure shortfall, it is the perspective that is brought to bear on public expenditure

and its role in socio-economic development that is germane to the possible impact on economic activity. Domestic industrial activity will also be affected by indiscriminate reductions in import duties on machinery items, machine tools and parts and components to only 25 per cent. There are genuine fears amongst Indian industrialists that opening up of the capital goods market with such low protection rates may jeopardise their growth in the medium-term.

Finally, the government's hope of containing inflation within 7 to 8 per cent during 1995-96 appears somewhat far-fetched. The widely publicised aspect of the budgetary policy is the unduly low import duties on basic and intermediate goods and to reduce excise duties on items of middle class consumption like plastics, metals, glassware, aerated water, glazed tiles, cosmetics, perfumed antiseptic cream, polymer-based paints, audio and video magnetic tapes, dry cell batteries, parts of motor vehicles, etc. While prices of some of these items may come down initially the policy is unlikely to make a significant impact on the general price level, nor will the prices of mass consumption goods, which have experienced phenomenal increases in the recent period, fall. In these goods, the role of speculation and hoarding cannot be ignored. With the sizeable holding power of the rich farmers and traders, the decline in the rate of growth of money supply in the aggregate does not help to contain such hoarding and speculation unless the state is prepared to take administrative actions through vigorous implementation of the Essential Commodities Act and such other legal provisions. As it is, in the immediate period, monetary expansion cannot be arrested; for, the government is likely to pump in as much as Rs 8,000 crore through additional primary money creation during the month of March 1995 alone, which will have its secondary effects in the first half of 1995-96. Until early March the centre's budget has been in surplus to the extent of about Rs 2,000 crore and now the revised estimates place the budgetary deficit at Rs 6,000 crore for the whole of 1994-95.

Yet another source of inflation is the sizeable amount of fiscal deficit which, in the final analysis, is unlikely to be lower than about 6 per cent of GDP. Besides it is the current, unproductive or non-developmental expenditure which is a definitive source of inflation. While the total expenditure proposed in the centre's budget for 1995-96 would rise by 6.1 per cent from Rs 1,62,272 crore to Rs 1,72,151 crore, revenue expenditure would rise by 10.9 per cent from Rs 1,22,902 crore to Rs 1,36,328 crore, but capital expenditure would show an absolute decline by 9 per cent from Rs 39,370 crore to Rs 35,823 crore. In the meantime, if any interim relief as per the Pay Commission's recommendations are to be awarded the composition of expenditure would further deteriorate in favour of higher consumption expenditure.

MAHARASHTRA

Non-Congress, Non-Maratha

THE eighth assembly election in Maharashtra witnessed two records being set in the state's politics. First, the election saw the highest percentage of voter turnout since the formation of the state in 1960 and, second, for the first time a Congress government was voted out of power in the state.

In face of the severe beating the party is receiving in various states across the country, one expected serious introspection from the Maharashtra Congress leadership. Instead it has been dishing out platitudinous explanations for its defeat. Shivajirao Deshmukh, the MPCC chief, called the verdict a 'temporary setback' to the Congress, taking false solace in the golden past of a now highly factionalised and crisis-ridden party. As the results were being declared, the Congress prided itself on emerging as the single largest party and for some time even toyed with the idea of making a bid to form the government. But realising that it would be too much of an exercise roping in all the victorious party rebels, the leadership made a show of bowing to the mandate and allowing the BJP-SS combine to form the government. A Marathi newspaper editorial even praised the Congress decision when, in fact, the issue was one of straightforward admission of defeat.

The reasons for the Congress defeat are various: the Bombay riots, the Muslim alienation due to the misuse of TADA in the wake of the bomb blasts, Khairnar's allegations against Sharad Pawar of corruption and links with the underworld, the Jalgaon sex scandal and, to top everything, the death of 113 Gowaris in a stampede in Nagpur. These incidents dwarfed whatever gains the Sharad Pawar government could boast of: the claim of promises of Rs 1,00,000 crore of foreign investment in the state and a state-initiated women's policy. That the Congress aimed to project economic liberalisation as the main plank of its electoral campaign became evident when it invited Manmohan Singh to flag off its campaign. Pawar, too, during his tours of the state, kept harping on 'aggressive industrialisation' as the top priority of his would-be government. But little did the party realise that the one-point programme of economic liberalisation holds little attraction for the majority of the state's population.

The internal feuds in the Congress over ticket distribution also seems to have gravely affected the Congress electoral prospects. In the earlier election there had been Congress rebel candidates in a few pockets of Vidarbha and Marathawada. On this occasion, the phenomenon spread to some 200 seats all over the state. Significantly, the rebels dealt a major blow to the party in south Maharashtra, normally known to be the bastion of the Congress. This time only 36 out of 75 official Congress candidates in

South Maharashtra got elected while 18 out of 54 rebel candidates registered victories.

The disillusionment with the Congress government was exploited to the full by the BJP-SS combine. It is said that the combine won 35 per cent of the votes, a notable improvement over its previous tally of 26 per cent. Manohar Joshi has been made the chief minister keeping in mind his business contacts and it is possible that Maharashtra may see for the first time a predominantly non-Maratha cabinet governing the state. Sensing the importance of its victory, the BJP-SS combine is all set to demonstrate that a non-Congress government can rule the state for the full term of five years. Yet, given the differing views held by BJP and Shiv Sena on major issues like statehood for Vidarbha and renaming of Marathwada University and also given the uncompromising style of functioning of Shiv Sena leader Bal Thackeray, it will be a tightrope walk for the coalition government.

THE ECONOMY

Distorted Outlook

THE government of India's *Economic Survey* for 1994-95 provides a clear testimony that the finance ministry's many proposals for persisting with economic reform measures through the central government budget for 1995-96 have been shot down by the political leadership in the context of the series of state-level election reverses for the ruling party, the intra-party bickerings and the impending general elections in 1996. If the *Economic Survey* is to be believed, the recent budget ought to have persevered with the reform agenda in all spheres.

Arguing that there is always the temptation of fiscal laxity for short-term gains, the *Survey* warns: "But history teaches that the costs of fiscal populism can be extraordinarily high and long-lasting". According to it, if fiscal deficit continues to be high, the growth in private investment could be throttled by rising interest rates; all reforms in the fiscal area including reductions in marginal direct tax rates and the reform of the structure of the central excise and customs duties, have to be persevered with till completion. The process of eliminating licensing as a method of controlling imports should be extended further, "including in the area of consumer goods"; the fear that there will be an unsustainable upsurge in consumer goods imports is unwarranted, since tariffs and exchange rate management would prevent such an outcome. With a view to phasing out unnecessary legal and bureaucratic impediments, the Urban Ceiling Act, the Companies Act and the Sick Industries Act need to be reformed so that speedy restructuring, acquisitions and mergers take place as tools needed for meeting the challenge of competition. Reform of labour laws is equally important as is improved regulation of equity markets, banks, insurance and debt markets. On the insurance sector, "the views of the government on the recommendations of the (Malhotra) Committee have been

crystallised and a decision on major policy changes, including allowing entry of private insurance companies into the industry, is at an advanced stage of formulation". Amongst the constraints that exporters face, the labour policy for exporters is more adverse than in competitor countries, inhibiting flexibility and responsiveness to world markets. Many exportable goods are still subject to small industry reservations, which inhibit growth and quality exports. India should take advantage of the vast new opportunities opened up in world trade in agriculture as a result of the Uruguay Round of multilateral trade agreements. For the improved availability of good quality infrastructure, especially power, roads, water and telecommunications, the policy of opening up to private investment and even private management and operation should be given further impetus and the user services have to be paid for with subsidies drastically reduced.

While these and many other aspects of individual policies may have some rationale at the micro-level, the *Survey* is on the whole impervious to the adverse repercussions of the new economic policies. The previous three *Economic Surveys* talked of *nauseum* of economic reforms with a human face; there is hardly any mention of it in the latest document. Clearly if the mass of people have to benefit from reforms, India has to address the question of the acute social backwardness as reflected in poor health services, high level of illiteracy particularly among women and the growing inadequacy of rural and urban infrastructure. This is necessary not only for tackling the fundamental issue of poverty but also for two other reasons: first, the poor cannot partake the benefits of development in a competitive environment and widely participatory economic growth is not possible unless their skill levels are better than what they are at present; and secondly, poor health and literacy standards will serve as serious constraints on expanding productivity and efficiency at the plant level including the achievement of better quality products for exports. It is not that the *Economic Survey* is silent on the social sector issues, but the perspective brought to bear on these issues is flawed. The question of social sectors and the poor is treated as a residual issue and not as a precondition for healthy economic growth and an integral part of the development strategy. Stray data on improvement in real wages of unskilled agricultural labour and estimates of additional employment do not disprove the fact that the vast masses of the poor are not the beneficiaries of the exotic economic development which the new economic policy is bringing about. The improvement in real agricultural wages during 1992-93 and 1993-94 was essentially attributable to a quantum jump in foodgrains output and stability in food prices; as were the estimated improvements in employment. The fact is that the persistent decline in public investment in agriculture has hurt the production potential of the economy. The *Economic Survey* also argues that resources for public investment can only become avail-

able if subsidies on agricultural inputs such as irrigation and fertilisers can be scaled down.

The *Survey* repeatedly points out that the country should attain the standards attained by our competitor countries in Asia, that the custom duty rates must become comparable with those in other parts of Asia, that the labour policy should be made flexible so that it does not become more adverse than in competitor countries. In this regard, the whole body of research knowledge now coming out even from the World Bank and other multilateral agencies is illuminating. The following extracts from a World Bank's Operations Evaluation Study (1992) on industrialisation in Korea, India and Indonesia should be an eye-opener:

From 1963, it [Korea] switched to a primarily export-oriented strategy, proving strong incentives and support for exports while pursuing import-substitution in a range of new, increasingly complex, industries. Its drive into these new industries, while largely in the private sector, was strongly directed by the government. Its policies to this end included high and variable rates of effective protection, central allocation of credit, a deliberate policy to create large conglomerate enterprises, minimal reliance on foreign direct investment and close co-ordination by the government on the pace and direction of industrial development. It is generally agreed that the government's interventions played a central role in guiding, shaping and promoting Korea's industrial development.

The drive was supported by a rapid build-up of skills at all levels and by extensive development of the science and technology infrastructure. Interventions in the technology markets were designed to strengthen local absorptive and later innovative capabilities. Unlike most 'classic' import-substituting regimes, however, Korea applied protection selectively, encouraged domestic competition, and forced early entry into export markets. It maintained a distinction between a relatively mature, competitive sector, which operated in export markets under near free trade conditions, and a set of new activities that were more highly protected, undergoing "learning", and aimed primarily and initially at domestic markets.

The evaluation study further argued that the World Bank's macro perspective and general economic stance were badly biased in line with liberal views on trade strategy and undesirability of government interventions, whereas its project work in Korea showed a much clearer appreciation of capability building selectivity and institutional promotion; the project reports were more structuralist and favourable to interventions. "The restrictive framework underlying the Bank's analysis of industrialisation has led it to underplay and overlook the micro-level process of capability acquisition which underpins industrial success". Almost all of the East Asian economies observed such selective interventions in the form of mild repression of interest rates, directed credit, selective industrial promotion and technological adaption, import-substitution, and

trade policies that pushed manufactured exports. It is time Manmohan Singh and his team of experts in the finance ministry take a lesson or two from these experiences.

PANCHAYATS

The Dark Side

DECENTRALISATION of power through panchayats – with the professed aim of democratising rural society – may quite often subvert the objective, given the continuing socio-cultural hegemony of the conservative forces in the panchayats. A recent report from Rajasthan should be an eye-opener. Newly elected sarpanches of 38 gram panchayats in Bassi block of Jaipur district have unanimously passed a resolution condemning, and deciding to boycott, the 'saathins' (women community workers for social change), who in Rajasthan had been working especially to bring about an end to the widespread system of child-marriage in the state.

Incidentally, it was in a village in this same Bassi block that a saathin, Bhawari Devi, was gang-raped last year by local goons, because she tried to prevent the marriage of a child in the village. The guilty are still at large and the local administration remains an impotent spectator. In fact, the meeting of the sarpanches which decided to boycott the saathins was convened by the block development officer of Bassi and was also attended by the local MLA. The sarpanches blamed the saathins for bringing a bad name to the village community by spreading the 'story' of the gang rape. Eventually, the will of the democratically(?) elected sarpanches prevailed over the administrative decision to assign a role to village women community workers in the reform programme to stop child marriages.

The Bassi panchayat decision is not an isolated instance of patriarchal hegemony that prevails in most parts of the countryside, particularly in the Hindi-speaking heartland. Lynching of young men and women for daring to marry outside their caste groups among the caste Hindu and scheduled caste communities, burning of so-called witches among the tribals in eastern India, persecution of women on charges of adultery among Muslims are fairly common in our villages. They are all perpetrated with popular sanction, either in the form of the traditional village assembly of arbitrators or that of the modern elected panchayats. The lowest and vilest alleys in our metropolises may not present a more dreadful record of crime against women than does the smiling and peaceful countryside in India. The newspapers provide a daily calendar of the deeds of hellish cruelty and hidden wickedness that go on in the villages, year in, year out. In these circumstances, the 73rd constitutional amendment, and the provision for reserving one-third of panchayat seats for women in order to empower rural women, may turn out to be a non-starter at the ground level. As long as sarpanches of the Bassi type continue to dominate the panchayats, the

women members – constituting only one-third of the sarpanches – will be bypassed, or even harassed, if they dare to oppose the male patriarchs of their villages.

It is evident that altruistic legislative measures from above can never empower the poor and the disadvantaged groups. The need for the growth of critical awareness among the rural poor through political and other forms of mass mobilisation had been ignored for decades. Barring the frequent electoral campaigns, the rural masses in the Hindi heartland have hardly a chance to exercise their discerning faculties in the face of the challenge of changing realities. Even in such electoral participation – as well as in the only movements that the villagers of this area had been involved during the last decade or so – they had been manipulated by political power-brokers into casteist and communal confrontations. This had only helped the reinforcement of conservative and patriarchal norms in the respective societies of the various religious and caste groups. The creation of a basis for the much needed social changes in the Hindi heartland depends in a large measure on the development of a political movement there that can displace the conservative, divisive and patriarchal norms that prevail in village society, and their champions who rule that society, by a new set of egalitarian and democratic norms and their representatives who need to emerge from within that society.

PHARMACEUTICALS

On the Political Agenda

REGARDLESS of what went before and what will come after, the formulation of a rational drug policy by the BJP government in Delhi is to be welcomed. That the policy goes beyond mere rhetoric is evidenced by the fact that the government has taken steps to work out and publish an essential drug list comprising 275 generic formulations for mandatory use in all government hospitals and health centres in the region. From what is known about the policy its main features are: ensuring the availability of safe and effective drugs at all hospitals and health centres; putting in place a good quality control and assurance system; improving procurement, storage and distribution of drugs; encouraging rational prescribing of medicines; promoting the use of generic names instead of brand names; strengthening the health education programme and promoting research on all aspects of drug use. The publication of the essential drug list is a first step towards achieving these goals. The list was constituted by a nine-member committee headed by a retired union health secretary, C R Vaidyanathan and includes Ranjit Roy Chowdhury, emeritus professor at the National Institute of Immunology and UNESCO professor of rational use of Drugs, Bangkok, who is credited with drafting the list. The drafting committee is now acting as a special purchase committee, until an independent one is constituted. Going one step further, the government is

constituting a state drug authority and has instituted a base-line survey on drug quality and usage in Delhi's public health institutions, so that the impact of the new drug policy may be assessed at a later date.

Interestingly, the BJP has not been among the most vocal critiques of the centre's attempts at foisting a pro-industry drug policy on the people, nor has it made rational therapeutics or a people-oriented drug policy a consistent agenda. Why then should it be so keen on promoting a rational drug policy? Certainly, it is not a populist measure, given that the changes underway, if the policy is implemented in full, will be difficult to reverse – an essential drug list and changed prescription practices go a long way towards educating doctors (and patients), notwithstanding the fact there is bound to be laxity and corruption all down the ranks. Drug consumer activists have found that practising doctors are often ignorant of the concept of an essential drug list and how to use it for ethical prescribing. Even with the unethical marketing practices that drug companies will no doubt resort to there is an even chance that doctors will find it easier and more satisfying (in terms of patient response) to prescribe essential generic drugs, even if the policy is shelved later on.

The policy is meant to be, and is, however, a visible demonstration of the people-oriented concerns of the new government, adds immensely to its credibility and in its implementation, to its administrative capability. It is hardly necessary here to mention that Delhi has one of the worst administered public health systems with an appallingly high number of unhygienic and insanitary institutions, high levels of corruption and unethical medical practices. It also has a Nursing Homes Act which is extremely poorly administered with few norms on minimum required conditions, etc. even formulated. It should be noted, however, that the Delhi drug policy does not interfere with the production end of pharmaceuticals – in any case, drug production is largely concentrated in the western region. Moreover, from what is known of the policy, no guidelines have been drawn up on items such as strictly implementing the Drugs and Cosmetics Act in respect of advertisements, promotion and marketing of drugs, etc. For example, there is considerable scope for drug companies to introduce new alternatives in the range of drugs which are to be bought and prescribed at the discretion of the individual hospital authority.

The test of BJP's sincerity about a people-oriented drug (and health?) policy would be its actions in Maharashtra, which is likely to have a BJP health minister and in Gujarat, two states where the pharmaceutical industry is well-entrenched. Nevertheless, even if the party were to ignore such 'peripheral' issues in these two states, the extensive and intensive work of the drug consumer movement – which incidentally finds no mention in the Delhi health minister's official pronouncements – must be given credit for putting drugs-for-the-people on the political agenda.

CURRENT STATISTICS

EPW Research Foundation

Subsequent to dispensing with the industrial licensing system, investment proposed as per industrial entrepreneurs' memoranda (IEM) filed with the industry ministry has aggregated Rs 3,44,930 crore with a claimed employment potential of 3.22 million. Industrywise, foodstuffs, chemicals, textiles and metals account for 72 per cent of the aggregate investment proposed. As in the case of FDI flows, investment under IEM is acutely concentrated in a few states with Maharashtra and Gujarat attracting about 37 per cent of the proposed investment; other states getting sizeable shares are UP (11.2 per cent), MP (9.9 per cent), AP (7.6 per cent) and Tamil Nadu (5.3 per cent). West Bengal (2.6 per cent), Bihar (1.2 per cent) and Karnataka (4 per cent) get relatively meagre proportions.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Feb 25, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	284.5	0.9	11.4	9.5	10.1	9.6	10.8	7.0	13.6	12.1
Primary Articles	32.3	296.4	1.0	15.4	10.0	14.4	10.6	11.5	3.0	15.3	17.1
Food Articles	17.4	320.4	-0.3	13.5	4.0	14.3	5.2	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	327.2	3.4	21.4	20.6	16.8	20.1	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	281.4	0.0	1.6	12.7	1.2	12.6	13.1	15.2	13.2	14.4
Manufactured Products	57.0	278.3	0.9	11.1	8.6	9.5	8.3	9.9	7.9	12.6	8.9
Food Products	10.1	273.6	-0.7	9.1	11.6	8.5	11.7	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	303.2	-0.1	12.0	6.5	12.3	7.3	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-February 25, 1995)	100.0	273.4	-	10.8	8.0	10.8	8.1	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
			Latest	Previous	1994-95	1993-94				
Industrial Workers (1982=100)	291 ¹¹	0.3	9.8	8.6	9.0	9.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	240 ¹⁰	0.8	10.1	6.3	8.1	6.3	-	6.8	13.6	43.4
Agri Lab (July 60 to June 61=100)	1297 ¹²	0.9	11.2	9.3	10.4	10.7	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Feb 17, 1995	Variation					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M ₃)	503611	5229 (1.0)	70045 (16.2)	59139 (16.1)	66741 (18.2)	49344 (15.5)	51653 (19.4)
Currency with Public	100040	2441 (2.4)	17842 (21.7)	13115 (19.2)	13925 (20.4)	7175 (11.7)	8050 (15.2)
Deposits with Banks	400609	3012 (0.8)	51769 (14.8)	45743 (15.4)	51601 (17.4)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt Sector	217927	2438 (1.1)	14141 (6.9)	29157 (16.5)	27548 (15.6)	17975 (11.4)	18070 (12.9)
Bank Credit to Comm'l Sector	273345	3925 (1.4)	36142 (15.2)	13831 (6.3)	17068 (7.8)	32141 (17.1)	16225 (9.4)
Net Foreign Exchange Assets	70710	57 (0.1)	16983 (31.6)	18439 (73.9)	28775 (15.3)	3726 (17.6)	10645 (100.6)
Reserve Money	164142	5793 (3.5)	25520 (18.4)	23506 (21.2)	27843 (25.1)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	97502	2605 (2.7)	719 (0.7)	5608 (5.8)	263 (0.3)	4257 (4.6)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	362981	2973 (0.8)	47849 (15.2)	42287 (15.7)	46560 (17.3)	37814 (16.4)	38216 (19.8)
Advances	196900	3514 (1.8)	32482 (19.8)	10026 (6.6)	12436 (8.2)	26390 (21.0)	9291 (8.0)
Non-Food Advances	183248	3629 (2.0)	29737 (19.4)	5599 (3.9)	8272 (5.7)	24317 (20.1)	9127 (8.2)
Investments	148356	299 (0.2)	15833 (11.9)	25079 (23.7)	26867 (25.4)	15460 (17.1)	15131 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Oct	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages						
		1994	1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	238.1	232.8 (8.0)	215.6 (3.8)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	245.8	219.4 (6.2)	206.5 (3.0)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	225.0	224.4 (8.3)	207.2 (3.1)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	318.3	303.2 (7.7)	281.5 (7.6)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Mar 10 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3515	3522	3747*	3384	4604	2037	4286	3779	2281	4285
	(-6.2)		(60.8)					(65.7)	(-46.8)	(266.9)
National Index (1983-84=100)	1704	1708	1845**	1641	2176	934	2050	1830	1021	1968
	(-7.6)		(73.9)					(79.2)	(-48.1)	(234.1)

* data pertaining to March 11, 1994 ** data pertaining to March 9, 1994

Foreign Trade	Dec	Cumulative for Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
	1994	1994-95					
		1994-95	1993-94				
Exports: Rs crore	7490	57503 (16.9)	49182 (31.8)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US \$ mn	2387	18328 (16.9)	15681 (20.0)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	8587	63814 (23.9)	51477 (8.4)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US \$ mn	2736	20339 (23.9)	16413 (-1.3)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US \$ mn	2230	16138 (33.1)	12121 (-1.4)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-1095	-6308	-2295	-3259	-9687	-3809	-10640
US \$ mn	-349	-2011	-732	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Mar 03.	Mar 04.	Mar 31.	Variation Over							
	1995	1994	1994	Month Ago	Year Ago	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
						1994-95	1993-94				
Rs crore	62519.0	43940.8	47626.0	942.0	18578.2	14893.0	23744.0	27430	5385	10223	-1383
US \$ mn	19989.0	13997.0	15176.0	337.0	5992.0	4813.0	7545.0	8724	731	3383	-1137

Industrial Entrepreneurs Memoranda (IEMs)

Industrywise Break-up of IEMs Filed	August 1991 to December 1993					Statewise Break-up of IEMs Filed	August 1991 to December 1994				
	IEMs Filed	Investment Proposed (Rs in Billion)	Per Cent of Total	Employment Potential (Nos)	Per Cent of Total		IEMs Filed	Investment Proposed (Rs in Billion)	Per Cent of Total	Employment Potential (Nos)	Per Cent of Total
Product Group						State					
Prepared foodstuffs	2272	264.54	10.33	412833	18.62	Andhra Pradesh	962	263.67	7.64	189454	5.88
Beverages, spirits and vinegar	211	52.84	2.06	31436	1.42	Assam	39	10.38	0.30	4125	0.13
Tobacco and manuf tobacco	6	0.27	0.01	1641	0.07	Bihar	158	40.57	1.18	24413	0.76
Mineral fuels and petroleum	69	16.58	0.65	10132	0.46	Gujarat	2446	597.09	17.31	449189	13.93
Chemicals and allied industries	1654	434.92	16.98	267692	12.08	Haryana	1105	131.18	3.80	189639	5.88
Rubber, plastics and their products	697	154.48	6.03	100934	4.55	Himachal Pradesh	169	48.36	1.40	53208	1.65
Leather and leather products	46	5.17	0.20	9800	0.44	Jammu and Kashmir	25	1.24	0.04	6924	0.21
Wood and wood products	27	1.78	0.07	3279	0.15	Karnataka	610	137.07	3.97	90668	2.81
Paper and paper products	360	94.83	3.70	67597	3.05	Kerala	145	35.47	1.03	27751	0.86
Textiles	1678	334.00	13.04	393156	17.74	Madhya Pradesh	1048	341.86	9.91	269362	8.35
Non-metallic mineral products	564	229.14	8.95	137827	6.22	Maharashtra	3409	679.78	19.71	581922	18.05
Gems and jewellery	32	0.87	0.03	8375	0.38	Orissa	105	30.85	0.89	42804	1.33
Basic metals and articles	2245	507.44	19.81	511155	23.06	Punjab	965	126.57	3.67	276743	8.58
Non-electrical machinery	737	127.41	4.97	108791	4.91	Rajasthan	997	160.84	4.66	201344	6.24
Electrical machinery	1146	180.67	7.05	19819	0.89	Tamil Nadu	1324	184.00	5.33	223508	6.93
Transport equipment	217	68.30	2.67	59818	2.70	Uttar Pradesh	1779	384.60	11.15	327258	10.15
Optical, surgical and photographic	194	34.71	1.36	35877	1.62	West Bengal	576	88.73	2.57	121555	3.77
Other Mfg (watches, sports)	108	21.57	0.84	16199	0.73	Chandigarh	12	1.21	0.04	3604	0.11
Others	137	32.06	1.25	20267	0.91	Delhi	370	57.58	1.67	41581	1.29
Total	12400	2561.6	100.0	2216628	100.0	Goa	103	21.70	0.63	12410	0.38
						Others	717	106.54	3.09	86987	2.70
						Total	17064	3449.29	100.00	3224449	100.0

Source: Annual Report 1993-94, Ministry of Industry, Govt of India, p.24

Source: SIA Newsletter, January 1995.

Production in Infrastructure Industries

Industry/ Infrastructure	Unit	Nov 1994	Variation over		Cumulative for Fiscal Year So Far		Fiscal Years		
			Month	Year	1994-95	1993-94	1993-94	1992-93	1991-92
Coal	Mn ton	22	1.81 (8.78)	1.58 (7.58)	145.9 (2.9)	141.8 (4.8)	246 (3.4)	238 (3.9)	229 (8.3)
Electricity generation	Mn kwh	28603	-1242 (-4.21)	2049 (7.72)	225928 (7.7)	209793 (7.5)	323323 (7.4)	300989 (5.0)	286700 (8.5)
Hydel	Mn kw	6589	-1201 (-15.42)	972 (17.3)	58308 (16.6)	49995 (2.4)	70311 (0.8)	69776 (-3.8)	72559 (1.4)
Thermal (including nuclear)	Mn kw	22014	319 (1.47)	1077 (5.14)	167620 (4.0)	159798 (9.2)	253012 (9.4)	231213 (8.0)	214150 (11.1)
Crude petroleum	000 tons	2827	-84 (-2.89)	578 (25.7)	20971 (18.6)	17689 (-2.8)	27015 (0.3)	26945 (-11.2)	30340 (-8.2)
Petroleum products	000 tons	4804	-158 (-3.18)	306 (6.8)	37702 (4.9)	35929 (0.5)	54344 (1.6)	53487 (10.6)	48350 (-0.4)
Saleable steel (main plants)	000 tons	1076	46 (4.55)	107 (11.1)	8118.9 (8.1)	7512 (4.8)	11981 (5.7)	11333 (12.6)	10570 (-1.1)
Cement	000 tons	4798	-395 (-7.61)	423 (9.7)	39833 (7.7)	36999 (5.3)	57833 (6.8)	54140 (-5.5)	57100 (4.0)
Fertilisers (N)	000 tons	662	-21 (-3.03)	75 (12.8)	5094.3 (7.7)	4729.2 (-1.7)	7274 (-2.1)	7431 (1.2)	7300 (4.4)
Fertilisers (P ₂ O ₅)	000 tons	198	15 (8.06)	10 (5.1)	1544.9 (49.9)	1030.6 (-37.1)	1810 (-21.0)	2292 (-10.5)	2560 (24.9)
Revenue earning goods traffic on railways	Mn ton	31	0.25 (0.8)	2 (5.9)	233.4 (1.9)	229.1 (1.5)	362 (3.4)	350 (3.4)	338 (6.2)

Source: Monthly Economic Report, January 1995, Dept of Economic Affairs, Govt of India

Index Numbers of Industrial Production

Use-Based Classification (1980-81=100)	Weights	Oct 1994	Month Ago	Year Ago	Cumulative for Fiscal Year So Far		Fiscal Years				
					1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90
Basic industries	394.18	260.0	246.5 (5.5)	235.0 (10.6)	247.0 (4.3)	236.9 (7.2)	242.4 (4.0)	232.9 (2.6)	226.9 (6.5)	213.1 (6.9)	199.4 (5.4)
Capital goods industries	164.27	275.2	335.9 (-18.1)	240.6 (14.4)	277.5 (21.7)	228.0 (-8.7)	253.2 (-5.0)	266.5 (-0.1)	266.8 (-8.5)	291.7 (16.0)	251.4 (21.7)
Intermediate goods industries	205.07	204.6	207.1 (-1.2)	196.1 (4.3)	207.6 (4.6)	198.5 (10.2)	203.0 (11.2)	182.6 (5.4)	173.2 (-2.1)	176.9 (4.8)	168.8 (4.2)
Consumer goods industries	236.48	204.8	203.3 (0.7)	183.7 (11.5)	199.9 (7.4)	186.2 (3.1)	197.6 (1.7)	194.3 (3.8)	190.8 (1.0)	189.0 (6.7)	177.0 (6.5)
Consumer durables	25.50	352.8	373.4 (-5.5)	361.2 (-2.3)	372.3 (8.6)	342.7 (14.1)	366.6 (15.4)	317.8 (-0.9)	320.6 (-10.9)	359.7 (10.7)	325.0 (2.4)
Consumer non-durables	210.98	186.9	182.8 (2.2)	162.2 (15.2)	179.1 (7.1)	167.3 (0.7)	177.4 (-1.1)	179.4 (5.1)	175.1 (4.0)	168.3 (5.7)	159.1 (7.6)

Notes: (i) Superscript numeral denotes month to which figure relates, e.g. superscript * stands for June. (ii) Figures in brackets are percentage variations over the comparable period of the previous year unless otherwise specified. (iii) - means not available.

MADRAS CEMENT

Expansion Projects

MADRAS CEMENT (MCL), the flagship company of the Madras-based Ramco group, is the fourth largest cement manufacturer in the south. Even though the cement industry faced a recession in 1992-93 MCL was not very badly hit by it. The company has showed improved performance in 1993-94, with net sales going up by 18 per cent (Rs 36.87 crore), operating profit by 18 per cent (Rs 8.44 crore) and net profit by 10 per cent (Rs 1.97 crore). Depreciation and interest charges were up by 36 per cent (Rs 4.61 crore) and 21 per cent (Rs 6.58 crore), respectively. Non-operating profit increased by Rs 35 lakh while other income rose by Rs 123 lakh. Imports fell by 42 per cent (Rs 1.24 crore) while exports were up by 25 per cent (Rs 4.64 crore). A dividend of 51 per cent was announced for the year as against 45 per cent in the previous year.

Debt-equity ratio declined from 120 per cent in 1991-92 to 117 per cent in 1992-93 and 76 per cent in 1993-94. Short-term bank borrowings to inventories increased by 6 percentage points in 1992-93 and by 11 percentage points in 1993-94. Sales to total assets fluctuated at 120 per cent in 1991-92, 100 per cent in 1992-93 and 112 per cent in 1993-94. Sales to gross fixed assets too fluctuated at 113 per cent, 96 per cent and 101 per cent in the same period. Sundry creditors to current assets increased from 18 per cent in 1991-92 to 26 per cent in 1992-93 and 32 per cent in 1993-94. Exports to sales increased from 8 per cent in 1992-93 to 9 per cent in 1993-94. Growth in inventories declined sharply in the past three years. Return on investment fluctuated at 22 per cent in 1991-92, 15 per cent in 1992-93 and 17 per cent in 1993-94. Raw materials consumed to value of production after being steady at 10 per cent during 1991-93, declined to 9 per cent in 1993-94. Earning per share fluctuated at Rs 64 in 1991-92, Rs 27 in 1992-93 and Rs 30 in 1993-94. Remuneration to employees fluctuated at 11 per cent in 1991-92, 16 per cent in 1992-93 and 15 per cent in 1993-94.

The company has undertaken major expansion plans. It already has one unit in Tamil Nadu and another in Andhra Pradesh. It plans to set up its third cement unit at Trichy in Tamil Nadu, with a capacity of 6 lakh tonnes per year at a cost of Rs 150-200 crore. Other plans are a new spinning unit to emphasise its presence in the textile sector; expansion of the Andhra Pradesh cement unit by 1 lakh tpa; a 5 lakh tpa grinding unit for the Visakhapatnam steel plant and installation of DG sets at all the cement plants to ensure reliable supply of

power. MCL also plans to set up a cement grinding unit in Sri Lanka with an annual capacity of 5,50,000 tonnes.

Andhra Pradesh has witnessed the mushrooming of mini cement plants which enjoy sales and excise tax benefits. This enables them to sell their output cheaply, but the company's Ramco brand name commands a premium in the market. The company claims that its hi-tech process gives it a lower power cost per tonne of cement.

The company invested Rs 12 lakh on R and D in 1993-94.

VIKRANT TYRES

Rise in Costs

Vikrant Tyres has been in loss for two years now. The company incurred a loss of Rs 6.37 crore in 1992-93. In 1993-94, the company has again incurred a loss of Rs 3.6 crore. Net sales were up by 11 per cent (Rs 26.39 crore) and operating profit by 6 per cent (Rs 1.34 crore). Fall in depreciation by 39 per cent (Rs 3.13 crore) more than compensated for the rise in interest charges by 9 per cent (Rs 1.73 crore). Other income decreased by 5 per cent (Rs 18 lakh) while non-operating surplus increased by Rs 3 lakh. Gross profit fell by 23 per cent. Poor capacity utilisation of radial plant, where production was suspended for four months, reduction in advance licence benefits, increase in power tariff and other input costs coupled with higher incentives given to dealers due to market recession and increase in term loan interest burden contributed to the net loss. Exports for the year were up 15 per cent and imports by 59 per cent. The company added 14 more countries to its list for export destinations, thus taking the total to 51. The company exported 30 per cent of truck tyres produced during the year. It occupies the third position in the industry in terms of percentage of truck tyres exported to production. The company has been granted export house status.

Remuneration to employees has been steady at 48 per cent for the past two years. Net value added to value of production fell by 5 percentage points in 1992-93 and rose by 1 percentage point in 1993-94. Return on investment fell sharply in the past two years. Exports to sales have been steady at 19 per cent in the past two years. Sundry creditors to current assets increased from 19 per cent in 1991-92 to 20 per cent in 1992-93 and 33 per cent in 1993-94. Sales to total assets fluctuated at 105 per cent in 1991-92, 111 per cent in 1992-93 and 108 per cent in 1993-94. Growth in inventories declined by 18 percentage points in the year. Inventories to sales fluctuated at 18 per cent in 1991-92, 23 per cent in 1992-93, and 22 per cent in 1993-94. Sales to gross fixed

assets, after being steady at 155 per cent during 1991-93, rose by 16 percentage points in the year. Short-term bank borrowings to inventories declined by 1 percentage point in 1992-93 and then rose by 10 percentage points in 1993-94. Debt-equity ratio was steady at 187 per cent during 1991-93 and rose to 221 per cent in 1993-94.

The company has taken steps to reduce power consumption. An expenditure of Rs 50 lakh was incurred on R and D activities. Expansion in the radial truck tyres range for export and designing of new patterns for existing sizes of tyres are some of the department's activities.

INDO RAMA SYNTHETICS

Polyester Project

Belonging to the Indo Rama group, Indo Rama Synthetics has done well in 1993-94. Net sales were up by 10 per cent (Rs 12.45 crore), operating profit by 12 per cent (Rs 3.73 crore) and net profit by 100 per cent (Rs 10.76 crore). A decline in interest charges and depreciation by 27 per cent (Rs 3.08 crore) and 13 per cent (Rs 1.02 crore), respectively and increase in other income by 49 per cent (Rs 89 lakh) and non-operating surplus by 380 per cent (Rs 2.93 crore) helped in keeping margins high. An enhanced dividend of 26 per cent was declared for the year. Exports grew by 9 per cent (Rs 5.85 crore) while imports were up by 703 per cent (Rs 86.95 crore).

Debt-equity ratio fluctuated at 183 per cent in 1991-92, 137 per cent in 1992-93 and 234 per cent in 1993-94. Sundry creditors to current assets was steady at 12 per cent. Sales to total assets fluctuated at 62 per cent in 1991-92, 83 per cent in 1992-93 and 30 per cent in 1993-94. Sales to gross fixed assets too fluctuated from 90 per cent, 109 per cent and 45 per cent in the same period. Inventories to sales fell by 21 percentage points in 1992-93 and then rose by 24 percentage points. Raw materials consumed to value of production increased from 51 per cent in 1991-92 to 52 per cent in 1992-93 and 55 per cent in 1993-94. Return on investment rose by 1 percentage point in 1992-93 and then fell by 6 percentage points in 1993-94. Earning per share was steady at Rs 4 during 1991-93 and then rose to Rs 6 in 1993-94. Net value added to value of production fell by 3 percentage points in 1992-93 and has now risen by as much in 1993-94. Remuneration to employees was steady at 4 per cent for two years and rose by 1 percentage points in 1993-94.

The blended spun yarn plant at Nagpur began commercial production in January 1994 and achieved 1,273 MT of production. A major polyester project is coming up at Nagpur to produce partially oriented yarn

The Week's Companies

(Rs lakh)

Financial Indicators	Madras Cement		Vikram Tyres		Indo Rama Synthetics		Mahavir Spinning		Dabur (India)	
	March 1994	March 1993	March 1994	March 1993	June 1994	June 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	23793	20106	24943	22304	13372	12127	29269	26327	30818	24760
2 Value of production	24032	20381	24659	23315	15167	11413	29815	26374	31380	25118
3 Other Income	242	119	316	334	269	160	256	203	788	426
4 Total income	24274	20500	24975	23649	15436	11593	30071	26577	32168	25544
5 Raw materials/stores and spares consumed	3332	2859	15502	15169	8695	6091	13332	13057	9294	7865
6 Other manufacturing expenses	8521	7201	2084	1886	1541	1054	3037	1874	10487	8104
7 Remuneration to employees	985	884	2096	1990	558	396	1698	1444	1054	978
8 Other expenses	5975	4939	3153	2578	1383	1166	4799	4663	7235	5473
9 Operating profit	5461	4617	2160	2026	3259	2886	7205	5339	4098	3124
10 Interest	1733	1512	2049	1876	823	1131	1446	1426	1482	1236
11 Gross profit	3765	3107	116	152	2806	1832	5886	3933	2636	1912
12 Depreciation	1721	1260	476	789	660	762	1125	1036	569	430
13 Profit before tax	2044	1847	-360	-637	2145	1069	4756	2895	2067	1482
14 Tax provision	0	0	0	0	0	0	1720	1068	650	450
15 Profit after tax	2044	1847	-360	-637	2145	1069	3036	1827	1417	1032
16 Dividends	227	190	0	0	596	399	381	252	289	91
17 Retained profit	1817	1657	-360	-637	1549	670	2655	1575	1128	941
Liabilities/assets										
18 Paid-up capital	665	664	1663	1663	3201	2203	861	681	2823	457
19 Reserves and surplus	8379	6633	1747	2059	9013	2468	12870	8289	8963	5027
20 Long term loans	6926	8550	7564	6991	28628	6412	9473	5265	5246	2912
21 Short term loans	1451	832	4847	3842	500	2206	5588	4832	5702	3995
22 Of which bank borrowings	1143	771	4262	3339	0	154	4620	4619	4147	3425
23 Gross fixed assets	23397	20868	14560	14337	29275	11086	15760	13778	8721	6814
24 Accumulated depreciation	9616	7906	8633	8258	2391	1686	5261	4211	3377	2805
25 Inventories	3132	3040	5694	5151	4350	1084	9048	7124	5722	4494
26 Total assets/liabilities	21196	19959	22929	19974	43633	14516	32358	27120	27236	17230
Miscellaneous items										
27 Excise duty	0	0	7838	6267	1082	770	895	675	783	897
28 Gross value added	6562	5492	4361	4080	4610	3478	9049	6750	4832	3955
29 Total foreign exchange income	2308	1789	4970	4318	6931	6346	3387	3036	2263	1205
30 Total foreign exchange outgo	466	544	3378	2129	11139	1541	1424	2321	783	375
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	112.3	100.7	108.8	111.7	30.6	83.5	90.5	97.1	113.2	143.7
32 Sales to total net assets (%)	136.6	120.5	157.5	153.2	32.3	91.3	101.7	138.1	135.6	199.8
33 Gross value added to gross fixed assets (%)	28.0	26.3	30.0	28.5	15.7	31.4	57.4	49.0	55.4	58.0
34 Return on investment (gross profit to total assets) (%)	17.8	15.6	0.5	0.8	6.4	12.6	18.2	14.5	9.7	11.1
35 Gross profit to sales (gross margin) (%)	15.8	15.5	0.5	0.7	21.0	15.1	20.1	14.9	8.6	7.7
36 Operating profit to sales (%)	23.0	23.0	8.7	9.1	24.4	23.8	24.6	20.3	13.3	12.6
37 Profit before tax to sales (%)	8.6	9.2	-1.4	-2.9	16.0	8.8	16.2	11.0	6.7	6.0
38 Tax provision to profit before tax (%)	0.0	0.0	0.0	0.0	0.0	0.0	36.2	36.9	31.4	30.4
39 Profit after tax to net worth (return on equity) (%)	22.6	25.3	-10.6	-17.1	17.6	22.9	22.1	20.4	12.0	18.8
40 Dividend (%)	51.00	45.00	0.00	0.00	26.00	22.00	40.00	37.00	20.00	20.00
41 Earning per share (Rs)	30.60	27.68	-2.16	-3.83	6.70	4.85	35.26	26.83	5.02	22.58
42 Book value per share (Rs)	136.0	109.9	20.5	22.4	38.2	21.2	159.5	131.7	41.7	105.4
43 P/E ratio (based on latest and corresponding last year's price)	300.6	0.8	-15.0	0.0	11.6	11.7	5.8	14.2	58.8	34.5
44 Debt-equity ratio (adjusted for revaluation) (%)	76.6	117.2	221.8	187.8	234.4	137.3	69.0	58.7	44.5	60.4
45 Short term bank borrowings to inventories (%)	36.5	25.4	74.9	64.8	0.0	14.2	51.1	64.8	72.5	76.2
46 Sundry creditors to sundry debtors (%)	395.7	338.3	73.0	47.9	79.2	35.5	13.2	78.3	20.1	16.5
47 Total remuneration to employees to gross value added (%)	15.0	16.1	48.1	48.8	12.1	11.4	18.8	21.4	21.8	24.7
48 Total remuneration to employees to value of production (%)	4.1	4.3	8.5	8.5	3.7	3.5	5.7	5.5	3.4	3.9
49 Gross fixed assets formation (%)	12.1	28.9	1.6	2.5	164.1	45.4	14.4	12.8	65.1	16.1
50 Growth in inventories (%)	3.03	29.14	10.54	28.52	301.29	-47.33	27.01	28.48	27.33	17.71

(POY), polyester staple fibre (PSF) and draw texturised yarn (DTY). Technology for the POY and polycondensation unit has been acquired from Du Pont of the US and for the PSF unit from Toyobo of Japan. The plant is equipped to produce 42,000 mtpa of POY and 25,000 mtpa of PSF. A spinning unit with a capacity of 59,184 spindles built alongside has commenced commercial production. The completion of the project will make the company the second largest producer of PSF and POY in the country. The PSF will be further processed to make spun blended yarn. Indo Rama expects this kind of vertical integration to help it achieve economies of scale and export targets. The proposed expansion plan would cost around Rs 10 billion. To part finance this the company plans to launch an Euro issue of \$ 75 million.

The company's R & D department installed Zweigle yarn hairiness testing instrument which is used to determine the number of protruding fibres in a particular length of yarn to improve the quality of spun yarn. Also an on-line production and quality monitoring system was installed which helped in quality improvement of yarn.

MAHAVIR SPINNING

New Ventures

Mahavir Spinning Mills, a subsidiary of the 621 crore Vardhaman group, is a leading manufacturer of cotton and blended yarns, sewing threads and mild steel billets and has shown improved performance in 1993-94. Net sales were up by 11 per cent, operating profit by 34 per cent and net profit by 66 per cent. Other income and non-operating profit were up by Rs 53 lakh (26 per cent) and Rs 1.07 crore (53 per cent). Taxation was up by 61 per cent, depreciation by 8 per cent and interest charges by 1 per cent. But for these hikes, margins would have been even higher. A dividend of 40 per cent was declared for the year against 37 per cent in the previous year. Exports were up by 11 per cent, while imports fell by 43 per cent. Export to sales ratio has been steady at 11 per cent in the past two years. The export performance was achieved by the company's 100 per cent EOUs. The company expects the performance to improve with the commissioning of the second unit and expansion plan at Malerkotla.

Earning per share fluctuated at Rs 29 in 1991-92, Rs 26 in 1992-93 and Rs 35 in 1993-94. Growth in inventories declined by 1 percentage point. Gross savings to gross capital formation was up by 17 percentage points. Net value added to value of production dropped by 3 percentage points in 1992-93 and then increased by 5 percentage points in 1993-94. Debt-equity ratio fluctuated at 74 per cent in 1991-92, 58 per cent in 1992-93 and 68 per cent in 1993-94. Sales to total assets fell from 100 per cent in 1991-92 to

97 per cent in 1992-93 and 90 per cent in 1993-94. Return on investment fell by 5 percentage points in 1992-93 and then rose by 4 percentage points in 1993-94. Remuneration to employees to gross value added fluctuated at 19 per cent in 1991-92, 21 per cent in 1992-93 and 18 per cent in 1993-94. Raw materials consumed to value of production fell from 46 per cent in 1991-92 to 45 per cent in 1992-93 and 40 per cent in 1993-94. Sundry creditors to current assets showed sharp fluctuations. It rose by 6 percentage points in 1992-93 and fell by 9 percentage points in 1993-94. Short-term bank borrowings to inventories rose by 19 percentage points in 1992-93.

The company has major expansion-cum-modernisation plans with focus on high value added products, modernisation and upgradation of product quality and service, material integration, import of technology and strategic alliances to enhance capacities through joint ventures. The company plans to set up a gassed and mercerised yarn project at Hoshiarpur with an initial installed capacity of 3.5 tpd, with an outlay of Rs 50 crore. For this the company has tied up with a Korean firm. The products to be manufactured include value added textile yarns for production of high quality fabrics. Another expansion scheme at its existing spinning unit at Malerkotla includes addition of 34,416 spindles to cater to the yarn requirements of the gassed and mercerised yarn project and other projects of group companies. The total cost of the project is estimated at Rs 65 crore. To meet the requirement of customers for a complete package of sewing thread products, the company has entered into a joint venture, Babour Vardhaman Threads, with Babour Campbell group of Ireland. The company has secured rights to market the products in countries like Nepal, Bangladesh and Pakistan.

The company proposes to make a 1:1 bonus issue. It has been also given permission to make Euro issues worth \$ 100 million.

DABUR (INDIA)

Rise in Sales

Dabur (India) is an 110-year old group with a turnover of approximately Rs 400 crore. It has a profile of 450 products, 22 of which contribute 70 per cent of the company's turnover. The company has six divisions handling different product ranges - health care products, family products, natural gums, exports, pharmaceuticals and the veterinary products.

Net sales went up by 24 per cent (Rs 60.58 crore) operating profit by 31 per cent (Rs 9.74 crore) and net profit by 37 per cent (Rs 3.85 crore). Taxation was up by 44 per cent (Rs 2 crore), depreciation by 32 per cent (Rs 1.39 crore) and interest charges by 19 per cent (Rs 2.46 crore). Non-operating profit fell by 16 per cent (Rs 4 lakh) while other income

was down by 84 per cent (Rs 3.62 crore). A dividend of 20 per cent was declared for the year.

Exports were up by 86 per cent for the year. New markets were established in Hungary, Bulgaria, Slovenia, Ukraine, Italy, Spain and Malta. The consumer range has been extended by well accepted international range of luxury soaps and talcum powder. The company has plans to introduce a variety of new consumer products like herbal soaps, talcum powder, sandalwood and lavender and vinegar in different flavours. As for its overseas plans, the company has applied to the Pakistan Investment Board for setting up a manufacturing unit, it has received approval from the Egyptian government for setting up a joint venture unit, Dabur Egypt, which is under incorporation. It already has a subsidiary in Nepal and a wholly owned subsidiary has been promoted by the company in British Virgin Islands. Exports to sales ratio increased by 3 percentage points in 1993-94.

Inventories grew by 10 percentage points in 1993-94 and fell by 81 percentage points in 1992-93. Return on investment was steady for two years at 11 per cent (1991-93) and then fell to 9 per cent in 1993-94. Raw materials consumed to value of production declined from 22 per cent in 1991-92 to 18 per cent in 1992-93 and 17 per cent in 1993-94. Earning per share fluctuated at Rs 18 in 1991-92, Rs 22 in 1992-93 and Rs 5 in 1993-94. Remuneration to employees declined from 25 per cent in 1991-92 to 24 per cent in 1992-93 and 21 per cent in 1993-94, while remuneration to employees to value of production was steady at 3 per cent for all the three years. Debt-equity ratio fell from 61 per cent in 1991-92 to 53 per cent in 1993-93 and 44 per cent in 1993-94. Sundry creditors to current assets has been steady at 5 per cent in the past two years after falling by 3 percentage points in 1992-93. Short-term bank borrowings to inventories fell from 85 per cent in 1991-92 to 76 per cent in 1992-93 and 72 per cent in 1993-94.

As a part of its modernisation and expansion plans the company's bulk drugs and chemicals unit was expanded. The company plans to launch new product ranges like dental care, soaps and shampoos to strengthen its position in the market. The company has entered into joint venture agreements with Guldenhorst B V of Netherlands to manufacture and market various confectionery products. Another joint venture, Carbin India, was incorporated with its works in Himachal Pradesh and products are expected to be launched in 1994-95.

The company invested Rs 90 lakh on R and D. Research was directed towards pharmaceuticals, ayurvedic products, cosmetics, toiletries, food products, veterinary preparations and development of classical ayurvedic preparations.

Amusing Times for Once?

G P D

Zhirinovsky's three-day visit was one amusing international event to have taken place in India after a long time, providing some relief in the dismal times we are required to live in, courtesy our new economic policies. However, it would be to underestimate this country to suggest that amusement in our public life was limited to the doings of Zhirinovsky or T N Seshan.

INDIA has always been a land of exotica. The west has tended to view things Indian as a shade mysterious and at times as outright chaotic and unfathomable. There is one cinema handbook which has no entry on Indian cinema. The only entry there is Satyajit Ray and some Hindi movies are attributed to him. Considering the factual errors that our own film encyclopaedia has made, the American handbook can be forgiven. But in the case of the American handbook it is hardly an error. For the westerners all Indian languages must sound alike anyway. (Our editors have no such excuse.)

The land of the exotic is unfathomable, unreachable. It appeared as if this picture changed for a while when Zhirinovsky visited India. This ultra-nationalist Russian must trace his pedigree to Solzhenitsyn if he has read him. It was the Nobel Prize winning Russian author who produced the gospel of Russian nationalism in his speeches at New York which are available in book form. If one read that book, one would tend to think of Stalin in rather warm and friendly terms. Zhirinovsky has, of course, gone several steps beyond. In the end he has become exotica of a kind. Russian exotica visiting the land of the exotica, in a manner of speaking.

The Russian found typical modern Indian exotica in the new middle class hero, T N Seshan. Zhirinovsky would like our chief election commissioner to go to Russia and conduct elections there. The CEC might agree if some film actresses, whom he admires, are also invited as deputy commissioners. Zhirinovsky however was not only looking for exotica. He probably understood how the media and the middle classes have valorised the man. He hoped to gain some mileage by making a special point about him. At any rate, that would make his subsequent statements about the partition of India sound credible. The man is committed to India and its people including the chief election commissioner. BJP leader Vajpayee's unrestrained delight at meeting this gentleman from the wild east

of Europe was indicative of what sort of heroes sell in India. T N Seshan is one. Zhirinovsky is another. One thinks that there was no proper electoral/democratic process in India till he came to power. The other thinks that there would be no proper democratic process in Russia till he comes to power and, the Russian orthodox church willing, he might actually do so. The three days of Zhirinovsky's visit was one amusing international event to have happened in India after a long time. Some relief in the dismal times we are required to live in presently, courtesy our new economic policies.

However, one would be underestimating this country if amusement in our public life was limited to the deeds of Zhirinovsky and T N Seshan. Our ministers do not want to pale into insignificance in comparison. As if the current exercises in semi-fascist humour of Zhirinovsky or the moral pretensions of T N Seshan were not enough, the minister of state for external affairs has offered to look after gurdwaras in Pakistan. There is nothing political in this offer, he reassured the government of Pakistan. The offer was of rather old vintage, made some years ago, and was entirely religious. Shrines belonging to minorities have fallen on bad times in Pakistan. This is true of Sikh gurdwaras and Hindu temples. The record of the government of Pakistan even before fundamentalism had become the dominant force that it is today was not particularly creditable. All this is true. But one would normally expect an Indian minister to be a little more modest

in these matters following the Ayodhya 'incident'. The offer came at a time when the VHP had announced its plans or intentions regarding the mosques in Banaras and Mathura. The minister was either unaware of this fact and had forgotten the story of the Babri masjid in Ayodhya or seemed to believe that the Pakistanis would not know of the new game plan of the VHP and would have forgotten about the Babri mosque.

People seem to be blissfully unaware of basic courtesies. The Pope was not courteous towards the Buddhists when he was visiting Sri Lanka very recently. The Pakistanis are either sorting out their ethnic problems through bullets and bombs or are busy reaching new heights of fundamentalist militancy. Our minister seems to be unaware that making a 'purely religious' offer of safeguarding minority shrines in neighbouring states can have dangerous implications. Imagine a situation when Pakistan offers to protect minority shrines in Ayodhya, Varanasi and Mathura. He might well have thought that such an absurd situation cannot arise here – because we have only 'disputed structures' and no shrines, really speaking.

You would agree that Indian politics can be an amusing game. Zhirinovsky's desire that T N Seshan should look after elections in Russia will never be fulfilled. R L Bhatia's purely religious offer to Pakistan would never be accepted. Even Shia and Sunni shrines are no longer safe in Karachi. The next step for our minister would be to suggest the protection of these shrines be handed over to India. A purely religious offer from a friendly neighbouring state can be made. One can only hope that the imagination of our folks in the south block does not run that wild.

But then amusement is amusement. It should not be taken seriously in Russia, India, Pakistan or anywhere else. For people burdened with inflation and poverty and globalisation, the only way to survive is to look upon such imaginative feats as amusing times for a change and to hope that nothing disastrous follows the indulgent amusement.

Back Volumes

Back Volumes of **Economic and Political Weekly** from 1976 to 1993 are available in unbound form.

Write to:

Circulation Department, **Economic and Political Weekly**

Hitkari House, 284 Shahid Bhagat Singh Road, Bombay 400 001.

Re-opening Sardar Sarovar Issue

Significant Gain of Narmada Struggle

Sanjay Sangvai

The findings of the review report of the Sardar Sarovar Project and the Madhya Pradesh government's decision to call a halt to the dam construction in face of improper rehabilitation give credence to the anti-dam claims of the Narmada Bachao Andolan.

ON December 16, 1994, the twenty-five day-old indefinite fast by Medha Patkar, Seetarambhai and Kamlabehn of Narmada Bachao Andolan ended in Bhopal, after the declaration by the Madhya Pradesh chief minister that his state would call for immediate stoppage of the construction work on the controversial Sardar Sarovar dam if the tribals below the dam level of 80.03 metres are not resettled till December 31, 1994. He also declared, "since we are no more bound by the stipulations of Narmada Water Disputes Tribunal (NWDt) accord as per the order of Supreme Court, on December 13 we would press for further lower height." The chief minister announced that they would press for reconsideration on all issues and submit a separate affidavit in Supreme Court regarding stand of Madhya Pradesh. This is a significant victory of 10-year old struggle in Narmada valley. At last, the much awaited review report on the Sardar Sarovar project has seen the light of the day. The Supreme Court had ordered the report to be made public, and all the concerned state governments and the Narmada Control Authority (NCA) to respond to its recommendations within four weeks.

While issuing the order, the Supreme Court had made it clear that "the deliberations in the NCA have to be made on all aspects, uninhibited by any considerations of the legal implications thereof which if necessary, would be considered at the hearing of these matters by the court". This significant observation has unshackled the concerned states from 'restraints' by the stipulations of the NWDt award. The award has been used by the central and all the concerned state governments of Madhya Pradesh, Gujarat, Maharashtra and Rajasthan, as well as by the pro-dam individuals and organisations, to stall any questioning of the viability, feasibility and beneficiality of the dam, and its adverse impacts. Even when almost all the basic parameters, including the water availability in Narmada and the cost, seemed to be at variance, the NWDt award was projected as something sacrosanct with fervent orthodoxy.

POSITIVE DECISION

It is a positive feature that the Supreme Court, for the time being, has compelled the government to think about the basics of the project. We are not sure whether the court continues with the same attitude, as this order came at a time when petitions in the court could have become irrelevant. Though the Narmada Bachao Andolan (NBA) had filed the comprehensive petition calling in question the dam, its benefits and the socio-environmental destruction way back in May 1994, urging an immediate step by the court to prevent the illegal construction and submergence, the hearing has been delayed from time to time. On the other hand, the work on the dam was proceeding at full speed, threatening hundreds of families with submergence. But, the legal avenue remained defunct, thus *de facto*, allowing more and more injustice. Even now, though the court has ordered the review to be published, it has postponed the hearing of the interim petition for the immediate stoppage of the dam work, thus allowing the work to proceed up to 80.03 metres or even above it, making the increased submergence irreversible. The court should have avoided commenting on the non-violent method of the struggle. The court has termed the satyagraha and 'coming to the streets' as extra-constitutional. Are extra-judicial ways of protest necessarily 'extra-constitutional'? If the courts think so, this is a serious matter. Dharnas, morchas, satyagrahas, picketing, fasts are equally constitutional as is the judicial process. In fact, it is the failure of the judicial remedy which creates the need to sharpen other means of protest. Nevertheless, the recent decision of the Supreme Court has reopened the issue of SSP.

PROCEDURAL HASSLES

The Supreme Court has ordered the publishing of the review report of the review group appointed by the union water resources ministry on August 5, 1993. It was supposed to submit the report within three months. The review process of the Sardar Sarovar

has been one of the most tedious and frustrating experience. It took one year to complete and submit the report. At every stage the NBA and conscientious citizens of the country had to pressurise, confront and appeal the government and the members of the review group to get the review conducted, and the final report prepared. It is learnt that while the NBA took the matter seriously, a couple of members of the review committee treated the issue in utmost casual fashion, compelling the review group not to undertake the tour of the affected villages in the Narmada valley and of the resettlement sites. The secretary of water resource ministry, C D Thatte, stressed that the basic features of the dam are not amenable for any change. It was made clear that the group was merely to suggest ways and means to implement the project more efficiently. Still, all state governments, except Maharashtra and the NBA boycotted the review process.

The group seems to have accepted these unwarranted limits on its own scope, which ran contrary to the mandate it was given while it was constituted. The petition to challenge the review by some pro-dam people in Gujarat High Court in September 1993 and the undertaking by the union water resource ministry that the report would not be made public until the final order, was an alibi. There was no bar on completing and submitting the report but only on publishing it. But, the court case was made a pretext to drag on the completion of the report. There were attempts to have a consensus report to satisfy the powerholders. The chapters regarding benefits, environment and resettlement were diluted to the extreme and one member insisted on deleting the chapter on financial aspect of the dam if he was to sign the report. Even after signing of four members, the convenor of the group, Jayant Patil, a member of the Planning Commission, refused to sign and submit the report. At this point, two members of the group, L C Jain, an economist and a former member of the Planning Commission, and Ramaswamy Iyer, a former secretary to the union water resource ministry, sent letters to Patil, arguing that the delay in submission of the report, would amount to a breach of trust. Incidentally, this pressure was applied only after the NBA appealed to all the five members to submit the report. Ultimately, the report was submitted in July 1994.

The NBA has taken the matter to the Supreme Court. Already, a comprehensive petition challenging the claims of the dam and documenting violation of laws and human rights was filed in May 1994 in the apex court. A special leave petition (SLP) regarding the review report was filed and the two matters were clubbed together. After

much delay, the court opened the sealed envelope on November 15, 1994, asking the government to respond within four weeks. But, at the hearing on December 13 the court found the government response 'beautifully vague and non-committal' and ordered to respond till January 17. The court in its oral observations also expressed concern over the irreversible construction work and submergence.

The tedious process of the review would show that the powerholders in India are even averse to a small attempt to re-examine the issue, lest it may disprove their claim. At every stage of the review, the NBA had to fight a battle of nerves, but it did not allow the review process to be sabotaged half way. It kept patience and swallowed all privations because it was necessary to question the so-called 'public purpose' of SSP. The Sardar Sarovar review is a beginning of an attempt to refashion the notion of development policy. Despite severe constraints and limitations, right from the terms of references to the non-cooperation by the concerned governments, the review group has pointed out many shortcomings and flaws in the project, further confirming the seriousness of the issues which the NBA has been raising. The review group has mentioned that many important studies, action plans regarding the proposed benefits, hydrology, environmental aspects and about the rehabilitation aspects are still incomplete and unimplemented.

QUESTIONABLE CLAIMS

The report has doubted the government estimates of the water availability in Narmada and asked for a fresh estimate. The project authorities claim that the annual water yield in Narmada is 28 million acre feet (MAF) while number of engineers and the Madhya Pradesh government have claimed that the same is 23 MAF. The report suggests reordering of priorities of water allocations among different regions. The report heavily came down upon the proposed plan to grow sugarcane in early reaches of the Narmada canal, an issue which the NBA has been raising. It noted that the sugar factories are being given licence and it would be difficult to deny water for sugarcane once the cropping pattern gets established and vested interests develop.

While the report mentions that it has yet to scrutinise the command area studies, it nevertheless notes that the much talked about conjunctive use of surface water and groundwater is not an integral part of the SSP. The report makes clear that the irrigation coverage proposed for Kutch from SSP is very limited, and recommends an increase in allocation of water to Kutch and Saurashtra. And, if this is not techno-economically feasible, more attention should be paid to watershed management, tank irrigation and other traditional measures of water conservation. But, the actual outlay for these

measures in the Gujarat budget is very limited. Thus the review group has put forth an alternative approach towards water management and distribution, similar to the one envisaged in the SSP plan.

The report demands a detailed plan for providing drinking water, complete with financial scheme. It also asks the government to publish and disseminate a full list of 8,214 villages and 135 urban centres which are to be provided with drinking water facilities.

While dealing with the aspect of power generation, the review did not consider the impact of non-completion of the upstream Narmada Sagar Project (NSP) and the different estimates of water yield as important factors affecting power generation. It notes that for irrigation purposes the dam would require a height of only 436 feet, and an additional 19 feet for power generation. If this 19 feet of extra height is slashed, the adverse impact of SSP gets obviated to a large extent. Power benefits could be made up through alternative sources.

The report accepts the fact that the project was mandated and was ongoing, before the approval by the Planning Commission in 1988. The review feels there is still room for further studies and examination of impacts not earlier foreseen. Admitting that the notion of comprehensive, integrated planning and project formulation, fully incorporating human, social and environmental concerns right from the early stages, was a new idea, the report acknowledges that the full impact on downstream area, catchment area, and the flora fauna has yet to be made. It endorses the recommendations of the environmental subgroup of NCA and asks those in charge of the project and NCA not to regard the environmental point of view as external to the project continuation. Referring to the submission by the union ministry of environment and forest (MOEF), the review concluded that action plans are still incomplete. Many of the studies, plans and actions are behind schedule, and there have been considerable slippages in project construction. The review doubts the advisability of releasing the forest lands for compensatory afforestation.

REHABILITATION: FROM NUMBERS TO MASTER PLAN

On the human aspects of the project, the review observes that efforts must be made to count the human and social costs of the project, and its remedial measures. It asks for a complete census of groups, communities, and individuals to be affected in any manner whatsoever, so that the data base needed for planning is comprehensive. The report questions the sanity of secondary displacement caused by the resettlement on forest land which may further reduce the forest land and create problem in future.

The review accepts the fact that the land-based resettlement as per the order of the

NWDT may not be fully implementable. There have been slippages in the time schedule and non-observance of proper rehabilitation in advance of submergence needs to be avoided. The review calls for a re-examination of the concepts of resettlement and rehabilitation in the light of actual difficulties. In the end, the report notes the demand of the Madhya Pradesh government to lower the height of the dam to minimise the adverse effects.

Another New From Ajanta

Complete Documentation &

Analysis on

POLITICS OF SIKH HOMELAND

Gopal Singh

Rs. 395

Contents: • Introducing the Problem; • From "Bhakti" to "Shakti" (Formation and Politicization of a Minority Community: From Guru Nanak to Akali Movement); • Complexities of the Question of Sikh Nationality; • Militancy, Terrorism and State Terrorism; • Through the Prism of Field Study; • For Conclusion: (Khalistan: Myth or Reality?)

Appendices • Constitution of Shiromani Akali Dal (Translated from Punjabi) • Anandpur Sahib Resolution(s) • Federal Polity • Dharam Yudh • Two Letters to the President of India • The Punjab Massacres • Truth About the Punjab Tragedy • Gurmat (Translated from Punjabi) • Document of Declaration of Khalistan (Translated from Punjabi) • Programme for the Liberation of the Punjabi Nationality • Directives About Punjabi Language (Translated from Punjabi) • Commandments About School Uniform and Prayer (Translated from Punjabi) • Sikh Grievances & Demands • Darshan Singh Pheruman: The First Martyr of Sikh Homeland • Punjab Crisis in Perspective • An Open Letter to the World Sikh Convention by Dal Khalsa • Text of Sukha-Jinda Letter to the President • Constitution of Khalistan (Translated from Punjabi).

ALREADY PUBLISHED:

- **PUNJAB: PAST, PRESENT AND FUTURE**
Gopal Singh Rs. 480
- **BLUE STAR OVER AMRITSAR**
Harminer Kaur Rs. 160
- **PUNJAB IN INDIAN POLITICS**
Amrik Singh (ed) Rs. 200
- **PUNJAB CRISIS**
Oitendra Kaur Rs. 125
- **PROBLEM IN PUNJAB**
B.S. Minocha Rs. 15
- **RELIGIOUS REBELS IN PUNJAB**
Mark Juergensmeyer Rs. 275

Address your order to:

AJANTA BOOKS INTERNATIONAL

1-U.B., Jewhar Nagar, Bungalow Road, Delhi-110007
☎ 7258630, 2926182 Fax 91-11-7132908

Thus, it appears that the group has raised almost all the basic issues regarding the dam. All the major points raised by the NBA have been acknowledged. Nevertheless, on many points, the report justifies the premises of the project and even condones the non-observance of rules and laws. Though the Gujarat government and the dam-supporters like ARCH-Vahini snubbed the group, the group went out of its way to take cognisance of their point of view. The group refrains from commenting on the sorry state of rehabilitation. Nor does it seriously dwell upon the grave violation of human rights due to the continuous police repression in the Narmada valley. The review does not make any decisive comment about the dam. But it does raise significant doubts. It has done significant work by at least listing down the points which indicate that the project is mismanaged, confirming the issues raised by the NBA. Yet the review has refused to pursue its observations to its logical conclusion.

However, the Supreme Court seems to have taken the review report seriously and has ordered the NCA and the state governments to respond till January 13, 1994. According to reliable sources, the Gujarat government and the bureaucrats at the centre have been stalling the process of deliberations. Gujarat is trying to get political mileage out of this issue as the assembly elections are round the corner. All the illegalities are being justified and pushed ahead only for gaining electoral benefits. The Gujarat government is intimidating the central Congress leadership. It is learnt that the state chief minister, Chhabildas Mehta, has requested the prime minister to increase the height of the dam in an Congress working committee meeting. Gujarat has made a pact with Rajasthan in demanding an increase in the height up to 100 metres, despite the failure to comply to any norm or plan of resettlement or environmental management. The Gujarat leaders have declared that the Supreme Court order holds little relevance to them. It seems that as in Ayodhya controversy, the dam supporters are out to defy the law, the Constitution and the judiciary of this land. It is no wonder that the pro-dam slogan, 'baandh wahi banega' recalls the earlier slogan 'mandir wahi banega'.

During the days of indefinite fast by Medha Patkar and her colleagues demanding stoppage of the work on the SSP, the Madhya Pradesh assembly discussed the issue three times. Two times the assembly was adjourned for the day. The assembly decided to send an all-party MLAs' team to assess the status of rehabilitation of the Madhya Pradesh oustees in Gujarat. After its tour of 19 resettlement sites between December 5-12, the committee presented an interim report to the deputy chief minister. The Singhdeo Committee concluded that

Even though only 2 per cent of the 33,014 families of MP who will be affected by the SSP, will be settled in Gujarat, in this short time and small amount of work, the NWDI award has been violated in several ways. The problems...include people who have been displaced without cultivable land...been given unproductive land... forest produce and grazing lands are scarce, house plots have not been allotted on time, public amenities are scarce...So far 75 per cent of the agricultural land given to the displaced families is barren and fallow, covered with shrubs, disputed, fragmented and encumbered. The figure given by the Gujarat government about the number of rehabilitated persons is false. According to a preliminary estimate, there are more than 1,500 displaced persons who have been given disputed, barren land. Out of these 800 are on the verge of returning to Madhya Pradesh. More than 90 per cent of the residential sites are far away from the host villages and surrounded by anti-social elements...These rehabilitation sites get waterlogged...no appropriate educational facilities, no permanent arrangement for providing employment... 80 per cent of residential sites only have saline water to drink, which is not potable... Village community has not been resettled as a whole... [has] led to breakdown of the unified society... Looking at the condition of small percentage of tribal and non-tribal rehabilitated persons who have been displaced from MP so far, it is absolutely clear that neither Gujarat nor MP

has the necessary capability and readiness to undertake huge task of rehabilitating thousands of displaced families.

The committee concludes,

the ongoing work on SSP is inviting a serious crisis of human rights and... this crisis is unnecessary... without forgetting that the SSP is an inter-state project [and] that the final decision cannot be taken by MP alone, we again state that the initiative must be taken to stop the ongoing work on the dam.

On the basis of this report the Madhya Pradesh government has declared that it would seek for lowering the height of the wall below 436 feet, depending on the circumstances of rehabilitation, water availability, and other factors. The state government has also appointed a committee of MPs from Madhya Pradesh to review all aspects of the SSP. While Madhya Pradesh seems to be taking steps, emboldened by the Supreme Court directives and the review report, the Maharashtra government still toes the anti-tribal line in backing the Gujarat government for continuing construction of the dam. The ex-chief minister Sharad Pawar and his bureaucrats have been brutal in their decisions, be it a matter of Gowari killings in Nagpur or the Narmada tribals. A statewide protest of tribals against this anti-tribal policy is taking shape. Meanwhile, the struggle in the Narmada Valley surges towards its goal with renewed vigour.

Politics of Communalism in Kerala

John Oommen

Apart from unique social structure and the geographic composition, opportunism of major political parties has intensified communalism in Kerala.

KERALA has always been affected by political instability right from its formation in 1956. It has seen no less than 10 elections and 15 ministries between 1956 and 1994. Except twice, no ministry could complete its normal tenure of five years in power. One of the reasons that contributed to political instability was communalism. This paper examines the growth of communalism and how it was used by the major political parties for furthering their own interests.

Defining communalism is a difficult task because it expresses itself in different forms and manifestations. But as George Mathew says, "Two subtle distinctions of communalism can be drawn up: (a) Communalism as a political doctrine; and (b) Communalism as a behaviour based on community sentiments" [Mathew 1989:11]. The first implies the tendency to use the religio-cultural differences to mobilise people for narrow political ends. Bipan Chandra defines "Communalism as the belief that because a

group of people follow a particular religion, they have as a result, common social, political and economic interests" [Chandra 1984:1]. To Rasheeduddin Khan, "Communalism is perversion of religion from a moral order to temporal arrangement of contemporary convenience, from a faith into a constituency, from a strategy of living into tactics of politics, from an end into a means" [Khan 1989:138]. Manu Bhaskar defines communalism as "Competitive group solidarities within the same political system based on ethnic, linguistic or religious identities" [Bhaskar 1987:245].

The second aspect of communalism entails a certain identity being transferred into a sense of community feeling. Here community means any group capable of developing a 'we' feeling, e.g. racial, caste, linguistic, religious, etc. As Louis Dumont puts it, "Communalism supposes the existence of a community, a group of adherents to the same religion, and it gets the edge of the meaning

through the parallelism with the other term: it is something like nationalism in which the nation, so to speak, is replaced by the community" [Dumont 1970:89].

Communalism as it operates in Kerala is very nearer to the second definition. Kerala is noted for its uniqueness in religious diversity and communal harmony as compared to other states. But with all these positive attributes, we find the electorate being swayed by communal feelings and identities. In a similar vein, the appointments to government posts are influenced by communal considerations. Moreover, there is the rising phenomenon of various communities launching their own political parties with a view to strike bargains during the elections and share the spoils of powers in event their alliance wins the elections. Communalism as prevalent in Kerala may be defined as a feeling of group solidarity among different communities and to assert its presence in the day-to-day functioning of society. Its style of operation is peaceful co-existence carried out through milder social processes [Thomas 1985:15]. The number of political parties that one finds in Kerala are nothing but a conglomeration of pressure groups and are meant to promote the interests of the communities. More employment, more business facilities, more forest land for cultivation, more schools, more seats in professional colleges, more berths in the ministry, are some of the issues around which communal parties and groups revolve. The communal interest groups bring with them the whole weight of the communities and are, therefore, powerful enough to dictate terms to the government. Before going into the dynamics of communalism, it is imperative to trace the growth of communalism in the state. [Vergese 1987:20].

HISTORY OF COMMUNALISM IN MALABAR

The origin and growth of communalism can be traced to the 16th century when the Portuguese made their appearance on the west coast of Malabar. With the advent of the Portuguese, who replaced the Arab traders, a certain amount of social tension arising out of their political and religious postures was incorporated into the Kerala society [Tharakan 1987; Dale 1975]. These tensions escalated into full-scale religious conflict during the 18th and 19th centuries. But many of the religious conflicts had a tinge of economic reasoning behind it.

The Muslims who constitute a majority in this region were mostly involved in agricultural occupations. Their conditions of life worsened after Malabar was ceded into the Madras presidency. As part of this presidency, the history of Malabar differed from that of the princely states of Travancore and Cochin. In the first place, its development was conditioned by its position as an extension of a largely Tamil province. Secondly, its people were involved in a

direct relationship with the British and their political institutions like the district collectors and sub-collectors.

The agrarian structure prevalent in the Malabar region was in favour of the Jenmis who owned more than half of the cultivated area. The Jenmis were the earlier Rajas, Namboodiris, important Nayar and Nambiar families and in some places the Moplahs, though the proportion was comparatively smaller [Miller 1970:18]. These Jenmis never cultivated land on their own but leased them to tenant farmers. As Manu Bhaskar pithily puts, "The Jenmis were the parasitic rent-receiving landlords under whom there were three or four intermediaries between them and the actual tiller of the soil, all having different interests" [Bhaskar 1989:78]. The peasants and agricultural labourers, mostly Muslims, who suffered under the exploitative system, began to revolt against the system. The peasant uprising, popularly known as the 'Moplah outbreaks', occurred in 1836. The most serious of this outbreak happened in 1921 which continued for six months and covered several villages. Though the immediate provocation for the violence was the frequent eviction, there were quite communal overtures to the movement which was essentially conceived of within the framework of Islamic religious traditions and legacy of struggles by the Moplah peasants of Malabar. The Moplah uprising changed the political complexion of the region. The Indian National Congress which had a presence in the area till then withdrew due to the increasing militancy of the Muslims, and thus, leaving the field open to

the Muslim League to take over. The alienation of the Muslims from the Britishers as well as the Hindus, helped the Muslim League to make inroads into the Muslim community.

The formation of the state of Kerala in 1956 gave a boost to the Muslim League in terms of its support base. Unlike in the Madras presidency, the Muslims became one of the four powerful communal groups in Kerala. Moreover, they were more cohesive than the other groups. Thus, the Muslim League used the solid block of Muslim votes as a lever to its advantage. The adage that politics is the art of the possible found an eloquent expression in the events of Kerala. In other words, the so-called secular parties see in the Muslim League a powerful ally inevitable for electoral victory, which is why the League, despite being a communal party, continues to play a decisive role in the politics of the state.

COMMUNAL POLARISATION IN TRAVANCORE-COCHIN

Travancore and Cochin, unlike Malabar, were retained as princely states under the British paramountcy. Here the origins of communalism can be traced to the awakening of nationalism among the people. As J N Gladstone opines, 'The growth of nationalism furthered the sense of freedom which had been stimulating various communities for several decades. On the one hand, people belonging to different communities shared the national feeling though their political aims were different from those of the people of British India:

New From **ashish**

PUBLISHERS OF THE
PROFESSIONAL
SOCIAL SCIENCES

Language, Literature and National Integration:

G.K. Ghosh Rs. 300/-

Pillars of Modern India (1757-1947):

Syed Jafar Mahmud Rs. 200/-

Women and Globalisation:

Pam Rajput & Hem Lata Swarup Rs. 600/-

Devadasi Cult: A Sociological Analysis:

Jogan Shankar Rs. 250/-

Forts of Maharashtra: M.S. Narawane

Rs. 900/-

Social Problems of Contemporary India:

Rajendra Pandey Rs. 600/-

Victimology in India: V.N. Rajan

Rs. 400/-

Earthquake - A Natural Disaster: Ashutosh Gautam

Rs. 200/-



ashish publishing house

8/81, PUNJABI BAGH NEW DELHI-110026
PHONES : 500581, 5410924

on the other hand, in Kerala there was an attempt by almost every community to strengthen and improve its own members resulting in the growth of communalism" [Gladstone 1985:27]. This growth of nationalism was not channelised by the political parties since they failed to strike deep roots till around 1940s. Their role was taken over by leaders of various communities who submitted petitions and memorials to the government for redressal of grievances of their respective communities.

Till the beginning of the 20th century, the top positions in the government were always manned by outsiders, more particularly, the Tamil brahmins. As a protest against this domination by outsiders, various communities within the state joined together and submitted a petition called the 'Malayali Memorial' to the Maharaja in 1831. Their plea was that the Malayalis who had proven academic and other qualifications be preferred in recruitment to all levels of civil service [Tharakan 1988].

The opening up of the administration created resentment among various communities. The Nairs could take advantage as they alone had the necessary educational qualifications coupled with the required ritual for purity in a polity which was still governed by such traditional norms. T C Varghese says that the Malayali Memorial and the subsequent problems arising from it was a significant development in the growth of communal consciousness among various communities. He observes, "The exclusion of three major communities from government patronage was unfair, unwise and unfortunate. It not only sowed the seeds of discontent among them but also induced them to organise themselves on communal lines and fight jointly against the domination of those communities seeking royal patronage. The whole atmosphere was surcharged with communal hatred which set into motion the communalisation of politics" [Varghese 1970:26].

One of the manifestations of rising communalism was the formation of communal organisations like the Sree Narayana Dharma Paripalana Yogam (SNDP) and the Nair Service Society (NSS). The rising community consciousness kindled hopes and aspirations among the communities and they began to put forth economic and political demands like reservations in recruitment. In 1932-33, a number of communal organisations joined together under the banner of the Joint Political Congress. In January 1933, the Congress initiated a 'Absentation Movement' deciding to abstain from taking part either in voting or in accepting nomination to the legislative bodies so long as the government did not make provision for the election to the legislature of representatives of all communities in proportion to their strength of the population [Gladstone 1985:30].

The rising communalism among the various communities had a significant impact

on the politics of the state. This was because it was difficult to draw a line between the leadership of political parties and the communal organisations as the same leaders manned both these bodies. As TC Varghese observes, "The first generation of political leaders were none other than the leaders of their respective communities. They began their public life with the backing of their communities and services within the community was often a passport which enabled them to plunge into politics. Their first loyalty was always to their communities and commitment to the ideology of the party was of secondary importance. So the party had to lean heavily upon the heads of various religious and communal organisations to continue in office... The continued sway that the communal parties had over major parties was the reason why ideology-oriented politics did not get a foothold in Kerala politics" [Varghese 1970:25].

COMMUNAL POLITICS AFTER INDEPENDENCE

The merger of different units in 1956 to form Kerala in no way lessened the intensity of communalism that prevailed in different areas. On the contrary, communalism got intensified and the different communities began to assert themselves with redoubled vigour in the politics of the state. For the Muslims, the merger helped them to become one of the important minority groups in the state. The other communities also used their vote banks to wrest as many concessions as possible from the government.

The major communities in Kerala are the Ezhavas, the Nairs, the Muslims and the Christians. These four communities comprise roughly 80 per cent of the state's population

and various governments have survived or fallen due to the shifting alliances of these communities. The demographic composition is such that each community is in a position to dictate terms to the political parties. One significant factor about these communities is their geographical concentration. Although they are scattered throughout the state, they have certain areas of concentration or what may be called 'pocket boroughs' [Chander 1986:19]. Out of the total of 14 districts in the state, the Christians and the Muslims constitute a significant number in six districts. In one district, Malappuram, the Muslims constitute more than 60 per cent of the population (see Table). This geographical concentration helps the communal parties like the Kerala Congress and the Muslim League to win more seats from the Christians and the Muslim dominated areas respectively.

Each of these communities has organisations running schools, colleges, hospitals, etc. and some of them publish their own newspapers. An interesting feature is that almost all the existing private colleges in the state can be associated with one or another of these communities. This is probably one of the reasons why the education portfolio is almost always in the hands of a pro-Muslim League fellow as it is now, or a pro-Christian Kerala Congress fellow or with parties such as SRP and the Janata Dal, which have more clout within the coalition governments than enjoy public support in the state.

Over the years, the communal groups have created for themselves an important role in the coalition politics of the state due to their ability to become instruments for expressing political preferences and mobilising political

New
Book
from

MD

Publishers of the
Humanities, Natural
& Social Sciences

ARECANUT PRODUCTION AND MARKETING IN INDIA

By
S Giriappa

The book highlights the commercial crop of great significance the 'Areca nut' which is gaining industrial status in Indian economy. It attempts to study the cultivation and marketing of areca nut in the producing and consuming centres. While Karnataka and Kerala regions have been studied for production and primary marketing, different consuming centres throughout the country have been studied in respect of secondary and tertiary marketing.

1994, 150p, bibliography; index 22x14 cm
ISBN 81-85880-45-X

Rs 150.00

Send your orders and write for complete catalogue to :

M D PUBLICATIONS PVT LTD
11 Darya Ganj, New Delhi-110 002
Tel.: 3273347, 3271378, 3285830, 3288945
Fax: 91-11-3275542 Cable: INDOLOGY

PUBLISHERS
DISTRIBUTORS
EXPORTERS

resources and support. In the realm of politics, they act as pressure groups and guard the interests of their respective communities. The sharp division of the society coupled with the mosaic nature of politics makes the various community interest groups far more important. They play a crucial role in the making and unmaking of governments. Sometimes, the 'social arms' get converted into 'political arms' so as to project the community interests more forcefully. Accordingly, the Muslims have the Indian Union Muslim League (IUM), the Nairs, the National Democratic Party (NDP), the Christians, mainly, the Kerala Congress (Mani) and the Kerala Congress (Joseph), and the Ezhavas have the Socialist Republican Party (SRP). Given the individualistic nature of the Malayalis, the parties underwent fissions resulting in spawning of new parties. This resulted in a situation wherein Kerala began to be ruled by coalition governments as no single party could win majority of seats on its own. As the coalition government consisted of disparate communal interest groups, interest aggregation became a difficult proposition.

The high level of caste consciousness is also one of the contributing factors in the shaping of political behaviour. The Hindus are divided on caste basis and hence cannot take a united stand in the electoral game. This is in contrast to the Muslims and the Christians who are more organised and show more solidarity in the electoral exercises. This solidarity certainly helps them in greater bargaining capacity in securing concessions from the government. It is the claims and counter-claims regarding the bargaining capacity that reinforces the communal polarisation of the communities giving rise to instability of the political system. Apart from these specific social conditions, communalism gets intensified in Kerala due to the absence of ideology among political parties and dominance of opportunistic politics. Alliances are formed not on the

basis of ideology but on the basis of getting maximum seats at the time of elections. The small communal parties see the advantages of retaining their identity for bargaining with the major parties. The major parties for narrow electoral considerations show no qualms in entering into seat adjustments with communal parties. The result of this opportunism displayed by major political parties is that these small parties begin to call the shots in politics. Any reluctance on the part of the government to accede to their demands results in shifting of their loyalty to the opposite front. The net result was political instability at the macro level. For instance, the Kerala Congress (Mani) quit the LDF under the pretext of law and order problem in 1982. The Kerala Congress (Joseph) threatened to quit the front when the government refused to give title deeds to those who had encroached on the government land. The UDF government had to give in to this demand so as to continue in the office.

Both the Communist and the Congress parties have played a role in the growth of communal politics in Kerala. The Communist party could attain power in 1957 only because of the co-operation and support extended to it by some communal powers and the tactics of identifying their candidates according to the communal ratio [Varghese 1970]. The Liberation Movement of 1959 against the Communist government strengthened communal pressure groups and the fall of the ministry can be attributed to the agitation led by these groups. The Communist party's alliance with the Muslim League in 1967 and the formation of Malappuram district is another instance of a party succumbing to pressure politics. During the 1987 elections, the CPI(M) severed its ties with the All India Muslim League (AIML) against the background of the Shah Bano case. But lately FMS Nambodiripad who had advocated a strong stand against the AIML then, is talking of forging alliance with the Indian National League led by Ibrahim Sulaiman Sait. The compelling factor behind this change of policy is the forthcoming election in the state. The CPI(M) knows that it is difficult for the Left Democratic Front to come to power on its own. The support of splinter parties is crucial considering the wafer-thin majority that separates the victor from the loser in Kerala.

The Congress with all its secular credentials in not aligning with communal parties finally tied up with the Muslim League and the Kerala Congress to fight the Communists. The opportunity it got to rule the state was more powerful than the ideology it professed. At one time, almost all communal parties were part of its front. Sanctioning pensions to the Ulemmas, declaring Friday as holiday for schools with a majority of Muslim students and granting title deeds to those encroaching on government land are

instances of appeasement of the communal parties by the Congress. Another instance is the Congress(I) vacating its Rajya Sabha seat to the IUM in order to placate the latter which suffered a drubbing during the Guruvayoor assembly election.

Thus, communalism constitutes almost an essence of politics of Kerala. Apart from the unique social structure and the demographic composition, communalism got intensified due to the opportunism displayed by the major parties. By aligning with small splinter communal parties, the major political parties which could have played an important role in secularising the political process became a participant to the communal processes. Consequently, the communal divide in the society gets reinforced and the possibilities of a consolidated secular base for the political systems get narrowed.

References

- Bhaskar, Manu (1987): 'Social and Political Forces of Communalism in Kerala', *Social Scientist*, Vol 37, No 3, July-December.
- (1989): *Press and Working Class Consciousness in Developing Societies: A Case Study of an Indian State, Kerala*, Gian Publishing House, New Delhi.
- Chander, Jose N (1986): 'Political Culture' in N Jose Chander (ed), *Dynamics of State Politics in India*, Sterling Publishers, New Delhi.
- Chandra, Bipin (1984), *Communalism in Modern India*, Vikas, New Delhi.
- Dale, Stephen F (1975): 'The Mapilla Outbreaks: Ideology and Social Conflict in Nineteenth Century Kerala', *Journal of Asian Studies*, XXXV (1).
- Dumont, Louis (1970): *Religion, Politics and History of India*, Monton Publishers, Paris.
- Gladstone, J N (1985) 'Caste, Religion and People's Movement in Kerala, with Particular Reference to South Kerala', *Religion and Society*, 32(1), March.
- Khan, Rasheeduddin (1989): 'Secularisation Process in India: Problems and Prospects' in Iqbal Naram (ed), *Development, Politics and Social Theory*, Sterling Publishers, New Delhi.
- Mathew, George (1989): *Communal Road to Secular Kerala* Concept Publishing, New Delhi.
- Miller, Ronald E (1970): *Mapilla Muslims of Kerala*, Orient Longman, New Delhi.
- Tharakan, Michael P K (1987): 'Communal Influence in Politics: Historical Background Pertaining to Kerala', *Religion and Society*, Vol XXXIV, No 1, March.
- (1988): 'Behaviour of Communal Votes in Kerala Assembly Election, 1987', *Religion and Society*, Vol XXXV, No 4, December.
- Thomas, E J (1985): *Coalition Game Politics in Kerala*, Intellectual Publishing House, New Delhi.
- Verghese, K V (1987): 'Growth of Communist Parties and Vote Banks: A Challenge to Secular Democracy', *Religion and Society*, Vol XXXIV, No 1, March.
- Varghese, T C (1970): *Agrarian Change and Economic Consequences: Land Tenures in Kerala 1850-1960*, Allied Publishers, Calcutta.

TABLE: DISTRICTWISE CONCENTRATION OF MAJOR COMMUNITIES
(in Thousands)

District	Hindus	Muslims	Christians
Pathanamthitta	610 (55.06)	53 (4.78)	445 (40.16)
Kottayam	807 (47.55)	84 (4.95)	806 (47.50)
Idukki	488 (50.36)	63 (6.50)	418 (43.14)
Ernakulam	1173 (46.27)	340 (13.41)	1019 (40.20)
Malappuram	772 (32.13)	1574 (65.50)	57 (2.37)
Wynad	280 (50.54)	136 (24.55)	136 (24.55)
State	14802 (58.15)	5413 (21.27)	5234 (20.56)

Note: Figure in brackets are percentages.
Source: Census of India, 1981.

India on the Eve of Copenhagen Summit

Issues in Social Development

Rajiv Balakrishnan

In its 50th anniversary year, the UN is hosting an international summit on social development with three core themes of alleviation and reduction of poverty, generation of productive employment and enhancement of social integration. An Indian perspective on these facets of social development, reviewing the contributions to a recently published volume.

ITS traditional role of preserving world peace and mediating conflicts between nations muted with the demise of the cold war, the United Nations prepares to take on a new identity in the closing years of the 20th century. Security from territorial aggression, the UN's *raison d'être* of the past, now yields to a 'new concept' of human security, or security from threats to human welfare. From the inception of the United Nations, the two components of security – freedom from fear and freedom from want – have been recognised. In the past, it is the first aspect that has been emphasised. Now, a shift from a preoccupation with national security to a growing concern with human security is on the world's agenda.

Human security comes to occupy centre stage in the UN and in the international arena at a time when human security problems within nations are widely perceived to have international consequences. This is an inevitable adjunct to that overarching phenomenon of our times – globalisation. Markets across the world have become extensively integrated, so that if economic activity in any part of the globe is undermined as a consequence of underdevelopment and its attendant 'human security' problems such as poverty and low productivity employment, this becomes a matter of international concern. Other examples of global dimensions to 'threats to human security' include, as the UNDP's Human Development Report (1994) points out, anomy in the advanced societies of the west and its fostering of the widespread use of narcotics, which in turn sustains dictatorial regimes sponsored by drug cartels and drug barons in the less developed world; and refugee migrations, fuelled by problems of underdevelopment. Likewise, when economic output suffers as a consequence of, for instance, the popular unrest or ethnic strife that accompany unemployment and poverty, the repercussions, felt beyond national frontiers, fuel international concern with issues of 'human security'. Threats to human security that are of worldwide concern include population growth as an

inhibitor of development and environmental degradation.

Along with the growing worldwide concern with 'human security' is the realisation that contrary to conventional wisdom, human security does not necessarily follow from economic growth. (This is strikingly demonstrated by the UNDP's ranking of nations by GNP per capita and separately by the Human Development Index.) The international preoccupation with issues of 'human security' is consequently complemented by the recognition of the need for deliberate efforts to promote it via social, rather than purely economic, development.

It is against this backdrop that the UN, in its 50th anniversary year, is hosting an international summit on social development. In Copenhagen, the venue of the summit, representatives of nations gather this month to discuss the state of the world. Their deliberations coalesced around three major dimensions of human security – the summit's three 'core themes' of the alleviation and reduction of poverty, the generation of productive employment, and the enhancement of social integration. This paper presents an Indian perspective on these facets of social development, reviewing the contributions of scholars whose writings featured in a recent volume [Muchkund Dubey (ed), *Indian Society Today: Challenges of Equality, Integration and Empowerment*; Har Anand Publishers, New Delhi, 1995; sponsored by the Council for Social Development, New Delhi].

The first paper is by Rajni Kothari, who speaks of the need for a 'trickle up' developmental model; for an 'alternative path to development' geared towards distributive justice, wherein the emphasis is on employment generation rather than growth *per se*, on raising purchasing power in the internal market rather than seeking succour from the external one, on rural development, and on 'the small and tiny sectors', focusing on the creative capacities and traditional skills of artisan communities. Such a paradigm of development would draw in migrants from rural areas, women,

and workers in the unorganised sector. Kothari points out that it is now recognised that development is far more than merely a matter of economic and technological striving. These will reduce poverty and disparity and promote social justice only if the people, particularly the poor and the discriminated against, are empowered, by being equipped socially, via education, health and housing and control over natural resources.

In their contributions, K C Alexander and V S Vyas provide evidence of government policy in India having been informed by the 'new wisdom. Alexander depicts official policy since the 1960s, when it became widely felt that the theoretical 'trickle down' effects of growth did not significantly translate into improvements in the living conditions of the poor. The thrust of the government's perspective, he points out, has been to fight poverty through the provision of productive assets, with an emphasis on helping the poor improve their productive capacity; and via the provision of employment to those who cannot effectively manage assets. Apart from the ethical desirability of this approach, it was felt that the potential for economic growth could not be fully realised unless the productive energies of the poor were harnessed. This, Alexander argues, is the context of the country's poverty alleviation programmes.

Pointing to the limitations of these programmes, Alexander identifies 'stumbling blocks' – among them, values inimical to development, such as a lack of motivation, and population growth. He emphasises the importance of education and knowledge, which lead to higher productivity, and which have been poorly integrated into the country's programmes for poverty alleviation.

In a similar vein, Vyas points out that the concern with 'high quality growth', or 'growth with justice', has been fostered by the recognition that economic growth is by itself no guarantee of improvements in the well-being of all sections of a country's people. While this awareness has guided government policy in India in the past, we are now revisiting that concern in the context of the global climate of liberalisation. A dominant theme in the current discourse, Vyas indicates, is the view that an acceleration of the pace of growth would translate into a 'spread-over effect', felt by the various sections of society. That perception notwithstanding, there is a worldwide commitment to not just growth, but multi-dimensional development, a commitment that is reflected in the three core themes of the Copenhagen summit. 'Social integration', or the integration of the marginalised poor into the socio-economic mainstream, is a key element in the picture, Vyas argues; and for the enhancement of the participation of marginalised groups in the growth process,

three areas of concern are vital – access to adequate food, education, and health. India has had a tradition of public intervention in all three areas. In the vital sphere of 'food security', he says, improvements owe much to interventions in the public sphere. Agricultural price policy, geared to ensuring that productivity gains in the foodgrains sector were fairly divided between producers and consumers, contributed to containing increases in the real prices of foodgrain. Considering that the poor spend three-fourths of their incomes on food, this was significant in ensuring 'food security'. The public distribution system, put in place before independence and designed to distribute foodgrains at controlled prices, has been a significant factor as well. Employment and other poverty alleviation programmes, including famine relief measures, despite all their shortcomings, have played an important role in promoting 'food security'.

The success of economic reform in India, Vyas says, is a function of, among other things, human resource development and infrastructure, areas in which "... a more active role for the state is clearly called for". There is all the more need for this in a country like India where a high rate of growth can occur, at least in the medium term, even if only households in the medium and high income groups participate in the growth process and benefit from it. That pattern of growth, non-sustainable for long in a democratic setup, calls for remedial state action. A constant refrain of the New Economic Policy – curtailment of government expenditure in the social sector – would thus have adverse consequences for the poor, more so in the light of the elitist bias in existing expenditure allocations, manifested, for instance, in outlays for higher education at the cost of primary education; and in an emphasis on the curative health services in urban areas at the cost of expenditure on more widespread preventive services. While biases of this type are not necessarily integral to the New Economic Policy, "... these trends could get strengthened with the introduction of economic reforms if deliberate efforts are not made to ensure that the poor have access to adequate and nutritious food, elementary education, and basic health services". To ensure this, mere expenditure outlays are not adequate, as the bureaucratic machinery's ability to deliver the goods leaves a great deal to be desired. On the other hand, exclusive dependence on the market mechanism to facilitate access to essential facilities such as those pertaining to health and education, could be inequitable. There is however, a third force, that of people's initiatives. The scope for this, well-grounded in Indian traditions, has been enhanced with the recent invigoration of panchayati raj.

Kamala Prasad, in his paper, focuses on another potential harbinger of a more

equitable and socially just order, namely, land reform. Adopting a historical perspective, Prasad tells us that a new elite of middle caste agricultural entrepreneurs, emerging on the scene with the abolishment of zamindari (intermediary) rights in land, went on to profit from the green revolution and to transform their new-found socio-economic standing into political clout. This new class, seeking to maintain its hegemony, works to obstruct access to land for such groups as tenants, sharecroppers and landless labourers, as the ultra left movement in Bihar has decisively demonstrated. At the broader political level, centrist political parties, influenced by landed interests, are not truly committed to land reform measures. The bureaucracy too plays a retrogressive role; a compliant land reform administration, guided by the interests of a patronage – providing dominant landowning class, has obligingly obstructed the implementation of land reform measures. Land reform legislation as it impinges on tenancy and sharecropping is a tricky business, Prasad points out. Tenants are apprehensive of eviction and absentee landlords fearful of loss of ownership. To subvert tenancy legislation, concealed tenancy has prevailed on a massive scale. In such a situation, implementation is problematic, but West Bengal shows the way. Its Operation Barga, aimed at recording all tenancies and sharecropping arrangements and employing a strategy of local mobilisation backed by the authority of the government, has yielded rich dividends in terms of the realisation of the ideal of land to the tiller. Prasad argues that political commitment by itself is not enough; a tradition of grass roots activism is also necessary. Thus, while the success of land reform measures in West Bengal and Kerala can be attributed in part to political will, this by itself is inadequate. The role of grass roots traditions of mobilisation can be seen if one considers that in West Bengal, mobilisation for land reform enjoyed greater success in areas that had a historical tradition of peasant movements. Measures to ensure the viability of small holdings, a necessary supplement to the socially ameliorative aspect of land reform, include wage employment programmes to make marginal landholders more viable; programmes for irrigation development; consolidation of holdings with provision for improved infrastructure; and poverty alleviation programmes to ensure that beneficiaries of land reforms are viable. The emphasis should be on egalitarian land reforms geared to creating viable farms that can participate in market mechanisms and bring prosperity to the rural masses, along the lines of the experience of such countries as China, Japan and South Korea.

Sheila Bhalla's paper, 'Employment, Productivity and Workforce Development in India', studies aspects of the poverty and

employment situation in the country. Bhalla points out that it is low productivity employment rather than open unemployment which is the main employment problem in India. Low productivity employment, judged in terms of the proportion of households below the poverty line, plagues vast sections of the workforce. Bhalla argues also that in recent decades there has been a transfer of this human misery from rural to urban areas. She suggests that recent developments augur ill for the employment situation in the country. She presents data to show that employment elasticities have declined since the early 1970s, so that "... the Indian economy has to grow much faster now to generate the same amount of fresh employment as it did in the 1970s". In many states, employment elasticities in agriculture have been negative. In the case of non-farm activities, employment elasticities have been much higher in the unorganised sector. In the urban organised sector employment elasticities have gone down as, fuelled by compulsions of international competition – cost reduction and improvement in the quality of products – this sector has become more capital-intensive. Unlike in the case of the urban organised sector, technological change cannot be blamed for low employment elasticities in agriculture. In the agricultural sector, new technology was "... almost as often labour using as labour saving". Here, low unemployment elasticities have their sources in the mechanisation of agriculture as a strategy of reducing wage bills in the face of wage increases resulting from the siphoning of surplus labour into the non-farm rural and urban sectors. Given that the employment potential of the rural non-farm sector holds the greatest promise, rural diversification programmes would be in consonance with trends already established, Bhalla argues. However, while an "agriculture-led workforce diversification process seems to have taken place in the period preceding 1961", subsequently, rural workforce diversification has been induced mostly by "forces originating outside the agricultural sector". Yet, agriculture "remains one of the keys to sustained overall industrial growth in India". In the agricultural sector, Bhalla indicates, employment depends critically on the expansion of gross cropped area; this calls for a strategy of investment in rural infrastructure, particularly irrigation.

Vandana Shiva, using an ecological framework, provides yet another perspective on the country's poverty. Shiva argues that the dominant paradigm of market-based development has grievous consequences for the marginalised poor. In making her case, she identifies three types of intermeshing economic systems. These include, apart from the 'market economy', the 'economy of natural ecological processes' (or 'nature's economy') and the 'sustenance economy'.

In a lucid exposition, Shiva discusses the guiding principles of each and spells out the implications of their intermeshing. The most fundamental of the three is 'nature's economy', in which regenerative ecological processes 'produce' a range of natural resources such as humus from forests, water, etc. 'Nature's economy' fosters the 'survival economy', in which large numbers of poor in the third world derive livelihoods directly from fodder, fuel, and other products of nature's bounty. The market-based development paradigm, with its emphasis on commodity production and capital accumulation, Shiva argues, has encroached upon the preserves of 'nature's economy' and the 'sustenance economy', resulting in a diversion of life-sustaining resources to cash crop and commodity production. Historically, this has taken the form of capitalist appropriation, or privatisation, of the 'commons', or the communally-held resources of the 'sustenance economy', with the attendant dispossession of those for whom the commons is a source of basic needs fulfilment. In more recent times, the 'privatisation' of the commons has given way to a more insidious form of capitalist appropriation via the privileged use of technology. Examples include cases of traditional fishermen dispossessed of their rights in the commons of the sea or river by the technology of mechanised fishing. In this scenario, the use of technology and financial investments by the privileged few are the major agents of a "tacit and hidden dispossession", with international aid and technology transfer the major culprits abetting the transfer of resources from nature's economy and the sustenance economy to the market economy. The process is one in which local resources come to be increasingly controlled by international agencies like the World Bank, with appalling consequences. On the one hand, there is an "anarchy of resource use" in which affluent enclaves thrive even as the resource base of the poor shrinks. On the other hand, nature's law of returns is eclipsed by the imperatives of financial returns to investment, so that 'nature's economy', overexploited, suffers ecological damage. Having depicted the dismal consequences of the market-oriented development paradigm, Shiva builds up a case for a way out. A more rational and equitable strategy of resource use is called for, she argues. The key, she suggests, "...seems to lie in giving local communities control over local resources so that they have the right and responsibility to rebuild nature's economy, and through it, their own sustenance".

Viewing the market development paradigm's adverse consequences through the lenses of an institution that is crucial for human welfare – the family – Murli Desai points out that in the agricultural sector, the

NEP has meant an undermining of subsistence in favour of cash crops. More generally, the NEP has aggravated the marginalisation of families that lack access to, and control over, resources, such as the families of landless and marginal farmers, pavement and slum dwellers, and unorganised labour. In the formal sector, reductions in the workforce have meant that "women are the first to go as they are largely in the aided social sectors of health and education". "As large numbers of men lose employment, the load on women to earn through the informal sector increases." More generally, Desai's paper deals with various facets of the family, including the relationship between the family and the state. Focusing specifically on patriarchy as it imbues state policy, Desai decries the encroachment of patriarchal ideology into the public sphere. The phenomenon can be seen, for instance, in the realm of family law. Thus, in India, matters pertaining to marriage, divorce, adoption, maintenance, etc. are not subject to a uniform civil code but instead depend on religious norms which "...often perpetuate patriarchy in the family, violating the principle of equality and justice". In the case of laws that are covered by a uniform civil code, such as the Child Marriage Restraint Act, the Medical Termination of Pregnancy Act, Special Marriage Act, Dowry Prohibition Act, and provisions in the Criminal Procedure Code and the Indian Penal Code, "...interpretation and implementation ... leave much to be desired".

Shiva Kumar's paper focuses on a particularly vulnerable category of the family's constituents – children. India's standing with respect to her professed goals of providing for the protection and development of the country's children, Kumar points out, is abysmal by international standards. Thus, that measure of child welfare, the under-five mortality rate, 124 per thousand live births in India in 1992, indicates that the country stood well above the world average of 97, and was far removed from Japan's accomplishment of 5 per thousand. Data show also that the deprivation of girls, as reflected in child survival, is far greater than that of boys. In 1981, in 224 out of 402 districts, child mortality was higher for females. This dismal child welfare scenario has a bright side, however; if one looks at the child survival scenario over time, statistics show a reduction of the under-five mortality rate (U5MR) from 236 per 1,000 in 1960 to 177 in 1980 and 124 in 1992. The accelerated decline between 1980 and 1992 is particularly impressive as lower rates of decline in this period were reported by only 45 out of 145 countries.

Profiling deprivation in the vital educational sphere, Kumar indicates that in 1991, some 19 to 24 million children aged 6-14 years, over 60 per cent female, were

illiterate. Data from several parts of the country show also that primary school enrolments are better among boys, and drop-out rates higher for girls. As for children not in school, they invariably work. Kumar states, "either at home or outside". According to the census, there were 13.17 million workers below the age of 14 in the country in 1981, most of them engaged in agriculture. NSS data for 1983 indicate 17.36 million child workers aged 5 to 15, and the Operations Research Group places the figure at 44 million in the same year. Many of these child workers are paid exploitative salaries. Others, for instance girl children employed in domestic activity, are not paid at all. Problems of destitute and street children cry out for attention as well, Kumar adds.

Arguing that the income level is not an acceptable predictor of child welfare, Kumar points out that while Punjab's per capita income is twice Kerala's and Manipur's, its IMR is two to three times higher. Growing incomes, to translate into child welfare, must therefore be appropriately channelled. The country's experience suggests significant disparities in this respect, as indicated by the fact that despite a higher per capita income, Haryana's health expenditure is less than that of Himachal Pradesh. Kumar argues further that physical provisioning is important but not adequate. He points out that the country's impressive gains in terms of per capita food production, public distribution and Integrated Child Development Services (ICDS) notwithstanding, malnourishment afflicts an estimated 63 per cent of the population under five, a figure considerably higher than the developing country average of 36 per cent, and surpassed only by Bangladesh's figure of 66. According to Kumar, what is called for in this context is an 'integrated approach' encompassing support for the livelihood strategies of the poor, child care, and provision of adequate access to health facilities.

Kumar argues that "...there is more to basic education than construction of school buildings and recruitment of teachers", that there is instead a need to better understand "retention, attendance, the quality of education, and the teaching and learning environment". Government intervention does play a crucial role; the state's role in the virtual elimination of famine is well known. India's government-sponsored immunisation, total literacy, teacher empowerment and education improvement programmes are other cases in point. But child welfare also depends critically on the level of social development. Thus, in the health sphere, women's involvement in the workforce, female autonomy, political awareness and political participation are crucial explanators of child health. On the basis of a doctoral study undertaken by him, Kumar argues that these factors underscore

the phenomenal success stories of infant mortality reduction in Kerala and Manipur. His prescriptions include: an active role for government in "ensuring socially desirable levels of provisioning and resource allocations"; the need to generate more credible and useful data; the strengthening of legislative safeguards for children; the promotion of greater local community involvement in planning, implementing and monitoring programmes for children, along with concerted action by government and non-governmental bodies; a non-adversarial partnership between government and NGOs; and the necessity to go beyond increased budgetary allocations for children to a concern with cost effectiveness, access and quality of services.

Contributors to the book emphasise the need for inputs in critical social sectors, without which economic growth by itself will not translate into social development. The papers deal separately with the crucial 'social sectors' of health, education, and housing. N H Antia, analysing the health situation in India, argues that in addition to the paucity of funds, a consideration which imposes a great burden on the public health system, there is an absence of political will to equitably share available resources. The elite-dominated political system promotes private sector monopoly not only of health manpower and finance but even of the resources of the public sector itself. Thus, of the 13,000 doctors trained annually by the public sector, three-fourths serve in the private sector. Other factors identified as salient on the health front in India include: reductions in budgetary allocations for health including water and sanitation, as concomitants of structural adjustment; the inability of the bureaucratic machinery to effectively deal with water and sanitation in rural areas, and the consequent incidence of water-borne disease and the "...spectre of massive resurgence of disease and death as a result of malnutrition ... in an economy where the strong dictate to the weak... where almost half of the population lives below the poverty line ... and where the last two deciles have only a tenuous hold over life..."

Antia cites the cost-effective aspects of western medicine as they operate to control communicable disease, and points out that with the primitive levels of this technology, three great killers – malaria, smallpox and cholera – were brought to book in the first two decades after independence. He adds that "...in the next two decades despite a vast increase in medical manpower, infrastructure and the availability of far more effective technologies, there has been a resurgence of malaria and cholera as well as of diseases like tuberculosis, gastroenteritis, pneumonia, measles, filaria and kala-azar for which far better knowledge of the disease process and technology for their prevention, treatment

and control are now available". Why did this happen? Having raised the question and whetted the reader's appetite, Antia should have given us some indication of where the answers lie. That notwithstanding, he has touched upon an issue that must surely feature as a salient one among students of medical sociology.

Antia's prescriptions include investments in literacy, particularly female literacy, a policy thrust that could be expected to result in "...better utilisation of available nutrition, improvement in sanitation with decrease in water-borne disease, and better demand for and utilisation of health services". He speaks of the need for political will that is committed to the needs of the majority "rather than the exotic demands of the few", and refers to success stories from India, among them, cost-effective NGO health projects based on the comprehensive decentralised health care model recommended by the Bhoré Committee. Antia calls for a greater role for panchayati raj bodies in mobilising community participation, and pleads for a system accountable to the people in place of the existing bureaucratic, target-oriented one.

In his paper on education and social development, S C Nuna points out that education has a critical role to play in development, for instance, by contributing to improvements in productivity and the utilisation of employment opportunities. It is also a significant determinant of the quality of life, as evidenced by the role of female literacy in improving health and nutritional levels and containing infant mortality. This broad context, Nuna points out, forms a backdrop to the National Policy on Education, which envisages the growth of education as part of an integrated policy package for the removal of social, economic, regional and gender disparities. The challenges that lie ahead, according to Nuna, include the universalisation of primary education and the vocationalisation of secondary education, removal of regional, gender and social disparities, strengthening of links between education and the labour market, and transforming the system from one that is teacher-oriented and geared to the assimilation of 'received truth' to one that emphasises the creativity of the learner.

Amitabh Kundu and Archana Ghosh, writing on the shelter problem in India, indicate that in recent years the government's approach to the housing shortage has been characterised by an emphasis on effective demand to the detriment of the affordability criterion, with the new approach reflected in the National Housing Policy. Discussed in various fora in the late 80's and adopted by parliament in 1992, the NHP suggests that public housing agencies be made more cost-effective and undertake more commercially viable projects. The criterion of commercial viability, however, seems likely to further

inhibit the flow of institutional finance into unremunerative housing projects for the poor. Kundu and Ghosh argue that given the low recovery rate for loans given for housing projects in the 'economically weaker sections' and 'low income group' categories, public housing agencies (PHAs) have been reluctant to seek funds from the major agency refinancing these, the Housing and Urban Development Corporation (HUDCO), which earmarks 10 per cent of its funds for remunerative projects but requires that 55 per cent of its remaining disbursements be allocated for EWS and LIG schemes. Given the difficulty of disbursing its quotas of EWS and LIG funds to PHAs, HUDCO finds itself hard put to enforce its conditionality that disbursements under the EWS and LIG schemes go to recipients whose incomes fall below the prescribed level. These schemes would at any rate be beyond the financial reach of the bottom 40 per cent among urban households ranked by income level, a circumstance that promotes a 'filtering up process' whereby better off households avail of EWS and LIG funding. Further, problems of cost recovery being what they are, HUDCO has over the years permitted public housing agencies to shift from a hire-purchase approach, wherein cost recovery is spread out over several years, to the self-financing system, which requires that beneficiaries pay the full cost at the time of purchase. As a consequence, housing has gone even more beyond the reach of the urban poor.

On the theme of 'social integration', or the 'integration' of marginalised groups into the 'mainstream' of Indian society, the book has contributions by Asghar Ali Engineer and Yogendra Singh. Engineer focuses on the obstacles, essentially political, to the 'integration' of a religious minority, the Muslims. Yogendra Singh's paper focuses on the 'integration' of three broad categories of marginalised groups – the scheduled castes, the scheduled tribes and the backward classes. Both Singh and Engineer present the issue of the integration of marginalised groups in historical perspective.

Colonialism, Singh argues, gave rise to a 'two pronged' movement in India. Among the traditional upper caste elite, it engendered nationalistic sentiments coupled with the need for basic social, cultural and economic reform of society, of which they were a dominant and privileged constituent. Among the most exploited groups such as the dalits, tribals and peasants, colonialism "exemplified exploitation" and stimulated protest movements. Both trends were anti-British, but there was a tension between the two; while the nationalist movement's integrative pulls aimed at incorporating the marginalised groups of Hindu society into a reformed Hindu nationalism, this was resisted by pressures for cultural and social autonomy. The tendency towards autonomy,

Singh points out, was forcefully articulated by Jyotiba Phule, the 19th century radical who envisaged a front of dalits and 'backward castes', united in opposition to the exploitativeness of both the brahminical order and the colonial state. At a later phase, Ambedkar too envisaged the unity of the 'non-brahmins' in a struggle against the traditional caste-brahminical order. But Ambedkar also espoused a historically new perspective in which caste and religion were rejected as principles of integration in favour of the universal and humanistic values of the Constitution of India, to which he made a leading contribution. The Constitution did acknowledge caste by singling out the SCs, STs and OBCs for protective discrimination, but only as a time-bound policy.

In assessing the effectiveness of the constitutional paradigm of integration, Singh argues that while on educational and cultural fronts the marginalised groups have made considerable progress, they have lagged behind in the economic and social spheres. For instance, gains on the literacy and employment front among the SCs notwithstanding, as many as 72 per cent are marginal farmers and another 12 per cent landless labourers. Further, in 1982-83, as many as two-fifths of the SC population in urban areas and half the population in rural areas were estimated to be below the poverty line. The OBCs, while historically aligned with the dalits in the fight against brahminism were socially and economically much better placed than the latter. Peasant castes with a strong agricultural tradition, many of them were substantial landholders. A large section continue to be impoverished and in need of protective discrimination, but a 'substantial minority' have amassed economic and political power. With their rise to political dominance and their growing social and economic status, the OBCs, far from being a marginalised group which has to be integrated into the centre of Indian society, "...constitute the new centre of Indian society in the making". As for the scheduled tribes, their marginalisation and deprivation have been extreme, Singh asserts. While pointing out that militant demands for political autonomy have characterised tribal struggles against exploitation, Singh strikes an optimistic note, placing his faith in the restoration of democratic rights and the processes of development that make for constructive links between the tribals and the wider society. Singh concludes by arguing that primordiality, which has formed the grounds for the mobilisation of the marginalised groups cannot provide a stable basis for their integration into Indian society. While traditional caste society and the jajmani system it encapsulated formed a basis of integration in the past, it was a system in which inequalities were legitimised; now, the old order has been replaced by the republic

and the nation as alternative principles of integration into "a plural societal framework". Singh argues that it is "association of interest groups" and not caste that is the new paradigm of societal integration.

Singh's paper is followed by Engineer's analysis of the factors which jinx the 'social integration' of the country's Muslim community. The thrust of Engineer's paper is that tensions between the country's Hindus and Muslims have fed into and been exacerbated by the political process. He reiterates this view as he traces political developments in the country over the decades. Citing Indira Gandhi's rise to power on the socialist, secular, pro-weaker sections/minorities stand, Engineer maintains that political opposition took the form of propaganda which was aimed at inciting communal tensions. The intention, Engineer argues, was to erode that key element in Gandhi's electoral success — her platform of secularism. During the early 70s, the picture changed as, following the Bangladesh liberation war, Gandhi's popularity was at its peak and her political position unassailable. Simultaneously, there was a drop in the communal temperature and a respite from communal rioting. Subsequently, during the emergency, Gandhi and her son Sanjay

antagonised Muslim sentiment with the government's coercive family planning drive by its forcible demolition of Muslim homes near Turkman Gate, an episode which involved police firing and deaths of children crushed under bulldozers used in the operation. With the press muzzled, the Turkman Gate episode assumed exaggerated proportions through the spread of rumours, causing widespread disenchantment. Eventually, when elections were held in 1977, the Muslims for the first time after independence voted for a non-Congress party. Though the Muslims subsequently voted for her in 1980 in the absence of a viable alternative, Gandhi realised she could no longer command the Muslim vote as massively as she did before. Consequently, she began to cast her political net wider, seeking to compensate Muslim support with middle caste Hindu votes. In the process, she began to pedal soft communalism. Spurred by the political challenge of Gandhi's soft communalism and RSS support for it, the BJP, a party committed to 'secularism and Gandhian socialism' began to take a hard communal line. These political developments overlapped with a softening of Gandhi's stand against the RSS. Until 1979, she had stridently blamed the RSS for inciting

OUTSTANDING BOOKS

TRENDS IN AGRICULTURAL INSECT PEST MANAGEMENT

Editors : G. S. Dhaliwal & Ramesh Arora

Presents a systematic account of various tactics used for management of major insect-pests of principal agricultural crops of India.

ISBN 81-7169-278-8

Rs. 850.

PESTICIDES : Their Ecological Impact in Developing Countries.

Editors : G. S. Dhaliwal & Balwinder Singh

Deals with the ecological impact of pesticides in the developing world with special emphasis on South-East Asian Countries.

ISBN 81-7169-248-6

Rs. 450

Save Indian Publishing—Buy Indian Books



COMMONWEALTH PUBLISHERS

4378/4B, Ansari Road, Murari Lal Street,
New Delhi-110002 Phone : 3272541

communal rioting. Afterwards, she stopped doing so.

Engineer goes on in this vein, using an essentially ballot box paradigm to analyse the events surrounding such developments as the Meenakshipuram conversions, the Shah Banu case, and the Ram Janmabhoomi-Babri masjid conflict. These, he claims, revolved essentially around the politics of identity. Engineer sees this as integral to a theoretical framework wherein, with a deepening of the political process, political consciousness in a relatively backward developing country setting gets to be articulated in terms of the economic and political aspirations of ethnic communities, with deprived ethnic groups mobilising for redressal and entrenched groups seeking to preserve hegemony. In such a scenario, ethnicity becomes a factor in political equations.

At one point in his paper, Engineer fleshes out this paradigm with an illustration of the overlap between deprivation and ethnicity among the Muslims of India. He points out that following partition and the Pakistan-bound emigration of the propertied and the professional and educated Muslim middle classes of UP and Bihar, the poorer Muslims, who then constituted the bulk of the Muslim population of the region, found themselves bereft of the progressive role that the educated Muslim middle classes could have played. While Engineer presents us with an abbreviated tour of the recent political history of Indian communalism, he is silent about the circumstances under which the politics of identity yields to the politicisation of such vital issues as health, literacy and potable water in rural areas.

Vina Mazumdar's paper suggests that there is grounds for hope on this count and that this stems from the growing strength of the women's movement in India. Mazumdar argues that the institutionalised oppression and subjugation of Indian women via 'structures of patriarchy', operating through the family, community and the state, form the backdrop to a grass roots movement for women's emancipation in the country. While the nationalist movement, emphasising equality of all before the law, militated against the subjugation of women in the inherited social order, processes of political and economic transformation strengthened and reinforced structures of patriarchy and contributed to the economic marginalisation of women. Yet, despite all the factors working against it, the urge for women's emancipation would not be suppressed. This is a source of optimism, not only because it is a counter to the forces operating to perpetuate the oppression of women in society, but also because it augurs well for a broader tradition of popular participation. Mazumdar points out that "at various gatherings away from the controls exercised on them by the family, community and other collectives, women

demonstrate their urge and capacity to break free of all such boundaries... They do not seek to disown their obligations or attachment to the family, but crave for an additional, alternative or extended identity to articulate their anguish at the destruction of their natural and social environment, of the threatened future of their children and their own capacity to nurture them, and their determination to achieve solidarity in the common struggle for a better future for all."

Complementing Mazumdar's perspective, Dinesh Mohan's paper points to another front on which the scourge of communalism needs to be countered. In presenting the backdrop to his perspective on the communal menace, Mohan argues that in this age of instantaneous global audio-visual communication, accomplishments are judged on an international scale and the worth of nations assessed in terms of their achievements in science and technology (S and T). A nation's susceptibility to this yardstick of worth is all the more if it cannot take pride in accomplishments of a different sort, for instance, in innovative development strategies which benefit the masses and instil pride and the hope of a better tomorrow. Outclassed by the achievements of the west in S and T and overwhelmed by a sense of inferiority and defeat, peoples and communities then turn to their religious identity and to their past as sources of moral superiority and pride. This fuels fundamentalist revivals, such as those of the Islamic movements in Iran, Egypt, Pakistan, and Algeria; and of Hindutva in India.

According to Mohan, corrective steps should include encouragement of innovative need-based technologies as a counter to international yardsticks of world class technologies. Further, he says, India needs to promote indigenous technology in select areas where the country has a comparative advantage, so as to enthrone posterity with "hope and the desire to innovate", and counter "the sense of inadequacy and a feeling of defeat" that the invading global technologies of the MNCs bring in their wake. Indigenous technology must be distinguished from global technology. Elaborating upon this theme, Mohan argues that during colonial times, when technological products from the west were transplanted in its colonies, technology was truly global. In recent decades, however, there has been a trend towards the deglobalisation of technology. Urban buses in the low income countries (LICs) for instance, based on once global technology, cater to far greater peak loads than those in the high income countries (HICs). Likewise, the capital-intensive, low occupancy high speed trains of the HICs will not be affordable in the LICs for years to come. Diverging social needs and the development of indigenous capabilities underlie this deglobalisation of technology. The process needs to be

encouraged, with products that are becoming non-global identified and made the focus of innovative research and development.

PV Indiresan gives us a somewhat different perspective on the role of technology in society. Citing the New Economic Policy, Indiresan voices the concern that "...even if the economy fares better, social conditions are liable to get worse". Economic welfare and social justice require that increasing doses of market capitalism are balanced by investments in public goods, which, "...by definition are available to the poor as much as to the wealthy". Indiresan's paper concerns itself with how investments in one type of public good – transport and communication – can accomplish this by contributing to the development of rural areas and thereby attenuating the disparity between the village and the city. Rural-urban disparity, Indiresan maintains, stems from differences in 'connectivity', a term he defines as "...the number of people each citizen can connect to in a given unit of time". Given that the variety of services and high productivity jobs that a well-connected city supports depends on its level of connectivity, the question arises as to whether a rural setting with an equal degree of connectivity as a well-connected city will replicate the city's amenities, services and productive employment. On the assumption that it will, Indiresan proposes an efficient rural public transportation and telecommunications grid that will link India's villages to rural populations of the order of 400 to 600 thousand, approximately the numbers inhabiting such cities as Edinburgh, Frankfurt and San Francisco. Indiresan argues: "...it is not unreasonable to assume that this order of connectivity will be sufficient to support modern urban amenities in a rural setting; and that in such a case, rural areas too can develop as well as cities." The cost of the proposed grid, largely those of the transportation network and support services (as improving the number of lines available to a rural telephone connection at local rates involves chiefly administrative decisions and little additional investment), works out to Rs 1,00,000 crore. The investment would benefit 10 times as many people as the number that would benefit if the sum were used to upgrade metro services. To eliminate the disparity between the village and the city, it is also required that tele-ineffective services, those that should be available within walking distance (water, municipal services, etc) be provided in rural areas on par with corresponding amenities in urban settings.

These, then, are the contributions by the various scholars of the book. The perspectives they provide are, for the most part, varied articulations of a 'nay' to the New Economic Policy. The volume hopefully will fulfil its mission of stimulating nation-wide debate and discussion on the issues it highlights.

Dollar Empire: Logic of Decay

Frederic Clairmont

The punch-drunk dollar is on the ropes and its central role in the monetary galaxy raises crucial questions about the very survivability of capitalism. Five years after the collapse of the Wall where are the protagonists of the New Economic Order chanting the glories of unadulterated economic liberalism? The mythology of free trade has been torn to shreds. The logic of the dollar's decay helps us to understand why.

IN the wake of recent panic foreign exchange markets are looking for some beacon of hope and stability. But neither hope nor stability is on the agenda. At an accelerating tempo, the universe of finance capital in 1995 will continue to be one of chronic instability, fear, bankruptcies, massive job liquidations. Reverberations of the dollar's meltdown is far from over; a process that goes far beyond what the conventional economic wisdom would label 'a market correction'. The empire of the dollar and the financial galaxy in which it orbits is a ticking time-bomb.

The market shakeout and shakedowns in recent weeks have destroyed all semblance of international financial stability. There is nothing that augurs a return to 'normality'. NAFTA is on the ropes, the Canadian economy is buried in debt, bedevilled by a depreciating dollar. The mass capital exodus of billions of dollars from Latin America is on the march. What has amplified the dollar's implosion is that it coincided in time with the political and economic eruption in Mexico, the ignominious collapse of one of the most powerful pillars of the British financial establishment and worldwide financial destabilisation.

While the western hemispheric quasi-colonial currencies have been plunging vis-a-vis the dollar, the greenback, the world's major reserve currency, has been battered by two major imperial currencies. The precipitous fall in the world's leading reserve currency is a continuous function of the relative global decline of the American empire; it highlights the dynamics of inter-imperialist antagonisms that are ripping apart the already tattered fabric of the world economy. The dollar's debacle and the policies which engendered its pathology over the past three decades is fast approaching a day of reckoning. But of course the hapless dollar is not a solitary swallow.

DOLLAR'S MELTDOWN

The magnitude of the dollar's tumble since the onset of 1995 is staggering. But why should this momentous event come as a

surprise to so many in view of the absence of any international monetary discipline, signalled by the US sabotage of the Bretton Woods agreement? It will be recalled that the liquidation of the dollar gold exchange standard gave way to a floating exchange rate system. Or no system at all. No less so than national income aggregates, currency trajectories over time are fairly accurate barometers of a nation's economic health, or inversely, as in the US, of its inherent fragility.

What the graph reveals is that the greenback's woes vis-a-vis the two major imperial currencies were discernible before August 1971 – and this was one of the causal factors in the US scuttling of Bretton Woods. What the universe of Big Capital is experiencing is a crucial infection in the history of post-war international financial relations. The pervasively corrupt and wobbly structure of finance capitalism: banks, insurance companies, mutual and pension funds, foreign exchange markets and financial flows are cast adrift, buffeted by gigantic speculative tornadoes whose ravages are cataclysmically foreseeable. Only about 2 per cent of the more than one trillion dollars traded daily are destined for productive purposes. With the dollar leading the pack, banking and finance transactions are nothing more than a colossal crap game, played by mega financial institutions that are totally unaccountable to any national entity.

The dollar's meltdown is not fortuitous; in essence, it springs from the criminal rejection of every act of fiscal rectitude and budgetary prudence by the US money managers. At the very moment when the dollar's apoplexy was at its apogee the US Congress had the arrogance to reject the Balanced Budget Amendment. In short, the deficits will continue to pile up at compound interest rates.

Among the reasons for a stricken dollar, the free fall of the peso is not of central significance. More pertinent, however, is the perilously widening gap between savings and investment; differentials in interest rates and productivity; rising tidal

waves of current account and budgetary deficits wedded to profligate spending; national debt (\$5.1 trillion) spiralling into the stratosphere; a casino banking and credit system that is at once archaic and unjust, unable even to meet the minimum requirements of morally acceptable standards of national development. These are but a selection of formal quantifiable elements that comprise the dollar's pathology. Their lethal evolution will continue to have disastrous political reverberations both nationally and internationally. Let us peruse briefly some of the factors that feed the US caste oligarchy's delusions that it can live off other people's money indefinitely.

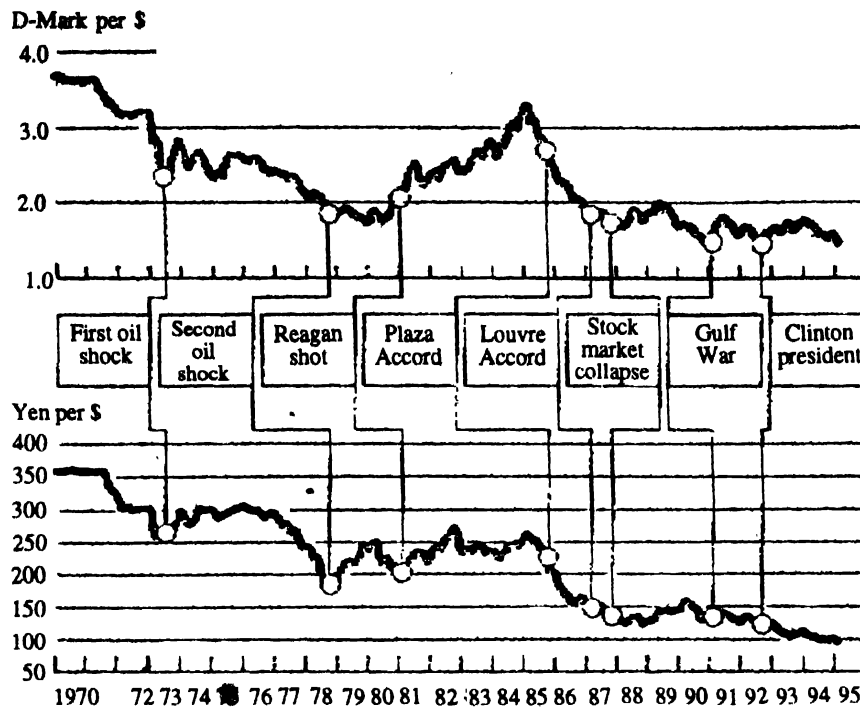
WHAT THE NUMBERS MEAN

US private, corporate and public debt once again hit record levels in 1994. The summit is not yet reached. The US requires a minimum of \$225 bn yearly to feed its deficits. This pinpoints the extent to which it is living off borrowed time and borrowed money, i.e., the world's savings. Its net savings rate measured 2.6 per cent of disposable income in 1994, sharply lower than the 9.4 per cent average for the 50s and 60s. Despite a record \$140 bn trade surplus the money to plug this deficit will not come from Japan. A Soga Shosha trader puts it bluntly: "I don't know what's going to be the bottom of the dollar: 90, 80, 70 or is it 50 yen or perhaps lower?" This query epitomises the depth of the empire's tragedy. The intoxicating 80s with money flowing in are over. In addition to the costs of Kobe's reconstruction, balance sheets of Japanese banks are still loaded with non-performing loans. This stems from the Bubble's burst in 1991, as well as the need to prop up a teetering stock market. Moreover many Japanese banks have been bled by the speculative fallout of Barings. But that's not all.

Japanese investors have been sizzled by the greenback's depreciation. These losses amount to a staggering \$430 bn since 1975. The same Mitsui trader indignantly asked: "Why should we invest in a currency whose money managers have trampled on their own currency?" Certainly Japanese investors will be putting their money into the US, but increasingly so on a short-term basis. Japan's corporate treasurers have already set their targets for other geographical regions.

By end-1994, the US current account deficit hit \$166 bn. According to one treasury estimate this is set to rise to \$190 bn in 1995. This figure must also be \$55-60 bn to bonds and equity markets in 1994 as well as net foreign debt obligations of \$600 bn. For a long time the slippage in overseas wealth was ignored. US income flows are now negative. On the premise that the trade

FIGURE: THE DOLLAR'S DECAY, 1970-1995



Source: Datastream

decifit, including transfers, remain at around 2 per cent of GDP, the outflows would build up rapidly. This means that the current account deficit would continue to climb and net foreign debt too. Where will the dollars come from to pay these charges?

A balance sheet has two sides: assets and liabilities. Interest rate charges and reimbursements are already absorbing a sizeable segment of federal revenues. Have the caste oligarchy forgotten the arithmetic of compound interest that comprises the repayment of both interest and principal? This ruinous national balance sheet would even be worse if interest rates rose and the trade balance further deteriorated. If the present movement continues, net debt is likely to hit 45-50 per cent of GDP by 2000.

What is so frightening in these appalling numbers is not simply the extent to which the US is simply living beyond its means – it has been doing that for a very long time – but also how rapidly the financial deterioration has occurred. Of course such heights of indebtedness are by no means unique to the US. Italy's public debt now stands at 120 per cent of GDP. Servicing this debt is already gobbling up nine-tenths of its GDP. Italy, another Mexico in the making, is well on the road to an even more crushing financial implosion.

WIDER CONTEXT

The cracking of the dollar must be seen within the context of global debt and exponential debt creation. Corporate,

household and government debt surpasses an estimated \$ 31 trillion galloping at a compound rate of about 9 per cent yearly. That's more than three times as fast as world GDP and trade. These disparate rates are unsustainable. This being so, at what point it may be asked, will the world financial bubble burst? Exacerbating this critical mass is the uninhibited liberalisation and concentration of capital that hit \$ 336 bn in 1994, surpassing the 1988 record of \$ 335 billion. These numbers relate exclusively to the US.

If this stride continues unabated the value of fusions, mergers and acquisitions would not be far short of \$ 12 trillion globally by the century's end. This is the numeric face of what I have categorised as the Corporate Economic Gulag (CEG). Or to put it another way: the sheer magnitude of this figure with its horrendous Gulagite implications – political and social – is that it represents more than twice the 1993 US GDP.

For the Attention of Authors

The compulsion to limit the size of issues on account of steeply rising newsprint and other costs and a sizeable backlog of material awaiting publication lead us to request that papers submitted for publication be not over 10,000 words, including tables and notes and references.

It is helpful if contributions in word-processed format are accompanied by floppy disc copies, in Wordstar preferably. The latter will be returned after use.

Because of the unsynchronised workings of world markets the bubble's bursting will not and cannot transpire at a specific nodal point in time. What may be said is that the bursting of Japan's bubble economy, the decomposition of Mexico's financial and political structures, the crumbling of the dollar, and the velocity of the Barings disintegration are merely the hors-d'oeuvre to the impending firestorm of an authentic Big Bang.

The dollar's quandary must also be related to burgeoning foreign exchange markets. In 1986, some \$ 290 bn were transacted daily on these markets; by 1990, they topped \$ 700 bn; by end-1994 they scaled \$ 13 trillion. This is Skullduggery Inc, as a Wall Street accountant facetiously described it. The racketeering of the world of finance capitalism at this juncture would make the mobsters of BCCI, the manipulators of the Savings and Loan Associations, the swindles of the Milkens and the Keatings look like a bunch of amateurs. This free-wheeling big time racketeering is happening hourly on foreign exchanges, 24 hours a day worldwide, gambling on the minutest of margins and raking in Big Money El Dorados (and losing them too) in split seconds with that commodity of commodities – money. This is happening not only on derivative markets but over the entire spectrum of finance capital.

IN SUM

The punch-drunk dollar as a currency is on the ropes, but its central role in the monetary galaxy raises crucial questions not only about the future trajectory of unrestricted mega corporates and liberalisation, but the very nature of the survivability of capitalism as it swings into the third millennium. Five years after the collapse of the Wall where are the protagonists of the New Economic Order chanting the glories immutable of unadulterated economic liberalism? The discredited ideologists of 'free trade' have run for cover. Their once thunderous voices have been reduced to an incoherent babble. The mythology of free trade – it was always a myth – has been torn to shreds. The logic of the dollar's decay helps us to understand why.

Studying Common Property Resources Biography of a Research Project

N S Jodha

An aspect of 'methodology' researchers rarely report are the processes and procedures they have to use while conducting research and disseminating its results. Here the author highlights the many hazards of conducting an unconventional but worthwhile research study.

I Introduction

THIS paper summarises my presentation at a recent meeting on emerging trends in conduct of applied social science research. This relates to the study of rural common property resources (CPRs) in the dry regions of India (1982-1986), which proved to be my most effective research in terms of its operational use by several agencies ranging from the grass roots level NGOs to national and international development agencies. Policy-makers and planners dealing with wasteland development, anti-poverty programmes, environmental problems in fragile resource zones and researchers from the areas as far-ranging as watershed management to resource economics have used the results and data of the study in different measures. At least six of the articles based on the work have been reprinted in the journals and books of readings nationally and internationally. This also prompted the initiation of a number of CPR studies in the country. Finally, the CPR research shifted focus of my professional work from agricultural economics to the larger issues of environmental resources, sustainability, and participatory development strategies. The effectiveness of the CPR study under question is due to the fact that it attempted to record and project some realities, which all of us routinely see and yet do not recognise. It provided data, insights, and analysis that helped to integrate the problems of rural poverty, resource access and environmental instability, which in turn form the mandate of several agencies grappling with the problem of rural development.

In this paper, I do not reproduce the results already reported. Nor will the formal methodology used for the study get undue attention. I will focus mainly on the processes and procedures through which I had to pass while conducting the research and

disseminating its message. This is one aspect of 'methodology' which researchers rarely report in their studies. I hope the following narration, besides amusing some, will enlighten many about the hazards of an unconventional but worthwhile research study.

II Genesis of the Study

As a background to the CPR research the following will be useful. During 1979-81, I worked in Tanzania for the International Institute of Tropical Agriculture (IITA). The year 1980 was a severe drought year for East Africa. Newspapers and others predicted famine, miseries and some deaths in Tanzania. As a part of the work on farming systems studies, we regularly visited some of the worst-affected areas in the country. The year passed and none died. The secret of people's survival was the sustenance-support they received from the village commons, which was invisible to both media and the statistical systems designed to cover rural situation. This induced me to reflect on the Indian experience, where a large majority of the poor people survive and multiply, despite their being below the official poverty line. Here too, despite their invisibility to statistical reporting systems, the CPRs play a significant role in people's economy and survival strategies.

When I rejoined International Crops Research Institute for Semi-Arid Tropics (ICRISAT), Hyderabad, after my Tanzanian stint, I proposed a study of CPRs in the dry regions of India. In the 'in-house review' meetings, where research proposals are debated and approved, every one from the director-general downwards (except my colleagues from economics programme) opposed the proposal. Reason: "being a crops research institute", they emphasised, "we have little to do with the CPRs(!)". Based on some past, scattered data on the contri-

butions of village pastures, forests, etc., to the village income and employment, I argued that in some areas, the rural poor derive as much as 25 per cent of their sustenance from CPRs. If the latter degrade and disappear, the prospective crop technology from ICRISAT will have to produce 25 per cent extra for maintaining the existing levels of living of such groups. The pleading fell on deaf ears, until the chairman of the governing board of ICRISAT, Bantley, a soil scientist by background, sitting in a corner as an observer in the in-house review, uttered a few words supporting my proposal. As a result, I was given one year to prove the relevance and utility of CPR research for ICRISAT's work. Incidentally, much after the completion of the study and widespread use and recognition of its findings, around 1989, when ICRISAT (like rest of the International Agricultural Research Centres dealing with crops) was under pressure to also address issues relating to environmental resources and sustainability, the above CPR study proved quite handy for them, to prove their long standing(!) concern for these issues.

TEETHING TROUBLES

I took the challenge to prove the relevance of CPRs for ICRISAT. We re-tabulated some earlier data on village pastures, community forests, village wastelands, watershed drainages, etc., which constitute CPRs in dry regions of India, but until then were never called as such. After publicising the inferences and concerns, generated by the initial work to selected agencies supporting rural research, we were overwhelmed by the response from agencies such as the United Nations Environment Programme (UNEP), Commonwealth Forestry Bureau, Canadian Climate Programme and the Ford Foundation. Governed by the experience of past projects I managed, that "more project money one has, more time one has to spend on managing money rather than doing substantive project work", I opted for the smallest of the offers. The Ford Foundation promised \$ 33,000 which covered the project cost as well as my salary and honorarium to my more than 60 small and big collaborators. Besides, the Ford Foundation proved extremely flexible in design and revisions of project as demanded by our emerging understanding of the CPR situation.

However, despite the above promise of support and seriousness on the part of the Ford Foundation, we had several slips between cup and lip. As per the ICRISAT-

GOI memorandum of understanding, the grant from any foreign agency to ICRISAT, does not have to pass through the process of government of India approval. However, by mistake the Ford Foundation submitted an approval request to the government along with the research proposal. Since the CPRs cover components relating to forest, water, pasture, watershed, wasteland and agricultural land, the proposal was made to shuttle between different ministries, as each of them finding the mention of subject covered by another ministry conveniently disowned the responsibility and passed it on to others for approval. It was a typical case of 'commons ownership implying no one's ownership'. Almost after eight months, the Ford Foundation withdrew the request for approval and made a direct grant for the study within a week.

This led to the second category of procedural hurdles. The study proposed to cover all dry tropical regions and was designed to be a collaborative effort. The ICRISAT administration insisted that as per the ICRISAT-JCAR (Indian Council of Agricultural Research) memorandum of understanding, the project collaborators should be the ICAR institutes or agricultural universities only. Besides, the non-availability of appropriate co-operators, this would have required ICAR approval, which as per the past experience of ICRISAT would have taken more than a year. Furthermore, there was strong suggestion for a rigid statistical sampling (violating the very spirit of the study as conceived) and collection of data using the ICRISAT's investigators, who through a prolonged engagement in collection of household and plot level data from the same farmers and villages for 10 years had become rather mechanical – and unsuitable for the CPR investigations. Thus at one stage the study seemed to be a non-starter.

However, a round-about solution was found, by treating the project as a special study conducted by the author for the Ford Foundation. ICRISAT was thus relieved of observing the aforesaid procedural formalities as well as paying my salary and project costs from their budget. I made the fullest use of the freedom and flexibility created in the process, as reflected in the methodology used in both the field work and target group focused analysis and reporting of the results.

III

Methodology: Mix of Unconventional Approaches

The study covered over 80 villages in 20 districts of eight arid/semi-arid tropical states of India. As a first step in the area selection, I identified or located the potential co-

operators for the study using my past contacts and association with the Draught-Prone Area Programme, the Agro-Economic Research Centres and the selected departments in regional universities. Once an appropriate collaborator was identified the area (around his/her residence or place of work) was automatically selected. The only condition was that such areas should fall within the broad soil and rainfall zones of dry tropical regions of India. This method of investigator-centred choice of areas was essential because CPR study required a close feel of the field and knowledge of the local oral history and current situation of the area. The study covered information on several sensitive issues. All this would have been difficult with pre-selection of areas and putting investigators as strangers in different areas. The study proved to be a joint effort of over 60 co-operators whose age ranged from 16-60 years, literacy level ranged from pre-school to PhD, they belonged to the occupational groups such as traditional farming, teaching, research, community work (e.g. NGOs), and students attending schools. Put together, they represented eight linguistic groups, but half of them could communicate in at least two languages.

The collection and verification of information involved a mixed use of methods employed by anthropologists and economists. Depending on the requirement, relevance and feasibility, the methods such as structured survey, group discussion, case histories and physical observations/measurements were employed. Much before the now popular methodologies of rapid rural appraisal (RRA) and participatory rural appraisal (PRA) were coined as such and acquired the limelight, this study employed these methods. It may be added that except for the essential common and basic information, all villages were not uniformly covered for each aspect of the inquiry. The choice in this regard was guided by the relevance and presence of the focused problem in the concerned village/area. In some sense, the field investigations were process and awareness driven. Accordingly, in the process of work (including the sharing of preliminary results) during the first two years, as we became aware of the new problems and possibilities, the same were added to the list of issues to be examined. This was a reward of the flexibility mentioned earlier. The primary data thus collected were supplemented by secondary data from the historical or current records as well as other village studies, particularly by ICRISAT and Agro-Economic Research Centres.

Since most of the data formed a mixture of qualitative and quantitative information on the current and historical situation of CPRs at micro-level, they were initially gathered using the diary method rather than

structured questionnaire. Most of the processing too involved examining each information and manually tabulating it for specific purposes. Consequently, most of the data could not be put on computer disks. On the insistence of my quantitative-oriented economist colleagues, I subjected some of them to regression analysis for a paper for a FAO meeting on rural institutional development in 1987. The discussant of the paper, a well known agricultural economist commented, "The author by using regression has ruptured the beauty of insights and understanding conveyed by the descriptive account of the CPRs in India." This was the end of the further desire for any quantitative analysis of the data. Hence, the large set of data relating to CPR units, households, villages and district/sub-district were analysed by simple method involving bi-variate tables. The relative simplicity and transparency associated with this method of information processing, proved to be one of the main reasons for appeal and utility/usability of CPR-study for NGOs and different development agencies.

Before, we comment on the key findings and their use by different agencies, a word on unusual difficulties faced during the fieldwork. Despite all the arrangements for fieldwork, etc., made according to our choice, the process of work was not obstacle free. Intimidation, threats, and physical harm to my field-level co-operators – at least in three villages, by those who had illegally grabbed CPR lands, was one constraint to smooth working. Equally problematic was the opposition by different village factions, who alleged us to be the allies of their respective opponents. The periodic logistic failures (as we only rarely used ICRISAT facilities unless it was very essential and not influencing our work style and rapport with the villagers), came up in different forms. However, a most significant threat came from the government of India.

In 1985, in the wake of the disclosure that foreign espionage agencies had a deep access to the office of the prime minister (Rajiv Gandhi), the whole atmosphere was surcharged with rumours indicating that CIA has its sources of information in several major institutions in India. Based on half truths and misinterpretation of facts supplied by some disgruntled element in the national staff of the institute, Press Trust of India (PTI) released a story nationwide, about ICRISAT's supposed participation in CIA activities in India. One of the examples in the CIA story referred to the information gathering on 'India's common property resources'. As a part of the enquiry teams from the government of India (which proved the PTI story completely baseless), a group came to interrogate me as the principal

researcher of the CPR project. As a preface to their questioning, the enquiry team stated the following: "India's common property resources are our heritage and wealth, they should be protected, and information about them should not be collected and publicised in the interest of the country. The foreign agencies, not interested in India's progress, can damage over common property resources." I responded to their concern broadly in the same words as used by the inquiring members, "Yes, common property resources are our real assets, and they should be protected, but we (governments) do not do so; we need information on them because we do not know about them and hence allow their degradation and decline. Information collected under the CPR study will help rural communities to develop and sustainably use them." In response to their next questions I explained that these resources include village pasture, community forest, village wasteland, etc. The committee members were shockingly embarrassed when confronted their own ignorance of CPRs. After a brief murmur about why CIA should be interested in India's community grazing lands, they

profusely blamed the PTI for a misleading story and closed the enquiry.

IV

Major Findings and Inferences

In order to give a feel of the findings of the CPR study, the following may be summarised: As reported through different write-ups (see bibliography), the study presented quantified evidence on economic and ecological role of CPRs in villages. Despite a rapid decline in their area, CPRs contribute to the sustenance of the people, especially rural poor. In some areas, the latter derive as high as 30 per cent of their sustenance from CPRs. The CPR-based activities in some areas offer more employment days in a year than the jobs offered by focused rural employment programmes. The income inequities tend to decline with the inclusion of CPR share in the household incomes. The performance of crop farming and adaptation to drought conditions is better in villages with a comparatively better CPR situation. CPRs represent the communities' institutional response to imperatives of fragile and risky environments. However, even when such

imperatives of fragile lands are unchanged, the extent, management and productivity of CPRs has rapidly declined over last four decades or so. In some areas, their extent has declined by over 60 per cent. The factors that have contributed to the decline of CPRs include the land policies of the states encouraging privatisation of CPRs; market forces, technological changes, and population growth (which in association with the public policies) have marginalised the role of group action in communities. However, despite general decline, depending on the local circumstances, such as persistent utility and productivity of CPR units, resilience of traditional forms of rural co-operation, etc, CPRs are still sustainably managed in some cases. Such cases offer useful leads for proactive CPR policies and programmes. Despite the recent changes encouraging privatisation, the case for protection, sustainable development and use of CPRs seems much stronger. This is because of the following reasons: marginality of most of the bio-physical resources in dry areas make them more appropriate for CPR status (pasture, forest, etc); CPRs can play potentially a very important role in anti-

SAGE PUBLICATION

INTERPRETING WORLD POLITICS

edited by KANTI P BAJPAI and HARISH C SHUKUL

This volume brings together conceptual and substantive essays on both the practice and theory of international relations by Indian and Western scholars. Organized around four themes central to the understanding and conduct of world politics in a new era, the papers in the volume look at perceptions about and concepts concerning world politics (international relations theory); the goals, rules and institutions within which world politics is conducted (international society); the primary operating environment of states (regional politics); and how states regulate their mutual relations (foreign policy).

Combining theoretical and methodological concerns with "real world" problems and issues and bringing together distinguished contributors from all over the globe, this volume will be of immense interest to those studying international relations, world politics, political science, and defence/strategic issues.

1995 ■ 400 pages ■ Rs 395 (cloth)

POLITICAL THEORIES

AND SOCIAL RECONSTRUCTION

A Critical Survey of
the Literature on India
THOMAS PANTHAM

How do the liberal-democratic, Marxist, Gandhian and Hindutva theorizations of Indian politics differ from one another? How have those differences been explored by Indian and/or India-oriented social and political theorists? These are the central questions addressed by Professor Thomas Pantham in this comprehensive survey of the literature on the major political theories relating to the restructuring of Indian society.

One of the main features of the book is its critical survey of the ongoing and prolific debate between the nationalist-Marxist and subaltern-Marxist schools of Indian historiography concerning the politics of social transformation in colonial and post-colonial India.

1995 ■ 232 pages ■ Rs 265 (cloth) ■ Rs 145 (paper)



SAGE Publications India Pvt Ltd

Post Box 4216, New Delhi 110 048

(Tel: 6419884, 6444958; Fax: 91-11-6472426)

AE-55, Salt Lake, Calcutta 700 064 (Tel: 377062)

27, Malony Road, T Nagar, Madras 600 017 (Tel: 4346822)

poverty programmes; complementarity between CPRs and private property resources (PPRs) is an unrecognised source of high and stable agricultural performance, and lessons from success stories of CPR-management can be replicated elsewhere. Recognition and utilisation of CPRs as a component of rural development strategies, however, will need reorientation of the latter.

The need for reorientation of rural development strategies apart, the message of the study did reach some of the promoters of CPR-based activities. Depending on the nature of their tasks and relevance of specific results, nearly a dozen agencies have examined and considered the inferences of CPR study, including through my personal involvement in their deliberations. A few of them included: the Indian Planning Commission, while deliberating on the prospects and strategies for bio-mass fuel supplies during the Eighth Five-Year Plan; National Wasteland Development Board (NWDB), while designing approach for micro-watersheds, and also while projecting problems and prospects of fodder supply during the Eighth Plan; the ministry of environment and forests, while assessing the processes of resource degradation in different zones of India; ministry of agriculture, while deciding on future approaches to small ruminant (sheep and goat) development; UNICEF (Delhi), while evolving training material to strengthen food systems in tribal areas; NGOs such as Agha Khan Rural Support Programme (AKRSP) Gujarat, Society for Promotion of Wasteland Development (SPWD), Development Alternative, and several grass roots level, small NGOs in Rajasthan, Gujarat and Andhra Pradesh, in the course of designing the work and training programmes. In some of the study villages, which I had a chance to visit after analysis of data, sharing of inferences from the study, helped in a sort of introspection and led to initiation of group action to rehabilitate the selected CPRs. To this, we may add the teaching and research community. Their interest in the CPR study is reflected through requests for and reprinting of the nearly half a dozen original articles in books and journals, national and international. Besides, a number of students in India and abroad used the data and inferences (as hypotheses) of the CPR study for their research work. The examples are more than one would have expected as impacts of a single study.

Since the study covered multiple aspects of community resources, it had a potential for use by diverse interest groups. If quoted out of context, it could be easily misused for supporting contradictory orientations. I will present only two cases to illustrate the point

where, in one case the study is used for supporting the cause of the poor, while in another it proves anti-poor.

While reading *in absentia*, my paper on the role of market forces in eroding CPRs, in a seminar in the US, the speaker said, "Marxist like Jodha(!) says so and so..." In another meeting at NWDB, while deliberating on the possibility of handing over wastelands to private firms for development (as in Brazil), the supporters of the idea denied the poor people's stake and interest in the wastelands. As a proof they quoted evidence from the present CPR study, which reported that most of the poor households, dispossessed the CPR land distributed as private land to them by the government. However, they conveniently and purposely blacked out the remaining part of the story, namely, the poor mortgaged or sold out the land because such marginal land without complementary resource support could not be developed and used.

Perhaps due to the essential time lag involved, the study attracted more attention from researchers and research supporters four or five years after the end of the fieldwork. Besides, requests for borrowing the data, suggestions for supporting a second round of fieldwork in the same villages came from some donors. However, I had left ICRISAT in early 1987 to work at International Centre for Integrated Mountain Development (ICIMOD), Nepal, with an intention to return soon. Except some already tabulated information, all the field data files on CPRs were left at ICRISAT to be used on my return. This could never happen, as I decided to continue at ICIMOD and left ICRISAT for good. In 1991, I was exploring the possibility of second round of CPR study through someone and wanted to lend data files to some students. At that stage, I learned that the boxes containing CPR data could not be located at ICRISAT. In their process of periodical cleaning of the data store, the boxes containing CPR data were perhaps consigned to the wastepaper drums for recycling. In the process, we lost not only a comprehensive set of data but also a benchmark to compare the CPR situation in 1990s as against 1980s.

Bibliography

- Jodha, N S (1985a): 'Population Growth and the Decline of Common Property Resources in Rajasthan, India', *Population and Development Review*, Vol 11(2).
- (1985b): 'Market Forces and Erosion of Common Property Resources' in *Agricultural Markets in the Semi-Arid Tropics*, Proceedings of an International Workshop,

October 24-28, 1983, ICRISAT Centre, Patancheru (AP), India.

- (1986): 'Common Property Resources and Rural Poor in Dry Regions of India', *Economic and Political Weekly*, Vol 21 (27).
- (1987a): 'A Case Study of Degradation of Common Property Resources in India' in P Blaikie and H Brookfield et al (eds), *Land Degradation and Society*, Methuen, London.
- (1987b): 'A Note on Contribution of CPRs to PPR-Based Farming Systems in Dry Tropical Regions in India', paper presented at the *Ford Foundation Workshop on Common Property Resources*, May 9-11, Sriska, Rajasthan (limited circulation).
- (1988a): *Population Growth and Common Property Resources: Micro-Level Evidence from India*, Proceedings of a United Nations Expert Group Meeting on Consequences of Rapid Population Growth in Less Developed Countries, August 23-26, Population Division, IESA, United Nations, New York, August 23-26.
- (1988b): 'Institutional Aspects of Range Resource Management in the Arid Zone of India', Paper presented at the Third National Rangeland Congress, New Delhi, November 7-11.
- (1989): 'Management of Common Property Resources in Selected Areas of India', Paper presented at the Seminar on Approaches to Participatory Development and Management of Common Property Resources, Institute of Economic Growth, Delhi, March 10.
- (1990a): 'Depletion of Common Property Resources in India: Micro-Level Evidence' in G Mc Nicoll and M Cain (eds), *Rural Development and Population: Institutions and Policy*, Oxford University Press, New York (also supplement to Vol 15, *Population and Development Review*).
- (1990b): 'Rural Common Property Resources: Contributions and Crisis', Foundation Day Lecture, Society for Promotion of Wasteland Development, SPWD, New Delhi.
- (1991): *Rural Common Property Resources: A Growing Crisis*, Gatekeepers Series, No 24, International Institute for Environment and Development (IIED), London.
- (1992): 'Rural Common Property Resources: A Missing Dimension of Development Strategies', *World Bank Discussion Papers*, No 169, The World Bank, Washington, DC.
- (1993a): 'Common Property Resources in Stressed Environment: A Case Study of High Risk Environment, India', presented at IV Annual Conference of International Association for Study of Common Property Resources (IASCP), Manila, Philippines, June 16-19.
- (1993b): 'Property Rights and Development: Privatisation Process of Rural Common Property Resources in Dry Regions of India', presented at the meeting on 'Property Rights and Performance of Natural Resource Systems', The Beijer Institute, Stockholm, September 2-4.

On the Beaten Path

A K Pat

Dimensions of Monetary Expansion in India by Amitava Mukherjee; Himalaya Publishing House, Bombay, 1994; pp 227, Rs 225.

AMITAVA MUKHERJEE's book is perhaps the latest addition to the evergrowing literature on the theme of monetary policy and money supply process. This book occupies a slot somewhere between a textbook and a work of original contribution to this area of economics. Most of what this book has dealt with, has been said, analysed and discussed earlier. Its contribution lies then in the manner in which all the different related issues have been brought together at one place.

The book opens with a chapter devoted to a brief overview of the banking structure in India. It is believed that an understanding of the nature of the banking system is essential in developing a framework for evaluating the behaviour of proximate determinants of the money stock. In effect this portion stands apart from the rest of the topics and has not been properly enmeshed. Furthermore, the statistics on many of the banking indicators presented here are dated. One could make do without this chapter. This is followed by an extensive discussion on the theory of money supply and its proximate determinants. The chapter while discussing the monetary base model takes us through a labyrinth of equations and contains a restatement, and an uncritical one at that, of S B Gupta's analysis of the inter-relationship of different constituents. Very many equations have been developed for analysis of proximate determinants of money stock, but a few have been used in the analysis.

For a study of currency ratio behaviour and characteristics, the reference period, 1951-52 through 1990-91, has been divided into six subperiods. The rationale of this subdivision has not been spelt out. It would have been useful if the influence of various factors on currency movements in different subperiods was econometrically quantified for conclusive results. At one place (p 91) the author states that lower increase both in currency and demand deposits in 1985-86 could be attributed to, among other factors, the relative price stability, availability of more attractive financial assets, measures to check the growth of black money, etc. He goes on to add, "this receives further corroborations from the fact that domestic

savings as percentage of NNP at current market prices fell between 1984-85 and 1985-86 but aggregate net investment as percentage of NNP at current market prices increased whereby indicating a shift in public preference in favour of other investments such as small saving instruments, government securities, capital investments bonds ...as against cash or deposits with banks". This statement defies comprehension. Does the author mean savings in India comprise only cash and deposits? Is the author ignorant of the fact that aggregate net investment or capital formation is the sum total of savings (not as defined by the author) and net inflow of foreign resources? When total savings are inclusive of an array of financial assets mentioned by the author which of course finance net investment in the economy, how does the difference in the saving and investment ratios 'corroborate' the shift in household preference away from currency? Should we not use other methods to establish it? The section on contrast with the developed countries in the matter of currency ratios is superficial and pedestrian. Why 'income' and 'urbanisation' did not exert influence on the currency ratio should have been subjected to a detailed examination. Further the use of the subtitle 'contrast' is questionable as no such attempt has been made.

The chapter discussing the behaviour of the reserve ratio again divides the reference period into six sub-periods of roughly six years each, without giving an explanation for such a choice. The author seems to have worked out reserve ratios, incorporating the figure of 'other deposits' with RBI in the total deposits. This is a faulty method leading to abnormal results because the RBI does not indulge in credit creation like commercial and co-operative banks; it only provides reserves to the banking system through extension of loans and investment activities. The author's understanding that non-scheduled banks need not hold required reserves and that non-scheduled banks are beyond the reach of the Reserve Bank in the matter of required reserves is wrong. The cash reserve requirement for non-scheduled banks is laid down in section 18 of the Banking Regulation Act. It is admittedly

less stringent than what is applicable to the scheduled banks. It is not clear whether the author has made a distinction between legal reserves and free reserves in the analysis of the trends in reserve ratios. The substitution effect, advanced to explain the movement in reserve ratio (p 94), became invalid way back in 1962 when the distinction between the demand and time liabilities for the purpose of reserve requirements was removed and the reserve ratio was uniformly prescribed. And how does change in SLR requirements as well as interest payable on CRR affect the cash reserves held by banks (p 102, para 2)?

The chapter dealing with the behaviour of the reserve ratio is descriptive of the policy measures implemented. The result of the exercise to study the relationship of the reserve ratio with demand deposits, aggregate deposits and total reserve was that none of this had a perceptible influence on the former. Which factor, in fact, exerted influence on reserve ratio apart from legal requirements? There is no evidence of any statistical assessment of the effect of interest rates on bank reserves in the relevant chapter, but in the summary and conclusions the author has made a summary statement that "available evidence cannot corroborate the hypothesis of elasticity of reserve ratio with respect to rate of interest, set out by Pollock and White".

The sources of monetary base changes, the nature of reserve money and its behaviour are discussed in the chapter that follows. Changes in monetary base are attributed to endogenous and exogenous or autonomous factors. The latter are monetary authorities' (including government's) transactions with the rest of the world and as such the 'initiative' lies with the former. Endogenous changes are determined by the public and the banks, through their borrowings from the Reserve Bank and the foreign exchange transactions of the non-bank public. Therefore in the author's opinion the assumption that the monetary base is autonomous or policy determined is incorrect. It is hard to accept the author's argument that all borrowings from RBI is at the initiative of banks and development banks for the reason that ability of the banks to borrow from the RBI is by and large dependent on the credit policy stance prevailing from time to time; RBI determines even the extent of availability of refinance from it. Similarly, the author is of the view that bills of exchange and treasury bills rediscounted by the RBI from the commercial banks should be reckoned as RBI credit to banks and not to the com-

mercial sector or government. The reason behind the procedure presently followed by the RBI could be that once the bill is rediscounted, the RBI becomes 'holder in due course' and in the process of rediscounting it has stepped into the shoes of the original holder. RBI offers a sort of refinancing facility earlier extended by the banks to their constituents. As such the 'prior party' to a negotiable instrument is liable to the 'holder in due course'. Of net bank credit to the government and deficit financing, the author's impression that one rupee coins (central government currency) are not considered in the measurement and computation of net RBI credit to government is incorrect (see p 30 of *Report of Money Supply Working Group*). A portion of government currency (i.e. small coins) to the extent to which it is held outside RBI, is, however, not included in RBI credit as the small coins are distributed through small coin depots in exchange transactions and their issue to the public directly does not constitute 'deficit financing'. In exchange transaction the level of currency does not undergo any change but only the composition. The need for making a distinction between 'old' issues and 'current' issues of government securities to arrive at the current year's deficit financing as measured by RBI credit to government, as suggested by the author, was never in question but perhaps the RBI could not give effect to it in the monetary statistics compiled by it because of difficulty in making such a fine distinction at the operational level. The findings of the penultimate chapter on interaction of the determinants of money stock are the same as those thrown up by earlier studies, such as a decline in the influence of the money multiplier because of significant rise in reserve requirement and concomitant increase in the contribution of reserve money to change in money supply, etc. The author concludes the book on an optimistic note that the role of the multiplier is likely to increase in future considerably because the currency ratio might fall due to the popularity of alternative financial assets. Will his expectation materialise, given, on the one hand, the huge size of black money, the growth of which is relentlessly encouraged by the kind of social structure and widespread political and bureaucratic corruption, and disintermediation on the other. The author has endeavoured to add value to his book by incorporating 27 appendices containing statistical data. The tables have not been coherently and thematically presented. Some are irrelevant, e.g. Tables X and XI, and are not referred to in the text. The period coverage of statistics on different dimensions is not uniform. A few individual years are left blank in many tables. The veracity of

the data presented in Table XXV is suspected as figures do not tally with those given in official publications such as the *Report on Currency and Finance* and the *RBI Bulletin*. In short no attention has been paid to neat and accurate presentation of authentic data.

As one finishes reading the book one cannot help the feeling that the author has missed a good opportunity to shed light at least on a few new dimensions of monetary

expansion in India because of his proclivity to tread the beaten path. A senior professor of economics once remarked to this reviewer that monetary economics was largely institution-based. Therefore academics who do not interface with policy-planners in the central bank and with practitioners of banking can never get to know the nuances and subtleties of the subject and to that extent their knowledge would be incomplete. This book reminded me of the professor's remark.

Russia: Change with Continuity

Anuradha M Chenoy

Rethinking Russia by Madhavan Palat and Geeti Sen (eds); India International Centre and UBSPD Publishers, New Delhi, 1994.

THIS collection is a pastiche made up of a delightful combination of Russian art, film, history and politics. Yet it avoids being an 'everything-you-wanted-to-know-about-Russia' volume. What makes it especially striking are the reproductions of Russian art, both traditional and contemporary, the use of poetry, and photographs which intersperse the pages. But the lavish use of visual techniques does not make this a coffee table reader – the text ensures a serious and analytical examination of aspects of Russian culture and politics. Brought out initially as a special issue of the *India International Centre Quarterly*, this volume represents India's continuing interest in Russia.

The question of continuity and change is a recurrent theme in this volume. Much has changed and much appears to be the same. Much that has changed seems to have reverted back to the past. But this is deceptive because history does not repeat itself. For example, the nomenklatura were purportedly pushed out of power, after Yeltsin's accession to power following the August coup. But the results of the post-1993 elections show the links of the nomenklatura with the new mafiosi and their influence on the leadership in Russia, and in the other regions of the former Soviet Union. Besides, the impact of the old system on the political parties and other social formations show that there have been sharp elements of both continuity as well as discontinuity. The 1917 revolutions (February and October) marked sharp discontinuities with the earlier regimes. But there were also continuities. The October Revolution slogan of 'land, peace and bread' was designed to incorporate liberal bourgeois demands. Towards the end of his life, Lenin admitted this in his writings on the New Economic Policy.

Palat's essay, 'Russia as the Alternative Universal', analyses the modernisation process of Russia since the late 18th century.

Modernisation, he argues, proceeded along capitalist lines despite the constrictions of a backward agricultural sector and a society which continued to be organised in a hierarchy of estates with a set of regulations right up to 1917. The Soviet regime, in Palat's thesis, continued in its drive towards modernisation, inheriting the mantle of the Russian ethos of leading one camp in the divided world. This was the essence of the alternate to the European route to modernity offered by the Russian empire and its intelligentsia. The symbioses of the past with the present made Russia different, and it is the continuity that Palat stresses.

Clearly, there was not just one stage in Russian/Soviet history. This is what Mikhail Gelfer stresses in his conversation with Dev Murarka. Nor was there just one kind of politics. Several kinds of politics contended. In each phase, one type struggled for and came to dominance. In each stage social goals, policies and power structures varied. And when one regime was displaced or replaced by another, there was a discontinuity. The Russian society moved from one transition to another. The Russian revolution was, according to Lenin and Stalin, a transition to socialism, which according to the latter was achieved in 1936 after the civil war and the purges. As various historians like E H Carr and Isaac Deutscher have shown, even this transition was incomplete. The Khrushchev interregnum, the aborted Kosygin reforms, Gorbachev's attempts at change were all unfinished agendas. Under these circumstances sweeping generalisations are misleading, and over-ambitious predictions are likely to become outdated.

In Russia not only theories get outdated. Political figures too, as Trotsky said, get swept into the dustbin of history. Alexander Tsipko sees a similar fate awaiting Zhirinovsky. Evidently, some of the nationalist tendencies represented by Zhirinovsky

with the concomitant urge for hegemonism over a lost and not so distant empire, have been appropriated by Yeltsin himself. This is shown in Anatoli Lieven's analysis of Russian relations with its 'near abroad'.

In his detailed analysis of party formation and the Russian political system, Hari Vasudevan analyses leadership rhetoric (mainly of the Democratic Russia Party) to understand politics. Vasudevan feels that comparative analysis is inadequate for studying the kind of politics at play. However, comparative politics is required to situate the problem historically and sociologically. What kinds of politics dominate or decline, are a product of larger socio-political conditions. Rhetoric may not adequately bring out the ideological and real shifts that take place. This fact is recognised even by conservative, not to speak of liberal political theory. Thus, if viewed in comparative perspective, certain patterns in political processes can be found in Russia and the CIS where revolutions have failed (or been 'betrayed') and socialism has become the longest road to capitalism.

The failure of the revolution remains an enigma to many, especially on the left. Dev Murarka views that the revolution was betrayed by the Russian intellectuals. But other contributors like Mariam Salganik, A Tsipko and others, belie this assumption by the strength of their work. If anything, the Russian intelligentsia is divided, especially after the siege of the parliament of September 1993. The division of the intelligentsia parallels what is happening in Russia. Society, as a consequence of the economic reforms, is being divided into rich and poor, and regional variations are on the increase. Mikhail Geffer finds, as a result, most of the intellectuals cynical and indifferent. This attitude is evident in Dev Murarka's interview with Mikhail Gorbachev, an important contribution in this volume. Here, Gorbachev has distanced himself from his place in history by referring to himself in third person. He states, "As far as the reform goes, the party should have been put in its place, to be only a party, a public-political organ and not interfere with the functioning of the state". This reflects his idealism rather than a clear understanding of the role of the CPSU through history. But this is typical of Gorbachev's speeches, ambiguous, full of generalisations, even about civilisational tasks. And yet, Tatyana Tolstaya, a writer and the grand-niece of Leo Tolstoy, has remarked that intellectuals when they drink, toast Gorbachev even today. "They drink to Gorbachev the way they drink to lost youth, to first love (even if it ended in betrayal)... Because life was good then. Because he unclenched his fist and let go of East Europe and eased our collective consciousness..."

(*The New Republic*, April 11, 1994). Yet this toast is incomplete, because Gorbachev unclenched his fist over the Soviet Union itself. Because, as Rousseau and Marx have stated, no people who oppress others can themselves be free.

Mariam Salganik's article on the plight of the Russian woman, caught in the paradox of ideology, male chauvinism and history makes poignant reading. Several professionally competent articles on Russian icons, Tarkovsky's films, Dostoevsky, etc. analyse Russia's search for self-identity.

Arup Banerji has contributed a well-researched piece on private farms in Russia. He outlines the legal changes and their impact on private farms. However, even with decollectivisation there exists a plurality of forms of property in Russia, necessitated by the diverse conditions. It would be abnormal to have just two or three types of farms in Russia. The private farms can be compared with other types of farms. Interestingly, laws to encourage decollectivisation in Russia have had contradictory effects. For instance, the Decree on Taxation of February and December 1993, was linked with the sale of land. In 1992-1993, the tax on land was 10-144 roubles per hectare. The price of land

was established at 50 times the land tax, which did not reflect the market value of land. This was done to encourage the resale of farms, which is leading to a reconcentration of land ownership. While decrees are purportedly designed to facilitate the transformation of large farms to smaller ones, the reverse is taking place. Thus, while Banerji discusses the trauma of collectivisation drive of the 1930s, it must also be stated that the current phase of decollectivisation is by no means less cataclysmic.

Of course, like any good Indo-Russian collaboration, this volume also contains a 'down memory lane' conversation with the two great stalwarts of the Indo-Soviet days, Nikhil Chakravarty and A K Damodaran. The links of the early communist movement with the Soviet Union are reconstructed, and the intricacies of Indo-Soviet relations recorded. Joan Robinson had once said, "everything you say about India is true. And the opposite is also true." This aphorism could also be extended to the former Soviet Union. This perhaps remains the basis for the continuation for Indo-Russian ties, and volumes such as these.

NEW AGE INTERNATIONAL PUBLISHERS

ECONOMIC JUSTICE IN A FREE SOCIETY

Gautam Mathur

The book explores and refines the concept of distributive justice in a truly democratic society. The author has developed an original framework to address the fundamental concerns in ensuring economic justice in society.

81-224-0604-1 1994 Cloth 293 pp Rs. 350

THE THEORY OF INTERNATIONAL VALUES

Rajas Parchure

The book makes an appeal for a thorough restatement of the theory of international values. It integrates the 'pure' and 'monetary' aspects of international economic relations, and formulates a multicountry multicommodity theory of trade.

81-224-0664-5 1994 Cloth 250 pp Rs. 300

NEW AGE INTERNATIONAL PUBLISHERS LIMITED

WILEY EASTERN LIMITED

4835/24 Ansari Road, Daryaganj, New Delhi 110 002

Fax : 91-11-3267437 • Tel. Nos. 3276802, 3261487

Branches : Bangalore • Bombay • Calcutta • Guwahati

• Hyderabad • Lucknow • Madras • Pune • London

Universities as Institutions

Andre Beteille

An institution is not just a social arrangement with a certain form and function; to survive it must also have a certain legitimacy and meaning for its members such that they are willing to put its demands above their individual interests, at least some of the time. This paper explores the question of whether, by this definition, the University of Delhi, or any university or college in India, can be called a functioning institution. Practically every university has entered the process of stagnation and decay, not least because of the total politicisation of academic life and loss of purpose in an institution whose basic aim is the pursuit of science and scholarship.

I WOULD like to discuss the university in contemporary India as an institution. Conducted with proper care and attention, such a discussion might open a window onto many aspects of Indian society today. An institution is a social arrangement that has not only a certain form and function but also a certain legitimacy and meaning for its individual members. Its form and function are what we may observe from outside; but viewed from within and by its members, what count for as much, if not more, are questions of meaning and legitimacy.

I

The life of a society, if the metaphor be permitted, is in a significant sense the life of its many and diverse institutions. Sometimes old institutions decay through loss of legitimacy and meaning even though many of their morphological features survive. The opposite may also be true; a new social arrangement may be given the outward form of an institution, but it will not function as one if its members find little or no inner meaning in it. Let me repeat an observation I have made elsewhere [Beteille 1992]: an institution is not simply any social arrangement, but one which has a certain meaning for its members such that they acknowledge its moral claims on them and are willing to submit to its demands, at least some of the time, even when they find those demands to be contrary to their individual interests.

By the test I have just proposed, is the University of Delhi an institution? Is St Stephen's College an institution? The direction of my enquiry should be clear. St Stephen's College – or, for that matter, any college in the University of Delhi – has the external characteristics of an institution. Those external characteristics are of very great importance and have to be carefully observed and described. But we have to move beyond that to the other question: what does it mean today for a student or a teacher to be a member of a college or a university department in Delhi?

It is difficult to answer the questions I have posed without entering into the details of the everyday life of the university, its colleges and postgraduate departments. But before I attempt to do that, I would like to place those questions in a wider social context. A large and complex society such as the Indian one has a highly differentiated institutional system: there are many different institutions in it, some securely established, others on their way out, and yet others struggling to become established. These last have become a source of concern to many in India today. The present exercise may be regarded as an attempt to give expression to this widely-felt concern from the sociological point of view.

The transformation of Indian society since the middle of the 19th century has been associated with the growth of a large number of public and semi-public institutions that are either new or differ substantially from those that prevailed in the past [Beteille 1991]. The new institutions differ from the old not only in their morphological forms but also in the values that give them meaning and legitimacy. To be sure, India had institutions of learning in the past, but a modern college such as St Stephen's – or a modern university such as the University of Delhi – differs from those both in its external characteristics and in the norms and values by which its members are required or expected to abide.

Independent India set itself the objective of economic development within the framework of a democratic political system. Whether one stresses the plan or the market, and whatever combination of the two one recommends, there can be no sustained economic development in the absence of appropriate institutions; and unless there are effective institutions to mediate between citizens and the state, there can be no democracy in any meaningful sense. The old social arrangements inherited from the past can no longer meet all the demands of economic efficiency, and even less those of good citizenship. It is said by one and all that the old hierarchical and paternalistic

values have become obsolete. But the new values that are to replace the old ones cannot exist, still less act, in a vacuum; they need new institutions for their sustenance and expression.

I would like to stress here the variety of institutions and the importance of this variety for a dynamic economy and, even more, for a democratic polity. A democratic polity requires not only parties and other political institutions, but different kinds of these that are to some extent in competition with each other. A dynamic economy requires not only banks and other financial institutions, but a variety of these to offer services on competitive terms. The same argument may be extended to educational institutions. Schools, colleges, universities and other educational institutions are not only different from political and financial institutions, but they also differ among themselves. Today, one of the advantages of the American university system over the European is that the former accommodates a richer variety of institutions, 'private' as well as 'public', than the latter.¹

Institutions have in general a longer life span than individuals. Sometimes they decay over time and become attenuated or even extinct. Or they change and adapt themselves to the changes taking place in the wider society. For example, the Indian family is changing and likely to change further, but it still remains recognisably the same kind of institution despite these changes. I may refer here to the universities and colleges in Europe. Some of these are medieval foundations, going back to the 12th and 13th centuries. The universities have changed enormously over time but can still be recognised as universities today. The fate of the colleges has been somewhat different. The University of Paris, one of the two founding universities of Europe, had a number of important colleges in the past, but they all disappeared in course of time [Rashdall 1936; Stone 1974]. In Oxford and Cambridge, on the other hand, the colleges made a more successful transition from medieval to modern times, and, though

vastly different from what they were in the past, they remain active as institutions to this day.

The integration of institutions, whether of the same kind or of different kinds, is a complex and difficult subject into which I cannot enter here. It is sufficient to note that many different kinds of institutions – old and new, traditional and modern, sacred and secular, private and public – have in fact co-existed in one and the same society at different times in different places. To be sure, institutions may be mutually incompatible, but their incompatibility has to be established not so much by applying formal rules as by examining the historical record.

Finally, we have to remember that, although every institution demands some loyalty from its individual members, the same individual is characteristically – and not incidentally – a member of several institutions. For instance, a permanent member of a college is typically, though not universally, also a member of a family and sometimes a member of a church or some other religious institution as well as a member of a party or some other political institution. Here again, the conflict of demands may sometimes be acute as, for instance, when the same individual is a member of the Catholic Church as well as of a communist party, but both individuals and institutions are capable of a great deal of accommodation in these matters. In the past, in Cambridge and Oxford, domestic life was considered incompatible with the life of fellowship in a college, so fellows were not permitted to marry. For instance, the economist Alfred Marshall had to give up his fellowship of St John's College when he married [Pigou 1956]; but the demands of the college on its fellows eased somewhat over time, and it is no longer considered necessary for them to remain celibate. What is more, St John's College now admits women to its fellowship, a development that Marshall would have deplored.

II

I would now like to take up for consideration universities (and colleges) as institutions characteristic of modern India. Their importance in the modernisation of Indian society – its economic and political transformation – hardly requires emphasis. At the same time, I would not like to claim any pre-eminence for these among other institutions such as courts, legislatures, parties, banks, hospitals and so on, that are also a part of the modern Indian scene. If I select a particular kind of institution, it is because I believe that I can present my argument best by a close examination of a single type, and I know academic institutions a little better than most other institutions.

Universities and colleges in India are modern institutions. Unlike domestic and religious institutions, they do not derive their sanction from 'immemorial tradition'. Since universities and colleges as academic institutions typically pride themselves on the antiquity of their traditions, the fact of newness is important. Most parts of the University of Delhi, including the majority of its colleges, have come up in the last two or three decades. The university itself came into existence in 1922, although its two oldest colleges both belong to the end of the last century. It is sometimes felt that in contemporary India universities and colleges have expanded too rapidly and too haphazardly under demographic, political and other pressures to enable them to create secure institutional foundations for themselves.

Delhi University has emerged as a large and sprawling institution with many parts that do not fit together or appear to fit together harmoniously. No proper history of it exists, and it is difficult to give even an adequate description of it in sociological terms. Yet the transformations undergone by the University of Delhi in the last 40 years might be a subject of great interest to the sociologist and the social historian concerned with the study of social change in modern India.

The two principal component parts of the University of Delhi as an academic institution are the colleges and the postgraduate departments. There are in addition halls of residence, libraries, laboratories, statutory bodies such as the executive and the academic councils, and separate departments dealing with administration, examinations, finance, and so on. The different parts of the university have grown unevenly, some very rapidly, and Delhi University is losing the unity and coherence it had in the 1950s. An important aspect of the university as an institution is that its individual members – whether students or teachers – should have some sense of it as a whole. Not many persons can say confidently or honestly that they have such a sense about Delhi University today, and in that regard it is now different from what it was 40 years ago and what the Jawaharlal Nehru University still is today.

The growing loss of identity in the University of Delhi is due in part to its great and rapid expansion, but there may be other, deeper reasons as well. The individual colleges and post graduate departments, though perhaps not all of them, retain a larger degree of self-identity, and they are in any case the principal seats of teaching and research in the university. Today one gets a better sense of the life in an academic institution by examining a college or a postgraduate department than by trying to look at the university as a whole. I must point out that there is nothing inconsistent in

speaking of the University of Delhi as well as any of its colleges as institutions, since institutions are often nesting systems in which the fundamental features of the whole are replicated in the parts and sub-parts.

In their foundation, the colleges are prior to the university, not only in Delhi but also in Calcutta, Bombay and Madras where the first three modern universities were established in India. In Calcutta, throughout the 19th century, the centres of academic life, where students and teachers met and interacted, were in Hindu College (later Presidency College), St Xavier's College and the Scottish Churches College rather than in the University of Calcutta [Banerjee et al 1957]. Lord Curzon noted this lack of institutional focus in the University of Calcutta, then the premier university in the country. He observed, "How different is India! Here the university has no corporate existence...it is not a collection of buildings, it is scarcely even a site. It is a body that controls courses of study and sets examination papers to pupils of affiliated colleges" [Government of India 1971:498].

Attempts were made in the early part of the 20th century to make good the deficiency by creating a focus of institutional life in the universities of Dacca, Benares, and later Delhi. Lord Curzon's observation on the absence of buildings and building sites was taken to heart. The idea that every university must have its own campus has now come to be generally accepted. In post-independence India, the establishment of a new university has generally been associated with much building activity. But campus and buildings may be necessary to give the university an institutional focus, they are not sufficient. In any case, the new university soon outgrows the buildings with which it started, and the regularity with which they are allowed to run down is a symptom of the university's inability to find and retain its institutional focus.

The older universities were set up to be examining bodies rather than bodies of scholars engaged in study and research. Attempts to change this began in the early part of the present century. The University of Calcutta took the lead under the vice-chancellorship of Ashutosh Mukherji by creating strong post-graduate departments in the arts and sciences [Banerji et al 1957]. It became the centre of a vigorous intellectual life in the 1920s through 1940s, but lost its focus soon after independence. The University of Delhi came into its own as an institution in the 1950s and 1960s, but has now entered a phase of decline. There are many reasons behind this, but here I will only point to the constant threat to the institutional focus of the Indian university from the pressures of certification. Examinations are no doubt important, but when a university subordinates its other

concerns to the concern for certification, there cannot but be a loss of institutional focus.

The University of Delhi, like the Universities of Calcutta, Bombay and Madras, conducts hundreds of examinations and awards thousands of degrees, diplomas and certificates every year. It is believed, though difficult to prove, that large and growing numbers of students enrol themselves in the University of Delhi mainly if not solely in order to secure its degrees. One cannot say how widespread this tendency is, but where it becomes the general pattern, the university will, despite campus and buildings, become what the University of Calcutta was when it started, an examining body with little or no corporate existence.

III

Today it may be easier to find a corporate identity in the colleges, or at least in some of them, although these may be in a minority among the thousands of colleges that now exist in the country. I shall turn presently to the social side of this corporate identity, which is its most important aspect, but before that I would like to make a few observations on its physical locus.

While going through the history of St Stephen's College, I was struck by the continuous concern of the authorities to provide the college with buildings of its own [Monk 1935]. The college started in rented premises but soon moved to its own buildings near Kashmiri Gate in 1891. There was no University of Delhi then. Shortly after the new university was established, the college, which became affiliated with it, began making plans for buildings on the campus, but it took a couple of decades for it to move into its present location. St Stephen's College is by common consent one of the few physically attractive places remaining in the University of Delhi, although there were several such places only 30 years ago. Few colleges in India have the resources of St Stephen's; nevertheless, the others might have done a little better, if they had cared a little more for their institutions, about the maintenance and upkeep of their premises.

Why is the physical aspect of a college important? Certification and even formal instruction in the classroom are only a part, and perhaps not the most important part, of the life of the college as an institution. A college is above all a place for the interchange of ideas on every conceivable subject among teachers and students, and that interchange cannot be effective without long and continuous interaction. To be sure, those who are driven by the passion for ideas will make a place for their expression anywhere. But I am talking about institutions and not exceptional individuals, and the task of the institution is precisely to provide its ordinary

members with a setting that they find both physically and socially congenial. A college which is physically incongenial will be unlikely to keep its ordinary members longer than is minimally required by the rules of attendance. As we know very well, that requirement, for both students and teachers, has turned out to be remarkably elastic.

I now move from the physical to the social, and start with Curzon's lament about the lack of a corporate existence. We might ask in what sense a university or a college may be regarded as a corporation. I do not wish to enter into technical legal questions, but we might consider the celebrated dictum of Henry Maine – incidentally, one of the early vice-chancellors of the University of Calcutta – that “Corporations *never die*” [Maine 1931:104, emphasis in original].

Of course, Maine knew very well that it is not literally true that a corporation cannot die; what he wished to convey by the phrase was a sense of the enduring identity of the corporation, or its capacity to outlive its individual members. I can be reasonably certain that St Stephen's College – or even the University of Delhi – will not cease to exist in my own lifetime. But there is more to it than that, for one can see the college extending into the future and retaining its identity even after all its present members have been replaced by new ones.

Every institution must have the capacity to maintain its collective identity despite the continuous replacement of its old members by new ones, but that capacity is particularly manifest in the university and the college. In the typical case, the students greatly outnumber the teachers. Between a third and a quarter of the former leave the college or the university every year and are replaced by new ones. The student body of the college today is completely different, or almost completely different from the body five years ago; yet it is the same college. Teachers have a lower turnover, and that is why they have an appearance of permanence whereas the students appear as transients, although in the long run, or from the viewpoint of the institution, everyone is a transient.

A college or a university derives many of its distinctive features as an institution from its characteristic age-structure. It differs from all the modern institutions to which I have earlier referred by virtue of the predominance of the young. The relations between the generations is of great significance in every society, and especially in one in which important changes are taking place.

Changes are taking place not only in social relations and in attitudes and values, but probably also in the very meanings that people assign to youth and age. I will make my point with a rapid digression. Many years ago, I was taken aback to read in a very popular textbook on social stratification

“that in American society one is generally considered better, superior, or more worthy if he is ... Young rather than Old” (Tumin 1967:27). That did not correspond at all with my understanding of my own society, but I soon realised that the meanings assigned to youth and age are neither invariant nor unchanging. If those meanings are changing today, there is no public domain in which the change can be more easily observed than in the college or the university.

The same textbook on social stratification observed that one is generally considered better, superior, or more worthy if he is “Male rather than Female” [Tumin 1967:27]. Here, by changing themselves from within, the universities and colleges have played a crucial part in introducing changes in attitudes and perceptions throughout society. The universities were predominantly, if not overwhelmingly, male institutions until very recently, not only in India but everywhere. Removing the restrictions on the admission and appointment of women and their incorporation into the institutions of higher education have been among the most significant changes of the 20th century. Towards the end of his life, Edmund Leach, known for his radical views as a young anthropologist but later criticised for joining the establishment, said in an interview that it was after all while he was provost of King's College that women were first given admission into that bastion of male privilege [Kuper 1986]. He wished to be remembered for the part he had played in that outcome, and, I believe, with good judgment.

Young men and women unrelated by ties of kinship and community can interact more freely in the university than perhaps in any other domain of society. If it has done nothing else, it has at the very least created a new basis for the relationship between men and women in contemporary India. In the past, whether among Hindus or Muslims, the life led by women was either hard or confined, or both, and that is probably true for most women even today. It is mainly in the college or the university that, as a young adult, a woman can enjoy a little freedom to explore new social relations and to construct a new social identity. In the past, in all social classes a woman was already burdened by the cares of domestic life by the time she was 17 or 18 today, if she has the luck to enter university, a new life might open up for her at that age. The university has provided a new ideal of womanhood even if only a handful are able to give that ideal a concrete shape.

Success in academic competition creates a new sense of confidence in women, although we must not exaggerate the extent of change that this can bring about in the actual relations between men and women. Ours is in many ways a deeply conservative society, and conservatism takes its most

obdurate form in the attitudes of men towards women. Academic and other achievements do not automatically bring about equality in social relations, and women are reminded at every turn of their subordinate position in society and its institutions. Yet, I believe that it speaks well of our colleges that here in Delhi the best women undergraduates prefer mixed colleges for their study to colleges only for women.

IV

I now turn, though only briefly, to the thorny question of institutional hierarchy. I have spoken deliberately of the inequality between men and women in order to point out that, although it is pervasive in Indian society, it is neither necessary nor desirable in an academic institution. If the college cannot remove or reduce the inequalities in the relations between men and women that its members bring into it from the wider society, it fails as an academic institution to that extent. But that does not mean that all forms of inequality can or should be removed from the college. Certain forms of it are constitutive of an institution as a stable arrangement of persons engaged in a set of co-ordinated activities. But the inequalities constitutive of, say, the family are not the same as those constitutive of the college; and certainly the inequalities inherent in the institution of caste – and also those largely accepted in our traditional institutions of learning – can have no place in a modern college or university.

I would like to draw attention, and that too, briefly, to only two sources of inequality characteristic of the college or university as an institution. The first is associated with the regulation of activities and the maintenance of discipline; and the second with competition and its outcome. Every institution must take steps to ensure that its daily tasks are smoothly performed and must therefore invest some of its members with more authority – and also more responsibility – than others. It is difficult to visualise a college in which teachers and students – or even the principal, the senior teachers and the junior teachers – all enjoy equal authority. It can be easily argued from general principles that the co-ordination of the wide range of differentiated activities that take place in a college – and even more in the university as a whole – requires some regulatory mechanism which in turn requires some inequality in the distribution of authority [Beteille 1977].

Discipline in any institution is maintained largely through internal sanctions without the use, or even the threat of punishment. Where the use or the threat of punishment becomes the usual rather than the

exceptional method of social regulation, one might hesitate to speak of it as an institution. No institution can work without some exercise of authority, but the constant exercise of authority leads to a loss of its legitimacy, and where authority loses its legitimacy, the institution is bound to decline.

A university or college is a place of achievement through success in free, if not always fair, competition [Beteille 1987: 157-84; 212-32]. It is also a place of academic distinction; or at least its members are expected to strive to make it one. This means that it must not be apprehensive of inequality as such, but be prepared to accept those forms of it that follow from the application of the criteria that it values. It must take the responsibility of sorting the good students out from the bad ones. Above all, it must not be afraid to distinguish between bright, capable and enthusiastic teachers and those who are dull, incompetent and lazy. A university will fail in its essential responsibility to discriminate among students according to academic standards if it refuses to apply those standards in discriminating among its teachers.

One cannot speak of the university or college as an institution without confronting the question of academic standards. There cannot be any fixed or invariant standard of academic excellence and, above all, it cannot be imposed on the university from outside. Universities and colleges differ enormously in their resources, both material and human, and one cannot speak of academic standards without reference to those resources. A college with modest resources cannot maintain the same academic standards, in absolute terms, as, say, the University of Chicago. But the two institutions can both maintain the same high standards, in relative terms, if they use their respective resources with equal care and imagination.

What matters in the end for the institution is not whether it achieves academic excellence but whether it values it. Even our best may not be as good as the second-best in some other institution, but we must not for that reason fail to discriminate among those that we do have. A college thrives on the enthusiasm of its students, and that enthusiasm is smothered if they are all treated alike, irrespective of quality or performance.

Teachers should be prepared to apply academic standards rigorously and impartially not only to their students but also to themselves. The academic selection process is central to the life of an academic institution which is threatened whenever that process is called into question or loses its credibility. It is a fact that there is today in the University of Delhi, as in most Indian universities, pervasive mistrust of the integrity of academic selection committees. That mistrust, irrespective of the grounds on

which it is based, strikes at the very heart of the meaning and legitimacy of the college and the university as academic institutions.

How extensive is the lack of integrity of academic selection committees in India today? Let me say at once that the facts are extremely difficult to establish, for, to quote Max Weber's ominous words, "No university teacher likes to be reminded of discussions of appointments, for they are seldom agreeable" [Gerth and Mills 1946: 133]. It is true that academic selection committees make mistakes, but it is not true that those mistakes are always made because they act in bad faith. Although they do sometimes act in bad faith, the greater fault with academic selection committees, in my limited personal experience, is not their corruptibility but their conservatism. I have rarely been able to persuade a selection committee to recommend a younger candidate with less experience and fewer publications against older and more experienced candidates with more publications, even when we were all agreed that the younger candidate had greater academic merit than all the others.

More and more people seem to believe that there is something subjective, hence arbitrary, if not capricious, about all judgments of academic merit. It is therefore better, they say, to go by 'objective' criteria such as seniority, class of degree, and number of publications in making academic selections. In the end, they tend to settle for what is, after all, the most objective criterion, namely, the length of service measured in years, months and days, irrespective of the quality of that service. The academic selection process is then reduced to a routine which has the advantage of administrative convenience, but deprives it of all meaning from the academic point of view.

The fear of exercising and being subjected to academic judgment is rationalised by the argument that academic distinctions, like all distinctions of rank, are invidious. I have heard persons in prominent public positions say that such distinctions are a legacy of colonialism, or a form of elitism, and ought to be abolished. Many a pillar of our academic establishment has learned to mask intellectual timidity by the use of populist rhetoric. Neither the timidity nor the rhetoric augurs well for our universities and colleges, for no academic institution can be sustained on the ideology of levellers.

The passage from growth to stagnation and decay has been repeated with almost unvarying regularity in practically every Indian university and in most colleges. What is more, the time taken for this passage appears to be getting progressively reduced.

When I left Calcutta where I had been a student in the University College of Science to join the University of Delhi as a teacher, the contrast between the two institutions made a great impression on me [Beteille 1990, 1995]. Calcutta is India's oldest university. Although it was founded in 1857, it began to function as a centre of postgraduate study and research only in the early years of the present century, and it soon acquired a reputation throughout the country. But by the late 1950s it was already in a state of decline. The authorities had failed to look after the physical upkeep of its buildings, libraries and laboratories, and protests, demonstrations and strikes were beginning to undermine the regularity and routine of academic work.

In the late 1950s, Delhi University was in the ascendant. It had the advantage of having a proper campus which the University of Calcutta lacked. It appeared both spacious and well-maintained, and teachers and students were moving into it from all parts of the country. But within 20 years it had outgrown its capacity to maintain itself, and the contrast between Delhi University today and as it was in 1959 is as great as that between the universities of Calcutta and Delhi at that time.

Today the predominant impression of the typical Indian university or college is one of disorder and apathy. The two reinforce each other. The disorder is most clearly visible when large numbers of persons congregate, especially during protests and demonstrations, but it is also seen in the confusion over admission procedures, examination schedules, and even teaching time-tables. A common response to the disorder in an institution is withdrawal by its members, and very few institutions tolerate absenteeism to the extent that universities and colleges do among teachers as well as students. There are not only students who attend courses fitfully and intermittently, but also, and increasingly, many professors who are professors only in their spare time.

Every college and university has an administrative staff, and some colleges are in fact well administered and maintained. Universities are generally larger, and their administration and maintenance more difficult. Moreover, academics set a high value, at least in principle, on 'academic autonomy', and the university is organised in such a manner that much of the responsibility for its administration and maintenance rests, at least formally, with the faculty. But increasingly, the members of the faculty are unavailable for that kind of routine work because of lack of time, or lack of interest or lack of energy.

Beneath the surface of apathy and disorder there is an undercurrent of aggression that finds expression in periodic outbursts. A factor that contributes to these outbursts of

aggression is that among all public institutions, the universities are the ones that are most open and exposed. For one thing, the university campus is frequently and increasingly invaded by what are euphemistically called 'outside elements'. Moreover, the university brings together socially heterogeneous components, men and women, and persons of diverse castes and communities. As I have observed, for some women, the university is pre-eminently a place of freedom, and in our fundamentally conservative society, this is deeply resented by many men and also by some women. Again, it is not very easy to adjust to the redefinition of the social relations among persons from diverse strata that the university or college necessarily demands. In popular writing on the university, all the attention is paid to the acute forms of aggression as manifested in campus violence, and hardly any attention is paid to its chronic forms. Yet these chronic forms of aggression have in the long run a debilitating effect on the life of the institution that tends to escape the notice of even its concerned members.

Very few colleges in India retain an aesthetically pleasing appearance, and I cannot think of any university as a whole that does so.² Peeling walls, broken window-panes, leaking taps, unswept corridors and filthy toilets meet the eye everywhere, and the sad thing is that teachers and students become so easily inured to the dirt and decay. The university authorities say that they cannot do very much since they are hamstrung by financial cuts which become more acute every year. There is no doubt a problem of financial shortage, but even more acute is the problem of managing and husbanding scarce financial resources. University authorities appear at one and the same time helpless when it comes to augmenting income and profligate when it comes to spending money.

The university campus is aesthetically unattractive partly through neglect and lack of care, but also on account of deliberate and wanton misuse of its spaces. Furniture is broken and window panes are smashed not only on occasions of collective outbursts, but as a matter of routine by individuals letting off steam. Outer walls and even inner ones can never be kept clean, since it is the clean ones that are specially targeted for political slogans and moral exhortations. Another expression of this kind of aggression is the defacement of books and periodicals that has become endemic in virtually all university and college libraries.

The chronic aggression finds expression in the surly tone habitually adopted by students 'karamcharis' and teachers whenever disagreement has to be expressed in public. I will say little here about students but confine my observations to the employees of the university. First, there are the

specifically political occasions, such as strikes, rallies and demonstrations, when discontent is aired and demands presented in the most violent language, not only by karamcharis but also by teachers. No doubt the tone of anger is often simulated, but it is infectious. Here, a decisive change has come about in the culture of university and college teachers in the last three decades. Vice-chancellors and principals are often singled out for the choicest abuse by the leaders of the teachers' movement; I have been told that there is nothing personal in this, it is just the political culture of the mass movement from which the university cannot remain isolated.

Violent and abusive language is not confined to strictly political occasions, as when trade-union leaders negotiate with the authorities. I can speak from experience about the academic council of the University of Delhi, and from hearsay about similar bodies in other universities. I will say nothing of the level of academic ability displayed in the discussions, but only about their tone. That tone is now marked by a conspicuous, even deliberate, lack of civility. At meetings of the academic council, those professors who still value civility as a virtue sit silently for most of the time, and quietly slip out as soon as they can decently do so. Many scholars and scientists have begun to feel that it is no longer possible to participate in the decision-making bodies of the university and maintain their self-esteem.

The persistent abuse of vice-chancellors, noisy scenes in the academic council, and the generally uncivil tone of public discussions violates the dignity of the university as an institution. It is not enough to be mindful of the dignity of individuals, we must also be mindful of the dignity of institutions. In India people took great care in the past of their traditional institutions, particularly their domestic and religious institutions. When the first universities and other modern institutions came up in the 19th century, there was some sense of their dignity, and the need to preserve and nourish it. That sense seems to be now evaporating. This is only another symptom of the loss of meaning and legitimacy which I set out to discuss.

Successful professionals in India – scholars, scientists, doctors, architects, accountants, and others – tend to attribute the apathy and disorder in the institutions in which they work to the malign influence of politicians. There is no dearth of examples of unscrupulous interference by politicians in appointments, promotions and transfers in practically every kind of public institution, and few will deny that our political morality has reached a very low ebb. But there are many issues here that cannot all be despatched by being self-consciously virtuous. Politics is not just

something 'out there', the creation and instrument of a separate species called 'politicians', who act on professional pursuits only from outside. It has come to lodge itself within our universities, laboratories, hospitals, and other public institutions.

If by politics is meant the use of power to achieve particular ends in accordance with certain accepted codes, it is difficult to see how public institutions can be wholly insulated from it. Scholars, scientists, doctors and others who are quick to condemn politics in public life often fail to acknowledge their own involvement in activities that are also a form of politics.

If the university is to be a self-governing institution, it must make room for some form of politics within it. The lofty attitude to politics adopted in public by many scholars and scientists is misconceived, and it is often hypocritical. As institutions, universities have always been jealous of their autonomy, and their leaders have needed political support both within and outside to protect their autonomy in the face of threats from church, state and other powerful agencies. No one who cares for the university can say that its autonomy does not have to be fought for, or that it can be defended and strengthened without any regard for politics. What is true of the university as a whole is true also of its individual parts, for faculties, departments and colleges also need to protect their autonomy from unwanted and unjustified intrusion by the powers in the university, and that too cannot be done without engaging in politics in some sense of the term.

Having said all this, one must also say that the politics of the university need not, perhaps should not, be organised in the same way as the politics of legislatures, parties and trade unions. Democratic politics requires for its sustenance not only a certain kind of political constitution but also a certain kind of political culture. In a country with a rich intellectual tradition but no democratic institutions, it was hoped that the universities would play a leading part in the creation of that culture. They have on the whole failed to do so. Today, academic politics is not an example for the politics of the wider society, it has allowed itself to be swallowed up by that wider politics. Leaders of teachers' unions have not enhanced their own dignity or the dignity of the university by becoming petty instruments of the Congress(I), the CPI(M) and the BJP. And they could hardly protect the autonomy of the university by surrendering their own autonomy to their parties.

Today, the problem with academic politics in India is that it is all politics and hardly academic. Few leaders of teachers' unions have any credibility as scholars or

scientists, and many of them are indeed teachers in their spare time. Academic politics today is about 'empowering' teachers for securing better pay, guaranteed promotion and easy conditions of work; it has lost all connection with the content of science and scholarship. Universities ought to have representative even elected bodies in which some amount of political bargaining is to be expected before decisions are reached on academic issues. Academic issues hardly figure in the political bargaining that takes place in organs of the university with a large elected component. Those issues are now not only neglected, they provoke derision from activists among teacher politicians.

Vice-chancellors, deans, principals, and occasionally even leaders of teachers' unions say that the universities have been undone by politics, but by politics they generally mean what other people do, not what they themselves do. They also say from time to time that the government should step in and cleanse the universities of politics, but they say so without much conviction, for they know at bottom that such intervention is more likely to increase than to reduce the part played by politics. Embattled vice-chancellors turn sooner or later to political instruments in order to contain the political forces by which they see themselves threatened. They try to befriend ministers and officials on the one side and leaders of the unions of teachers, karamcharis and students on the other, hoping perhaps to use the one against the other, but ending frequently, and perhaps deservedly, as victims of both.

When an institution becomes politicised beyond a point, every problem in it seems a political problem, and no problem seems solvable except in political terms. The head of a university has to spend most of his time and energy in dealing with politicians and officials from outside, and leaders and representatives from within. He cannot, even if he wishes to, spend much time in discussing academic subjects with scholars and scientists, and not many vice-chancellors appear even to wish to do so. In this way, university vice-chancellors come more and more to resemble precisely those adepts in the art of the possible who appear to be their worst adversaries.

Politics cannot be expelled from the university or from any institution that values self-governance. At the same time, it cannot determine the agenda of an institution whose basic aim and purpose is the pursuit of science and scholarship. There are some who believe that the university can be set back on its natural path by a single decisive political act that will expunge all corruption and all injustice from it. That is a mistake. Every living institution has to accommodate some corruption and some injustice as a part

of its ordinary existence. The real challenge is to remain loyal to the ideals of science and scholarship in a world that offers other and more immediate attractions.

Notes

[This is a revised version of the second of the two Sudhir Kumar Bose Memorial Lectures on Institutions delivered at St Stephen's College in February 1992. I am grateful to the authorities of the college, and in particular Rajinder Gupta for the invitation to deliver the lectures and for their hospitality during the occasion. I would also like to thank Veena Das who chaired the two lectures for her observations and suggestions at that time and subsequently. In particular, it is due to her persuasion that I revised the second lecture for publication here.]

- 1 This point came up repeatedly at the round-table discussion on 'Universities of the Twenty-first Century' held at the University of Chicago on October 4-5, 1991 on the occasion of its centennial. See *Minerva*, Vol XXX, No 2, Summer 1992.
- 2 A notable exception is the University of Punjab at Chandigarh.

References

- Banerjee P et al (1957): *Hundred Years of the University of Calcutta*, University of Calcutta, Calcutta.
- Beteille, A (1977). *Inequality among Men*, Basil Blackwell, Oxford.
- (1987): *The Idea of Natural Inequality and Other Essays*, Oxford University Press, Delhi.
- (1990): 'A Career in a Declining Profession', *Minerva*, Vol XXVIII, No 1, pp 1-20.
- (1991): 'Distributive Justice and Institutional Well-Being', *Economic and Political Weekly*, Vol 26, Nos 11 and 12, pp 591-600.
- (1992): 'Caste and Family in Representations of Indian Society', *Anthropology Today*, Vol 8, No 1, pp 13-18.
- (1995): 'My Formative Years in the Delhi School of Economics, 1959-72' in D Kumar and D Mookherjee (eds), *D School: Reflections on the Delhi School of Economics*, Oxford University Press, Delhi.
- Gerth, H H and C W Mills (eds) (1946): *From Max Weber: Essays in Sociology*, Oxford University Press, New York.
- Government of India (1971): *Education and National Development: Report of the Education Commission, 1964-66*, NCERT, New Delhi.
- Kuper, A (1986): 'An Interview with Edmund Leach', *Current Anthropology*, Vol 27, No 4, pp 375-82.
- Maine, H S (1931): *Ancient Law*, Oxford University Press, London.
- Monk, F F (1935): *A History of St Stephen's College*, Delhi, YMCA Publishing House, Calcutta.
- Pigou, A C (ed) (1956): *Memorials of Alfred Marshall*, Kelley and Millman, New York.
- Rashdall, H (1936): *The Universities of Europe in the Middle Ages*, Vol 1, Clarendon Press, Oxford.
- Stone, L (ed) (1974): *The University in Society*, Princeton University Press, Princeton.
- Tumin, M M (1967): *Social Stratification*, Prentice-Hall, Englewood Cliffs.

Authority, Gender and Knowledge

Theoretical Reflections on Participatory Rural Appraisal

David Mosse

Information for planning is shaped by relations of power and gender and by the investigators themselves, and certain kinds of knowledge are often excluded. Participatory methods of research such as participatory rural appraisal (PRA) are increasingly being used to overcome the limitations of conventional research methods.

THE popularity of techniques of participatory rural appraisal (PRA) in rural research and project planning comes in large part from their ability to generate information at the community level directly with members of the community. Such information is held to be more reliable, more efficiently obtained and more relevant to community interests than that generated by conventional social research methods [Chambers 1983, 1991]. Improving both the quality of information available to planners, and communication between outsiders and community members, is central to the rationale for participatory approaches, at least for projects with a more 'instrumental' notion of participation where PRA has made major in-roads. Many development efforts are set in highly complex social and physical environments which place a premium on the use of people's knowledge and judgments (e.g. in assessing new technologies). Access to this knowledge presupposes intensive interaction between project staff and members of the community. Techniques of PRA not only draw on the complexity and sophistication of people's technical and social knowledge and their practical expertise in livelihood management, but also bring out hitherto unrecognised abilities of diagrammatic and symbolic representation among informants through a range of mapping and diagramming techniques usable by non-literate peoples [RRA Notes 1988-92]. The effectiveness of location-specific project strategies based upon local knowledge equally depends upon the quality of information feedback and learning, and for this PRA increasingly finds successful application in methods of project monitoring and evaluation.

Given the growing importance of rapid research methods in development planning of all kinds, there are surprisingly few theoretical and critical reflections on methodology, particularly reflections from field experience [cf Fairhead 1991; Pottier 1991; Scoones and Thompson 1992]. In this article I draw on my recent field experience of PRA arising from work as a consultant to a participatory natural resource development project in a tribal region of western India. This provides the background for more general critical comments on some of the assumptions implied in the practice

of PRA. My focus here is particularly on the social context of the use of PRA methods, rather than on the individual techniques themselves. PRA is undertaken in many different social contexts, at different stages in a project's life, and by different types of development organisations. These obviously shape the fieldwork and bring to light different questions. This article focuses on the use of PRA at the very earliest stages in a project, that is prior to the setting of specific project objectives. We consider interdisciplinary 'team PRA's undertaken in an area which is new to the project organisation and at the point at which the project is developing its identity and relationship with local communities. This situation raises particular issues.

The first issue concerns the extent to which the use of PRA depends upon established links between an agency and local communities. Much work on PRA methods has been done by NGOs who are able to build upon years of work with a given community and have, themselves, an established identity and credibility. Is it possible for PRA to be undertaken in completely 'new' areas, where an agency is unknown? Can PRA itself be a means of establishing the mutual trust and rapport which is necessary for any participatory development effort? The second issue concerns participation in PRA. At its simplest level the question is, who does and who does not participate in organised PRA sessions? A more complex question is, are the perspectives and knowledge of all sections of a community equally 'accessible' to the methods of PRA, or are there features of the PRA methodology which impose a selectivity on the type and sources of information? I will look at the constraints to participation and the way in which PRA may generate (or create) information of a rather special kind. I suggest a view of local information and knowledge itself which differs from that commonly held in practice. Information does not just exist 'out there' waiting to be 'collected' or 'gathered', but is constructed, or created, in specific social contexts for particular purposes. Here I am concerned with PRA techniques organised as public events and the ways in which these create (and exclude) particular knowledge.

Specifically, I shall look at the implications of (1) social dominance and authority, (2) gender relations, and (3) the existence of project 'outsiders', for the shaping and recording of public information available for planning. In the case of gender, for example, the question is, what assumptions does PRA make about women's ability to fully participate? How 'accessible' is women's knowledge and experience to existing PRA methods?

The third issue to be addressed is the complicated question of the existence of different kinds of knowledge, and the problems this may pose in generating information for planning. A related question concerns the extent to which PRA remains a set of techniques by which outsiders extract information rather than a methodology for planning in which local actors actively participate. Is there an assumption, in the practice of PRA, that community knowledge about livelihoods and knowledge for action are the same? Does PRA in practice deal with the problem of the limits of local knowledge and awareness and the need for new skills for community analysis of problems and for planning?

CONTEXT

The experience of PRA which informs this paper comes from an Overseas Development Administration (ODA) funded natural resource development project, the Kribhco Indo-British Rainfed Farming Project (KRIBP), implemented in India by the Krishak Bharati Co-operative (KRIBHCO). A brief sketch of the project is necessary to set the background for the later discussion. The overall aim of the project is the promotion of a participatory and poverty-focused approach to farming systems development. The more specific objectives are to increase local capabilities in the management of natural resources and to improve the ability of the poorest to gain access to existing government programmes in order to bring about sustainable increases in farming systems production and improved socio-economic conditions of poor farming families. The project strategy involves an extended process of participatory planning in which PRA plays a part in generating location-specific natural resource develop-

ment plans. This involves prioritising problems to be solved and identifying opportunities for innovation. These include the use of improved crop varieties, measures for soil and water conservation, agro-forestry, minor irrigation and pisciculture. The project specifically aims to identify women's perspectives on farming systems, to strengthen women's existing roles in natural resource management, and open new opportunities for women's involvement in household and community decision-making and resource control. The sustainability of the project's initiatives ultimately depends upon the continued involvement of the community in project implementation, record keeping and monitoring. The project aims to generate a local capacity for this through the training of workers from the community and the development of village-based organisations. In the long run this aims to enable community-based provision of services (e.g. savings, credit or inputs supply) and management of common property resources (grazing, forestry, fisheries) [Centre for Development Studies 1990].

The project is located in the Bhil tribal districts of western India (Panchmahals in Gujarat, Banswara in Rajasthan, and Jhabua in Madhya Pradesh). These tribal districts are amongst the poorest in India. A rapidly growing population – presently around five million people – is putting increasing pressure on a fragile resource base which now faces extensive deforestation, soil erosion, water scarcity and declining agricultural productivity. Unable to meet their subsistence needs, 40-60 per cent of the working population now migrate seasonally for work in urban or better-off rural areas. Six village clusters have been identified for work in the first year, and the number is to expand subsequently.

The project is managed by a functionally autonomous specially staffed unit of the main organisation with its headquarters in the centre of the project area. A core of technical and social science specialists support male and female community organisers (COs) based in individual village clusters. COs have the responsibility of working with community members in developing local strategies for natural resource and organisation development and of making themselves redundant after two or three years by transferring skills to local workers.

In July 1992 COs took up residence in the village clusters following an extensive field-based period of training (including training in PRA methods, in which several already had considerable experience). They began by developing a general understanding of the locality and identifying suitable points of entry into the community. This involved village meetings, house-visits, sketch mapping, understanding local transport links, etc. and regular team meetings to review progress over the first two months. By the

end of two months, several villages had been identified as appropriate and ready for introductory PRAs. Positive criteria for selection of villages were small size, social homogeneity, the absence of known factionalism, the existence of supportive village leadership, and the interest and willingness of the village to host structured PRAs.

The purpose of the first PRAs were: (1) to provide further training for the team, (2) to contribute to the process of rapport building, (3) to develop and adapt PRA methodology for work in this area and stage of the project, and (4) to begin to meet the project's information needs. The PRAs involved teams of 8-10 people (headquarters staff, COs and supporting consultants, including myself) staying in villages for up to four days and collecting information with community participants using a range of techniques: village and area mapping; matrix ranking (e.g. of crops and trees); institutional linkage diagramming; kinship mapping (genealogies); seasonality diagramming; etc. Arrangements were made for our stay in the villages, sometimes making use of existing public buildings (e.g. schools) or hiring a canopy, organising food and cooking and occasionally lighting. The PRAs followed a general pattern. Following introductions in a general village meeting in which the purpose of the PRA is explained, a group settlement mapping is organised. This is followed by other group activities such as 'time-line' (local history of events or significant changes) or 'kinship mapping' (drawing genealogies). Villagers are then organised into three to four groups for the area mapping which usually takes place on the second day. Each group undertakes a 'village walk' spreading out in different directions from a central place. The group conducts interviews with households falling within their 'sector'. The area covered is then mapped by the group and presented at a plenary village meeting. These maps are used to identify areas of concern which are discussed and agreed upon in a village meeting. The third day is used for a range of other group exercises: tree matrix ranking, chapatti diagrams, seasonality diagramming, etc. Undoubtedly, there are many ways of organising PRAs, but the above pattern of public group activities is fairly common. When, in what follows, I refer to 'a PRA', I am referring to this pattern of activity.

The first two PRAs – undertaken in villages in Rajasthan and Madhya Pradesh – had very different outcomes. In one village (Chatra Khuta in Rajasthan) a good deal of agro-ecological and socio-economic information was generated with a good degree of community participation. Initial anxieties were overcome, the outsiders were welcomed, a context was created in which the project and its objectives could be explained, and PRA exercises proved effective at articulating locally perceived

problems in relation to soil erosion, deforestation, indebtedness, education, etc., and indicated likely directions in which to explore solutions. Watershed mapping, for example, was used by farmers to plot possible areas for soil and water conservation measures, and likely costing in terms of labour inputs for different types of work were generated. In the second village (Khatama in Madhya Pradesh), by contrast, the project team was prevented from carrying out the PRA by villagers who refused co-operation. The team was unable to establish a basis for communication with the community. Initial anxieties about the project deepened and the team had to leave the village after a day without having seriously attempted any information generation. In the process, significant lessons about this village and the PRA methods were learned. The experience of these two villages places in sharp relief issues which have been experienced more widely in the use of PRA at the opening stages of the project. The contrast between 'success' and 'failure' is more apparent than real in the sense that many of the underlying difficulties are in fact common to both successful and problematic participatory rural appraisal.² The rest of this paper reviews these issues.

PRA AND RAPPORT BUILDING

How easy was it to introduce PRA methods at the very outset of the project, and did these indeed help develop rapport with local communities? 'Rapport' is itself a very difficult quality to identify. The term describes a relationship between outsiders and the community, and implies the trust, agreement and co-operation necessary for the pursuit of participatory approaches to development. However, this relationship is usually described from only one point of view – that of the outsider. 'Effective rapport' in practice often represents the set of assumptions that outsiders have about the 'accessibility' of villagers and the likelihood of effective communication with them. In the case of the project, in the absence of agreed criteria and indicators, quite different assumptions were made by different people in relation to signs of 'good rapport'. Some field-workers emphasised participation in village meetings at which the project objectives were explained, others stressed the strength of links with, and co-operation of, local leaders, others pointed to the extent of household visits made. Several early problems in using PRA in the project were in fact related to mistaken assumptions and misread signs of 'rapport'. In practice, communication of the project's identity and gaining acceptance of its intended activities as a basis for undertaking PRAs, proved to be a complex process. The following paragraphs indicate the nature of the problem.

Several early experiences in the cluster villages indicated that tribal villagers

responded to project staff, not as welcomed helpers, but in terms of their recent experience of outsiders and present anxieties. In these tribal villages, contacts with new outsiders appear generally to be perceived as threatening and risky, rather than as offering new and welcome opportunities and resources. The most common anxiety concerned land rights. It was feared that the project would undermine land rights by constructing dams and flooding valley land, by reclaiming encroached government land for tree plantation, or by acquiring land for industrial development – all part of the tribals' recent negative experience of 'development'. In this context, the terminology used to express project intentions had to be chosen with care. Phrases such as 'forestry' or 'water resource development' conjured a history of experience which prejudiced local reactions to project initiatives.

The experience of generations of tribals in the area is that outsiders expressing concern with their affairs do so in order to pursue their own specific interests. These interests, moreover, are usually expressed in terms of meeting the tribals' own need for 'development'. In some of the project villages, villager scepticism was only deepened by statements (by project workers) that specific project objectives had not yet been set because villagers would themselves determine local development goals. Paradoxically, participatory rhetoric of this sort can be a bar to effective communication where seen as a devious refusal by outsiders to state their intentions plainly. The participatory approach contradicts experience and usually prompts local inquiry and conjecture as to the project's 'real' motives. The question uppermost in villagers' minds, and to which project staff have had to offer a satisfactory answer, is, 'who are you, and what is your interest in us?' Communicating an acceptable answer to this question in an appropriate idiom is a precondition for other rapport building or information gathering activities (e.g. PRA).

But do not the unthreatening situations created by PRA activities create an appropriate context in which to explain project objectives and open dialogue? Certainly, the effectiveness of PRA as a research method is often considered to rest on the 'rapport' generated by the creation of informal contexts (staying with people, sitting at the same level, etc). Experience from the project, however, suggests that where deeply entrenched suspicion of the motivation of outsiders' development intentions exists, participatory styles of interaction often do not have the effect of allaying fears and suspicions. The effect may in fact be near to the opposite.

First, it is easy to forget that notions of informality are culturally specific, and that what is apparently informal and unthreaten-

ing for project staff (e.g. sitting on the ground with villagers, or entering into casual conversation) may be seen as suspicious and deviant behaviour by tribals. This suspicion is illustrated by the comment of a woman in the Madhya Pradesh village, 'Today you are sitting on the ground, tomorrow you will be sitting on our heads'. Non-directive and consultative approaches are unfamiliar, disorienting and treated with suspicion by tribals whose interaction with outsiders has for years been characterised by prejudice and hierarchy. In fact, as I suggest below, PRAs often involve setting up contexts which are in social terms highly formal, and this has important implications for the kind of information generated.

Second, certain PRA methods, however sensitively employed, may themselves be misconstrued and may not help communication. In some circumstances the paraphernalia of PRA research – paper, charts, coloured papers, etc – may in fact generate a greater sense of mystification than conventional research methods. Given insecure land tenure among many tribals in the project area, for example, any emphasis on land – and particularly techniques of area mapping, transects, etc – may only serve to confirm existing anxieties about project intentions. Moreover, specific techniques such as village transects or mapping may superficially resemble the actions of other professionals – notably land surveyors for industrial development – and cause alarm. In these circumstances PRA methods have to be selected and used carefully.

Outsiders' initial sense of 'rapport' with a community is often derived from their interaction with a limited number of individuals who serve as the brokers or mediators between themselves and the community. Misperception of the social position of these 'community leaders' is another source of communication failure with implications for future project initiatives. In one or two situations in the project, the failure adequately to understand local styles and patterns of leadership seriously affected efforts to conduct PRAs. In the Madhya Pradesh village from which the team was excluded, the importance and influence of two different types of leadership within the tribal community was misperceived. Community organisers (COs) had developed contacts with individuals whose apparent influence rested on their well developed connections beyond the village. These included the holder of the statutory position of panchayat sarpanch. These leaders – who also presented themselves as 'community leaders' to outsiders (such as COs) – in fact wielded less influence within the community than a second type of the leader, the traditional tribal leader or 'patel'. The patel's influence and leadership – which in the village in question was expressed in idioms and

conventions not immediately recognised by outsiders as 'leadership' – was significantly underestimated. These different types of leaders appeared, moreover, to have different interests in relation to the project. The sarpanch and others with 'outside connections' may have seen potential for furthering their positions in extending support to COs. The patel, however, appears to have seen the project as a threat rather than an asset. In the event, by persistently refusing co-operation and effectively blocking participation of the whole community, he demonstrated his control over community opinion and action.

Launching an organised PRA exercise involving arrangements for the stay of a group of outsiders in a village (lighting, food preparation, etc) represents a visible commitment on the part of the project to a particular community. Where this is not based upon the gradual build-up of commitment on both sides (village and project), the PRA may in effect present the village with an artificial choice – 'do they or do they not want this initiative', before they are aware of the implications of this choice. Opting for caution and risk-aversion, village leaders may – as was the case in Khatama village – initially reject the approach. In such situations organised PRAs should occur only after a longer period of working informally with individuals or neighbourhood groups. In other cases concrete actions demonstrating the project's commitment to the village are necessary before the more formal PRA information gathering can begin. Sometimes it is helpful to take villagers to visit participatory development initiatives elsewhere or to arrange visits by groups with more experience of the project from other nearby villages. On the other hand, organised public PRAs sometimes do provide the most effective way of winning support for project activities.

Finally, the experience of the project has shown that effective communication with villagers is not only determined by factors within a village community (e.g. local anxieties about land or leadership patterns), but also by the wider networks of which individual communities are a part. Local perceptions of the activities of the project in Madhya Pradesh and Rajasthan have been influenced by current preoccupations concerning, for example, the activities of missionaries, anti-Narmada project activists and local mass organisation activists. Given that the bureaucracy and political system in the area is highly sensitive to work in tribal areas, careful development of the project's identity and credibility with a range of local institutions has been an important part of developing a participatory strategy for the project.

In sum, as an organised public event, experience suggests that PRAs should only be undertaken in a community after a

SOCIAL ACTION

(English Quarterly)

Published continuously since 1951, SOCIAL ACTION is a quarterly journal of social trends. Its objective is to facilitate relevant discussions among action-oriented intellectuals and intellectually inclined activists, as the basis for a constructive contribution to the social issues and developments of our times.

Edited by

RUDOLF C. HEREDIA

Subscription Rate: Rs. 90 (Per); Rs. 125 (Institutional) One year
Rs. 22.50 (Per); Rs. 31.25 (Institutional) Single Copy

Recent Themes:

Multiculturalism and Tolerance (Vol. 45, No. 1)

Secularism: Perspectives and Strategies (Vol. 44, No. 1)

The Family in a Changing World: Patriarchy and Women in the Family Today (Vol. 44, No. 2)

The Family in a Changing World: Children at Risk (Vol. 44, No. 3)

The Family in a Changing World: Strategies for Intervention (Vol. 44, No. 4)

Forthcoming Issue

The UN In its Jubilee Year (Vol. 45, No 2)

Each issue of SOCIAL ACTION contains

**Theme Articles, Special Articles, Current Comments,
Documents, Book Reviews, etc.**

(Ask for Sample Copy)

Please enroll me/us as a subscriber for SOCIAL ACTION. We/I have paid to **Social Action Trust** subscription amount of Rs.....by Cash/Demand Draft/P.O./M.O.
Cheques not accepted.

Name: _____

Address: _____

_____ Pincode:

--	--	--	--	--	--

Period: From: _____ To: _____

SOCIAL ACTION TRUST

10 Institutional Area

Lodi Road, New Delhi-110 003

Phones: 462-2379/462-5015/461-1745

reasonably good knowledge of the locality and appropriate contacts have been developed. It is also necessary to have some means of assessing the adequacy of this knowledge for particular villages, and to identify appropriate indicators of 'good rapport'. This preparation usually requires considerable time, more than was in fact allowed for in the early planning of the project.

HOW PARTICIPATORY IS PRA?

The objectives of undertaking PRA are likely to vary with the stage of a project. In the early stages of KRIBP there was a clear trade-off between the objectives of 'rapport building' and 'information gathering'. Maximising opportunities for participation was not always compatible with getting the best or most accurate data. Local teams varied in emphasis, but it was widely accepted that early PRAs should give priority to the quality of project-community relations over the quantity of information output (not least because of the likelihood of bias in this information, see below).

However, despite efforts to broaden contacts, PRAs are unlikely to be equally accessible or open to all sections of the community. Initial PRA activities of the project have rarely involved a full cross section of the village community. Gender, age, education and kinship all influence participation in PRAs. In Chatra Khuta village (Rajasthan), for example, one of the two major descent groups in the community initially took a leading role, and the other, although not excluded, was less centrally involved. This highlights the risk that without further work the priorities and action plans identified for the village will reflect a narrow set of interests. Not only are some sections of a village under-represented, but also some participation is discontinuous over the course of the PRA. Above all, participation by women has in all PRAs been both limited and discontinuous (see below). The reasons for non-participation are likely to be as varied as those for participation, encompassing both practical (e.g. time, distance) and social (e.g. social factions and alliances) factors. In some cases strong leaders were able to 'mobilise' wide group participation, in others individual factors of interest and curiosity appeared foremost. Without some means of recording and monitoring participation in PRAs, non-participation and the information distortions it causes is often unrecognised.

Physical presence or absence is, of course, only a crude measure of 'participation', and there are many other ways in which involvement in PRA activities is uneven and discriminates against the recording of certain perspectives and gives priority to others. A record of individual involvement would clearly demonstrate the uneven nature of participation in PRA exercises, but even such micro-observations might not reveal important ways in which social relations

influence information generation in a community.

It is a truism to state that dominant views will tend to dominate. However, the way and extent to which recorded information will be biased in favour of perspectives which are not as general as they are projected as being is rarely considered or assessed. Indeed, I want to suggest that PRA, far from providing a neutral vehicle for local knowledge, actually creates a context in which the selective presentation of opinion is likely to be exaggerated, and where minority or deviant views are likely to be suppressed. In practical terms 'community priorities' such as school, soil and water conservation, social forestry or well deepening conceal private interests.

While from the point of view of 'outsider' development workers an organised PRA is an informal event, in social terms the PRA is often highly formal and public: PRAs are group or collective activities; they involve important and influential outsiders (even foreigners); they take place in public spaces (schools, temples, etc); they involve the community representing itself to outsiders; and information is discussed publicly, recorded and preserved for use in planning. Such activities are far from informal everyday life. It seems highly probable that this social formality imposes a selectivity on the kind of information which is presented and recorded in PRAs. At the very least, where critical debate in public is not an established convention, we should avoid unwarranted assumptions about the accountability of publicly processed information.

First, as public and collective events, PRAs tend to emphasise the general over the particular (individual, event, situation, etc), tend towards the normative ('what ought to be' rather than 'what is') and towards a unitary view of interests which underplays difference. In other words it is the community's 'official view' of itself which is projected. Communities are often most solidary when facing outsiders [Robertson 1984: 144]. People may express their equality and unity of opinion to outsiders through generalised expressions – 'we think, we want, etc'. These "rhetorical expressions of integrity of the community" are not to be mistaken for the absence of distinct and perhaps conflicting interests [Cohen 1989: 35]. The tendency to give normative information may be encouraged by faulty interviewing techniques [see Mitchell and Slim 1991], but often the very structure of the PRA sessions – group activities leading to plenary presentations – assumes and encourages the expression of consensus. Where sensitive subjects are being addressed, there is anyway an understandable tendency to move away from the individual and the particular to the general and abstract, or sometimes from the present to the past; i.e. matters of present sensitivity (e.g. bonded labour) are referred to as if they only

happened in the past (presenting problems in the interpretation of 'timelines'). As project staff we perceive a need for consensus information for the purposes of developing village workplans, and have yet to develop the means to handle differing or even conflicting views of local reality. There is sometimes, therefore, tacit compliance between insiders and outsiders in the generation of consensus views. More generally, the interactive context of PRA emphasises mediation between 'outsiders' and 'insiders', 'experts' and 'locals', but is not so good at identifying and handling differences of perception within communities. Indeed, at times writing on PRA appears to reinforce weak and sociologically naive concepts of the community.

Second, the perspectives and interests of the most powerful sections in a community are likely to dominate, not through overt competition or confrontation, but through this expression of consensus. I am referring to what Pierre Bourdieu calls 'officialising strategies' whereby the particular interests of key sections of the community become identified with the general interest [Bourdieu 1977: 38-43]. The ability to represent the personal and particular in universal terms to "...transmute 'egoistic', private, particular interests into...disinterested, collective, publicly avowable, legitimate interests" (1977:40) is a sign of authority and dominance. These "officialising strategies" involve possession of the "capital of authority necessary to impose a definition of a situation, especially in the moments of crisis when the collective judgment falters..." (1977: 40). It is perhaps not too far-fetched to consider the organised PRA carried out at the outset of a project's contact with a community as such a moment of 'crisis'. The community is called upon to judge the outsiders' intentions, take the risk of co-operation, provide collective knowledge, and articulate collective needs and priorities, in the knowledge that whatever is said will in one way or another have implications for the future of the community. These are, perhaps, critical moments at which far more than usual is at stake in controlling the flow of information: moments, moreover, when those in authority "...are able to mobilise the group by solemnising, officialising and thus universalising a private incident" (1977:40). One might go even further and suggest that the PRA actually presents a new means by which people in authority can 'officialise' private interests, by endorsing and putting on record dominant views.

Where a new project is perceived as likely to mobilise considerable resources for village development, the ability to identify personal interests with general ones and to ensure that these fall within the compass of project objectives offers potentially great material and political rewards. Sometimes the claim of universal validity for individual interests

is quite blatant and detectable – the PRA in which the sarpanch's desire for a contract for the school building was projected as a community need for education, is a case in point. But there must be many instances of this process which go unnoticed. The school was not really a project priority, so the sarpanch missed the mark; but today many community leaders are well aware of the benefits to be gained not only from projecting private interests as public ones, but in doing so in such a way that the priorities of projects and their funders are met or 'triggered'. In this sense 'environment', 'gender' and 'poverty' (i.e. global development priorities) are very much part of 'public' knowledge building in community development projects. However, clearly not all community needs will reflect disguised private ambitions. Indeed in the early stages of a project it would be impossible to judge the extent of such domination. Nonetheless, it is important to be aware of the possibility, and particularly to recognise that a PRA is a social event, and like any external intervention in a community, will be shaped and influenced by social processes which may only be detectable in retrospect. Finally, 'the project' is not simply an observer of this process. The presence of development workers itself alters the balance of power. They may be called upon to arbitrate between competing claims to knowledge, and may sometimes enable the expression of subordinate definitions of a situation.

Third, the methodological problems identified here are common to all attempts in social science to represent and model communities. The reason why I suggest these problems may be amplified in group PRAs is because of (1) the short time-frame of research, (2) the public nature of the enquiry, and (3) the possibility of information being used directly to generate material benefits for the community. These observations suggest the need for certain modifications to PRA practice. These would include the use of more decentralised or neighbourhood-based activities, avoiding or deferring public decision-making or problem prioritisation (e.g. at village meetings) and resisting the tendency to develop agreed or consensual views on complex problems until project workers are far more familiar with different parts of the community. The practice of organising separate interest-specific, gender or social group-based PRAs is now quite widespread, and given adequate attention, PRAs can be a useful tool in understanding and expressing difference. The identification of different or conflicting views, however, also requires development of the means to resolve these conflicts as a project develops a consensus for local action. This, I suggest below, is another weakness in current PRA practice.

The corollary of the dominance of 'official' knowledge about the community (or the

'officialising' of the views of dominants) is the exclusion of sub-dominant perceptions, and the relative absence of expressions of interests and opinions of these sub-dominant groups, who lack the ability to make general and public their private and particular interests. The clearest example of this is provided by the case of women in relation to PRA in the project.

WOMEN AND FORMAL PRAs

By far the most important observation from the first carried out as part of the KRIBP project was the minimal participation of women. Very few women attended these PRAs, their involvement was discontinuous, and they did not have a role in the round-up and planning sessions with which the PRAs often concluded.³ This raises both specific questions about women's participation in the PRAs in the project, and more general issues concerning assumptions about women's 'accessibility' and the representation of women's perceptions. This latter is not a new problem, nor one restricted to PRA research methods. At the end of the 1960s Edwin Ardener commented on the absence of women's perspectives in social anthropologists' ethnographies, which were often a product of only talking to men, and about women [Ardener, E 1975a:2]. What is significant is that the omissions were not (except in retrospect) striking. While men were universally accepted as 'good informants', able to articulate knowledge and explanations (models) which met the expectations of investigators, and which included representation of women's concerns, women were considered difficult to reach – "they giggle when young, snort when old, reject the question, laugh at the topic, and the like" (1975a: 2). It was possible to conclude that outsiders (ethnographers)... "have a bias towards the kinds of models that men are ready to provide (or to concur in) rather than towards any that women might provide" (1975a:2). Yet what is increasingly recognised is that dominant male models are incomplete; they do not and perhaps cannot express important aspects of women's experience and interests. This is not simply a question of researcher bias, but is also an issue of structural gender relations.

PRA methods have played their part in addressing some of these gender issues in field research. In many respects PRAs have provided good contexts in which to explore the ways in which men and women's experience, needs and perspectives differ, and innovative ways of representing these differences have been employed [e.g. Welbourn 1991, 1992, Sheelu and Devaraj 1992]. Nonetheless, the central problem of the dominance of male views still pervades the exercise of rapid appraisal for rural development. Of course, in some situations – such as the one discussed here – these

methodological problems are more acute than in others. Indeed the difficulty of involving women in PRAs reported here has a specific context. Group PRAs were used at the outset of a project working in an area unexposed to participatory development initiatives. Moreover, the project did not have its full complement of trained women field-workers. It is often exactly at this early and formative stage of a development intervention that priorities are formulated and the shape of the project is set. However effectively women may be able to participate in later stages of a project, this will not compensate for their early exclusion. The particular problems presented in the use of PRA at the very point at which a project is negotiating its contact with communities (when, for example, it is more difficult to set up separate women-only group discussions) are therefore worth analysing.

For several reasons, organised group PRA exercises in the project have not provided appropriate contexts for the articulation of women's perspectives for natural resource planning. First, women faced a number of practical constraints to participation. The PRAs took place during a season when women's work (especially weeding) does not allow participation (a choice based on the need to have PRAs during a season when few families migrate). PRAs assumed that women would be available collectively at central locations (away from the work sites of the home and field) for continuous periods of time. These requirements of time, location and collective presence were incompatible with the structure of women's work roles [Mehta 1992]. Women are rarely free of work responsibilities for substantial lengths of time, and it is hard to find times when women would be available collectively. This imposes major constraints on women's participation. Organised PRAs, for example, require the allocation of blocks of time away from field and house to carry out transects, mapping exercises, analysis and presentation which women are unable to give.

Second, women faced social constraints. PRAs usually took place in public spaces (e.g. schools) and in the presence of outsiders. Bhil women are typically (explicitly or implicitly) excluded from such public spaces and activities. This exclusion of women "is so normal and 'naturalised' that it is rarely noticed or questioned. In fact, the presence of women causes remark while their absence goes unnoticed" [Mehta 1992]. The comments made on the cultural specificity of 'informality' above have an important gender dimension. Notwithstanding the team's efforts to create relaxed and informal contexts, as mentioned earlier, the whole PRA exercise operated at a socially formal level. In a society which ascribes to women a sphere characterised as private, domestic, manual, low status, informal and by implication socially less visible and

valued, any event which creates processes which are perceived and understood as public and formal tends to exclude women [Mehta 1992].

Caution is needed, of course, in treating 'women' as a single group. Women's access to the 'public' of the PRA would vary with age, marital status, religion and class. There are also significant cultural differences within the area covered by the project. We are as yet inadequately informed to generalise about this. There are also specific forms of adaptation to exclusion. The public space available to Bhil women is often 'extended', for example, by secluding women by some form of purdah [cf Shaheed 1990, cited in Ram 1992]. Again, the extent of 'veiling' in public varies between different categories of women.

Third, not only the context, but also some PRA techniques themselves may have generated social exclusions. The representation of knowledge and experience in maps, tables, charts, etc, involved a formality which appeared to mark it out as the province of men. Women were typically excluded from the mapping of natural resources. Moreover, as Alice Welbourn points out from a different social context, many aspects of social relationships central to women's concerns cannot be represented spatially. When asked to draw improvements they would like, a group of Sierra Leone women replied, "the changes we need cannot be drawn". They were referring to social issues such as overwork, the breakdown of co-wife relationships, and violence from husbands [Welbourn 1991].

Finally, on several occasions during the early project PRAs when a few women were involved in PRA exercises, there was a difference in the way they responded to the tasks. Group discussions with women (and women field-workers) in one village, for example, tended not clearly to demarcate public from personal information, or the subject from the relationship. Women, for example, were concerned to know about the background of the interviewer; they asked personal questions and related stories. Women felt bored by certain exercises, the tasks remained incomplete and women gave up and began communicating by singing instead (observed by Mona Mehta).

We are inadequately informed about many aspects of gender relations in the project area, and it is too early in the life of the project to make generalisations about women and PRA beyond the specifics of these introductory PRAs. Nonetheless, I suspect that at least some of the observations made above (e.g. on practical and social constraints to women's involvement) will find parallels in other PRA contexts. It may therefore be useful, in a preliminary way, to highlight some wider themes which the particular experience points to.

Women (and to a different degree other subordinate social groups) appear restricted

in their ability to articulate their concerns in public and in acceptable mediums. Whereas dominant groups are able to generalise the particular and make the private public, women's own knowledge/power is often only articulated through men, their influence is exerted only as long as the appearance of male control remains [Bourdieu 1977: 41]. Public knowledge is by social definition generated by men and not by women. A 'systematic hierarchisation' condemns women's interventions and knowledge to the unofficial, private, domestic (1977: 41) – an order equally internalised and expressed by women themselves. Even where women's practical roles take them into the public, this is understood as private/domestic. As Kalpana Ram points out referring to women fishworkers in south India, who are engaged in wide fish marketing networks.

The expansion of women's space which occurs in the course of practice is understood and legitimised in Mukkuvar culture only through its imperfect reference to women's cultural responsibilities as wives, mothers and daughters [Ram 1992: 206].

In the same way, *public* expressions of women's interests (e.g. in the first PRAs) almost always revolve around health care, child care, nutrition, domestic work and acceptable home-based income generating activities [Mehta 1992]. They articulate a socially acceptable profile of women's activities. The early experience of PRA in the project suggests that there are major obstacles to women's articulation of interests in farming, natural resource management, or any other area of concern which falls beyond the publicly endorsed definition of women's roles.

Ultimately, however, what the reported 'inaccessibility' and 'inarticulateness' of women (in PRA) points to is not a practical problem, or even a problem of technique, but a manifestation of structural gender relations. These relations, which undoubtedly influence many information generating exercises, appear amplified in the context of the rather special 'public' created by introductory and rapport building PRAs, where, as I suggested earlier, much is at stake in the articulation of needs and priorities to outsiders with resources. As a more general problem, 'inarticulateness' as an aspect of gender relations has been theorised by many, but particularly aptly in Edwin Ardener's theory of 'muted' groups [Ardener, E 1975a, 1975b]. Ardener proposed that in any society there are dominant modes of expression generated by a dominant structure. It is these articulations that are heard and listened to, for instance by outsiders. Subordinate groups, if they wish to communicate, must express themselves through the same dominant modes. However, there is a lack of fit between the ideas and experience of subordinate groups and the modes of public communication available which produces a

characteristic inarticulateness or 'mutedness' among subordinate groups. This is not of course to say that women do not speak. "They may speak a great deal. The important issue is whether they are able to say all that they would wish to say, where and when they wish to say it. Must they, for example, re-encode their thoughts to make them understood in the public domain?" [Ardener, S 1978: 21]. A number of socio-cultural examples of 'mutedness' among women are given in the literature [Ardener, S 1975, 1978; Okely 1975; Callan 1975]. In some of these cases women are constrained in the expression of their interests by patriarchal definitions of their concerns. Arguably, this is what is happening in the context of a public PRAs in the project.

Perhaps Ardener's theory can be accused of being rather static and of ignoring the interplay of power. After all in many projects which have an explicit 'empowerment' goal, some of the clearest signs of progress concern the increased control that women gain over communicating their perspectives. In the introductory context of preliminary project PRAs, the influence of power on the articulation of knowledge is particularly prominent. In providing a way of thinking about the means by which these power relations influence women's communication, the theory of 'mutedness' does not, however, deny the importance of women's agency or the centrality of this in generating change.

To recap, what I am suggesting is, first, that an organised PRA sets up a particular context which gives privilege to certain types of knowledge and representation and suppresses others, and that there is an important gender dimension to this. PRAs will tend to emphasise formal knowledge and activities and reinforce the invisibility of women's roles. Moreover, women's agreement with projections of community or household interests will be tacitly assumed, and the notion of distinctive perspectives will be overlooked. Women do not have the power (and at the beginning of this social development project have not yet been able to develop the skills or competence) necessary to represent personal concerns publicly, and by default have to conform to the categories of legitimate concern given in advance. Put another way, women have to clothe their ideas and encode their desires in particular ways to make them heard and accepted as legitimate in the public domain of the PRA. But often their particular concerns do not find a place in the consensus which a PRA generates. Where women are concerned, much remains unsaid. This silence too may only confirm the dominant view that women have nothing to say in relation to natural resource management, and the invisibility of their roles in this area is reinforced and communicated to outsiders.

Second, and more speculatively, some aspects of women's experience and

knowledge may be encoded in ways which anyway are not amenable to the kinds of formal representation involved in PRA. The boredom and digression of women during PRA exercises is perhaps an expression of their 'mutedness' in relation to existing media of representation. I return to this issue below.

These observations highlight the need for a significant modification of PRA methodology in terms of social context, timing and techniques. There is a need to modify the organisation of PRAs to increase the opportunities for women's participation. There is a need to create non-public contexts in which women staff spend time with women, make more use of house- or field-based sessions (i.e. align PRAs with specific activities/spaces which mark 'informality'). Such PRAs are likely to involve shorter periods of time and activities which are compatible with continuing work, or to take place in small neighbourhood groups. Alternative and more informal ways of communicating knowledge, such as through practical demonstration or the use of stories, are needed. Also, a wider range of sources of information of women's perspectives could be tapped, including the recording of songs, proverbs, sayings, etc. Finally, there is need for constant attention to difference in the interpretation of information generalised for the community and household.⁴

The quality of information from women is likely to increase as women become more familiar with PRA techniques and more confident about articulating their perspectives (as is demonstrated by work with women elsewhere in India [Sheela and Devaraj 1992]). There is an important training role for project workers here in demonstrating the possibilities of giving formal representation – and by implication visibility and status – to women's knowledge. Indeed, if the formality and public nature of PRAs initially presents obstacles to the articulation of women's perceptions, this problem in the methodology of PRA, once recognised, is perhaps also a key to identifying the positive role of PRA in a strategy for increasing women's profile and involvement in rural development projects. Project activities take place in a socially formal domain, and unless women's perspectives are able to be articulated in 'formal' terms, women will remain apart from the planning process. PRA provides one means by which women's knowledge and activities (socially invisible but practically central) can be given formal recognition, support and status, or can be transferred from the informal to the formal arena of community and project planning.

INFLUENCE OF THE OUTSIDER

So far, I have only given oblique reference to the outsider in the generation of information produced by PRA. Of course, degrees of suspicion or trust frame a PRA exercise, and in some measure it is the

presence of the outsider which makes the PRA formal and public. The outsiders' concern with developing an overall picture is part of the in-built bias towards consensus. Moreover, 'local knowledge' is shaped by perceptions of project workers and their ambitions. There may be a 'conspiracy of courtesy' which conceals aspects of social life, or needs may be expressed in terms of the things which the project is perceived as being able to deliver. It is significant, for example, that while KRIBP initially generated a wealth of information on crops, soils, erosion, agro-inputs, and so forth, the PRAs failed to generate information on issues such as encroachment, and relations with the forest department or police, known to be key issues in the area, but perceived as beyond the remit of the project. Answers to direct questions about problems are likely to be strongly influenced by expectations people have of the project and its particular interest in them.

Not all potential biases in PRA are attributable to the community and the way it projects itself; many also come from the investigating team itself. The practice of PRA tends, for example, to be technique-led. Investigators go with a fixed set of techniques to try out. Techniques should serve an agreed research need, but they often become themselves the research framework. In part this is because the models of PRA practice which are established in training contexts emphasise the new and unfamiliar techniques. There are a number of important consequences. Unremarkable methods, such as informal interviewing, which do not produce visible outputs, are underemphasised in favour of techniques which generate attractive physical outputs such as maps and charts (coined by project team members as the 'aesthetic bias'). Implicitly, the production of observable outputs generates more status for the field-worker in report back sessions than would unorganised notes from informal interviews. This bias tends to under-recognise the work of women field-workers who (working with women) typically find it more difficult to produce neat charts and maps, or formal information more generally [Welbourn 1992]. Individual interests or enthusiasm for particular topics or techniques may also distort information gathering. The field-worker spending hours trying to complete a tree matrix ranking, only to finally give up in recognition that there was neither the interest nor knowledge among the group with whom he was discussing, is a case in point. But more generally, as a set of techniques PRA can falsely circumscribe learning. Carried out as a discrete activity, PRA can give the wrong impression that relevant planning information comes in the form of a set of completed PRA exercises. This can limit the acquisition of competence in more general participant observation, narrative reporting and analysis.

Last, it is not only in the generation of information that project staff exert their influence. There are also dangers of misrepresentation in the summarising, analysis and reporting of information by the team. An example will illustrate the problem. Villagers in one project village expressed a problem as 'house collapse'. This referred to the tendency of mud walls to collapse nowadays given the shortage of wood which traditionally is used in their construction. This problem was initially summarised by the team as 'kacca housing', falsely implying a desire for 'pacca' housing among the tribals. It was also very easy to exclude women's expressed needs (e.g. a hospital, flour mill, village shop) in 'summing up' because they did not fit neatly into the established categories of natural resource development.

In a sense of PRA, outsiders determine the 'ground rules'. Consciously or unconsciously project workers impose ideas of 'relevance' and determine what is accepted as knowledge.⁵ But do we adequately differentiate the different ways of knowing or articulating knowledge which may exist?

DIFFERENT TYPES OF KNOWLEDGE

I have already indicated how the articulation of knowledge is mediated by power relations both within the community, and between it and outside 'developers'. But, information and knowledge produced in any community is not all of the same type. Knowledge, for example, is more or less public, 'official', codified, agreed, recognised as such, and accessible to outsiders. In much of the PRA literature, however, there is a general assumption that knowledge is undifferentiated, and that given the right tools, people's knowledge is both recognisable and accessible. As Johan Potter puts it, the implicit message in much PRA literature is 'just ask, they know, and they are your friends' [Pottier 1991]. In reality, of course, knowledge is not so self-evident. The information manipulated through PRAs is often of very different kinds, involving mixed combinations of fact and value, consensus and difference, openness and sensitivity, the public and the private. Even where we are sure of the questions we may not adequately be able to interpret the answers. As Fairhead points out, explanations offered by people may be expressed in polite/evasive shorthand idioms, in idioms signalling distrust, as ethnic norms ('our way') or as uncertain exploratory hypotheses [Fairhead 1991]. It requires detailed knowledge of local socio-political contexts to distinguish between these different types of information, to make correct interpretations and so to treat information appropriately. Much the same applies to visual information. Exercises of participatory diagramming or mapping have a natural appeal to outsiders with limited local language competence as a way of getting at otherwise inaccessible

local understandings; but they do so by assuming, as Pottier puts it, that "environments exist essentially as physical worlds, that is spaces, 'uncontaminated' by cultural and social meanings" (1991:9). Reality is not so simple. On a transect diagram, for example, a tree appears simply as a tree, whereas in real life the tree (or its removal) may be a symbolic statement about gender relations, a statement about land tenure, or a sign of resistance to agricultural intervention by the state (1991:9). Moreover, which of these culturally constructed 'hidden' meanings is relevant, will depend upon to whom you talk.

We need, moreover, to be cautious in assuming that all relevant information is equally amenable to representation in PRAs. The power, authority and gender dimensions of this issue have already been discussed, but there are further general points. In any community, different areas of social and economic life are codified, or rule bound to different degrees. As Pierre Bourdieu, referring to the Kabylia (Algeria), points out, different domains of practice

are differentiated... according to the degree of codification of the principles governing them. Between the areas that are apparently 'freest'... (such as the distribution of activities and objects within the internal space of the house) and the areas most richly regulated by customary norms and upheld by social sanctions (such as the great agrarian rites), there lies a whole field of practices subjected to traditional precepts, customary recommendations, ritual prescriptions, functioning as a regulatory device which orients practice without producing it [Bourdieu 1977: 20-21].

It may not be unreasonable to suppose that the knowledge (informing practice) which is most accessible to outsiders is that which already exists in a codified form, i.e. explicit 'indigenous theories', explanations, rules, and agreed understandings. This is also likely to be an area where knowledge (or at least its public expression) is associated with authority. Other practices are not so easily explained, and are not so fully rationalised in theory. They involve what Bourdieu refers to as a 'semi-learned grammar' – i.e. sayings, proverbs, gnomic poems or spontaneous theories [Bourdieu 1977:20]. Then there are practices which involve an expertise which is not codified, but exists as unconscious schemes which produce practical fluency in a task, or skill in making a judgment.

For long, models of human cognition assumed that all knowledge was mediated by language and that language was essential for cognitive thought. However, Maurice Bloch reviews a body of psychological studies which show that much knowledge is fundamentally non-linguistic and non language-like [Bloch 1991]. Certain kinds of concepts involve networks of meanings which are formed independent of language through the experience of, and practice in,

the external world (1991:186). Classificatory concepts, for example, may involve "loose and implicit practical-cum-theoretical pattern networks of knowledge, based on experience of physical instances sometimes called 'best exemplars' (1991: 185). In terms of practical actions these may be linked to "scripts" and "schemata" which "are, in effect, chunked networks of loose procedures and understandings which enable us to deal with standard and recurring situations, for example 'getting breakfast ready', that are clearly culturally created" (1991:185). Indeed, Bloch suggests that the performance of certain complex practical tasks, or the making of complex judgments, requires that the knowledge underlying practices is non-linguistic (1991: 187). This is because the quantity of information and the speed with which it is to be processed requires that it is stored in instantly recognisable and usable 'chunks' rather than in language-like sentence strings. He cites the examples of motorway driving and the Malagasy farmer making a judgment about whether or not a particular bit of forest would make good swidden. The expertise involved in both situations, but particularly the latter, involves the processing of a phenomenal amount of information (e.g., on soil, vegetation, topography, aspect, etc) in an instant. Becoming an expert, Bloch suggests, involves the development of a dedicated mental apparatus for the packaging, storing and processing of specific chunks of information for handling familiar situations. Such learning is through long practice.

Much agricultural and other practical knowledge addressed through PRA, and which involves the simultaneous assessment of complex factors such as soil, hydrology, topography, and crop interrelations, may be of the same kind. The difficulty is that such knowledge may not be codified in a way which allows it to be directly represented apart from practice, at least not through language. While the use of visual imagery and mapping may offer advantages here over conventional interview methods, there may well remain large areas of relevant local expertise which are, quite literally, missing from the picture. The problem is not that as outsiders we have no access to practical knowledge – clearly under certain circumstances non-linguistic knowledge is 'put into words' – but that we have immediate access to only a part of it, or rather we have access to practical knowledge in a changed form. As Bloch puts it,

...when our informants honestly say 'this is why we do such things', or 'this is what this means', or 'this is how we do such things', instead of being pleased we should be suspicious and ask what kind of peculiar knowledge is this which can take such explicit, linguistic form (1991: 193-94)?

Not only should we treat 'explicit knowledge' cautiously in recognition of the fact that it

is likely to be different from that employed in everyday practical activities (1991: 194), but also because what is special about the knowledge may also be a question of whose knowledge it is. Once again there is a possibility that it is the knowledge or expertise of poorer workers or of women which is under-represented.

CONCLUSION

I have tried to show that some of the information arising from PRAs (e.g., statements of community needs and priorities) is likely to be problematic because it is produced in a social context where the influence of power and authority and gender inequality are likely to be great. In particular, it is the public nature of the PRA which makes the production of local knowledge subject to the effects of 'officialising strategies' and 'muting'. Second, I have suggested that information or knowledge generated in PRAs is, to a great extent, also shaped by the concerns of 'outsiders' and their interaction with 'insider' community members. Third, I have suggested that knowledge of certain kinds, which is embedded in practical expertise, may be encoded in ways which anyway make it inaccessible to PRA techniques.

These observations are not intended as bald statements of the limitations of PRA, but as a challenge for further innovation to generate methods which will better serve the needs of participatory planning. In relation to the problem of practical knowledge, for example, methods are needed which will prove able to distinguish different types of knowledge. Particularly, in addition to drawing on the sayings, proverbs, etc., mentioned above, there is a need to further develop non-linguistic and practical modes of learning. If certain types of knowledge are only learned by observation, and acquired by rehearsal, then outsiders themselves may also have to learn through sharing in the practice of a community. Certain kinds of expertise may only be transmitted when field-workers are able themselves to develop competence in key everyday procedures and reflect on them [Bloch 1991:194-95]. This reflection is important. In effect, it may mean 'unpacking' non-linguistic expertise and 'putting it into words'. Such an exercise is unlikely to add to the practical efficiency of a familiar operation. In fact quite the reverse. However, there may be distinct advantages to the change in character which practical knowledge undergoes when 'put into words'. For example, Bloch suggests that linguistic explicitness is associated with, and allows for, innovation (1991:193). Indeed, participatory approaches to development surely require the transformation of local knowledge so that it can be applied in new ways to problem solving and not simply its articulation.

Even supposing that existing bias in PRA information can be identified and more reliable information generated, a project such as KRIBP will still not have an adequate basis for participatory planning. If knowledge about livelihoods were equivalent to knowledge for action then undoubtedly villagers would have solved problems through self-help long ago. What is missing is an assessment of the limits of local knowledge and awareness, and the constraints to existing community systems of problem solving. Villager involvement in the collection and representation of information through PRAs is only the first stage in a strategy for participatory planning. Local skills often need to be developed in, for example, communicating information in a form which is understandable to outsiders with access to development resources, in analysing problems and identifying workable solutions, and in negotiating between different interests within the community [cf. Davis-Case 1989]. Translating individual, often fragmentary, experiences of a difficulty into the collective awareness of a problem with a view to change, and from this the formulation of a coherent programme of action (some involving collective action) often requires new skills, knowledge and confidence, and in some cases new institutional arrangements (usually implying some shift in the local distribution of power). In broad terms this means matching PRA with techniques of animation, awareness raising, non-formal education or community problem solving which have been a central part of participatory strategies of social action organisations for two decades. In other words, having identified and built upon existing knowledge, PRA should not ignore the need to broaden and deepen this knowledge, to build on and develop local systems of analysis and problem solving, and to develop confidence and organisational resources necessary for action. Having experienced the usefulness as well as the limitations of PRA techniques, the KRIBP project is now attempting to put into practice a strategy for participatory planning which builds in some of these elements. The project has thus recently tried to formulate a step-by-step guide for participatory planning which emphasises the need for preparation for PRA activities, the critical review of PRA outputs and the development of a wide range of tools for community-based problem analysis and planning.⁶

The techniques of PRA have contributed significantly to the promotion of participatory development. But while they offer new opportunities for the articulation of local knowledge including perspectives of women and other subordinate sections of communities, they may also expose projects to new risks by creating public contexts and a new idiom in which dominant interests can gain legitimacy. But perhaps, the greatest

danger is the promotion of PRA as a 'quick' methodology of participation, rather than as a set of techniques or tools which have to be used in the context of project-specific strategies for participatory planning. PRA has proved an acceptable methodology of 'participation' in large and bureaucratic organisations involved in rural development. Yet its advantages here over other tools of participatory development – its speed, the visibility of outputs, its amenability to use on a large scale – may also turn out to be its greatest weaknesses.

Notes

[The observations which inform this paper come from field-work and project team discussions in western India during August-October 1992. I am particularly indebted to Mona Mehta for her insights on the gender aspects of PRA and particularly the notion of the PRA as a 'formal' context. Due acknowledgement should also go to P S Sodhi - Project Manager, to T G Ekande, Supriya Akerkar, Utpal Moitra and Arun Joshi, core members of the project team. I would also like to acknowledge the contribution of the project's community organisers who skilfully and sensitively responded to the challenges presented in the early stages of the project, and of my colleague from CDS, Steve Jones. The paper arises out of consultancy work financed by the ODA, and the writing was made possible by an ESRC Fellowship, held under the Global Environmental Change Programme. Finally, I am grateful to Emma Crewe for a stimulating conference paper which prompted further thought on the nature of knowledge in development. Needless to say, while many of the above have contributed to the ideas of the paper, I am responsible for the particular analysis provided.]

- 1 ODA Project Framework.
- 2 Since July 1992, the KRIBP project has undertaken a systematic review of its PRA activities, and has modified techniques and approaches building upon the sorts of lessons which this paper highlights.
- 3 Having recognised this problem, the KRIBP project has taken steps to address the particular difficulties involved in PRAs with women. The project brought specialist skills into the project team and has attempted to develop a more comprehensive strategy for building women's perspectives into project planning [KRIBP Annual Report 1992 (Draft), Dahod].
- 4 The KRIBP project is trying to give practical shape to a number of these ideas.
- 5 Of course, in agricultural development the boundary between acceptable and unacceptable knowledge is constantly shifting. One significant shift 'created' the whole area known as 'indigenous technical knowledge'; but we have yet to see areas labelled as 'folklore', 'myth', 'ritual' or 'religion' admitted. These may however, be particularly important forms of knowledge precisely because they do not isolate 'technical' knowledge from its context in social relations.
- 6 'Manual on Participatory Planning' (Draft), Kribho Indo-British Rainfed Farming Project, Dahod, Gujarat, July 1993.

References

- Ardener, E (1975a): 'Belief and the Problem of Women' in S Ardener (ed), pp 1-19.
 – (1975b): 'The 'Problem' Revisited' in S Ardener (ed), pp 19-28.

- Ardener, S (ed) (1975): *Perceiving Women*, Dent, London.
 – (1978): 'Introduction: The Nature of Women in Society' in *Defining Females*, Croom Helm, London, pp 9-48.
 Bloch, M (1991): 'Language, Anthropology and Cognitive Science', *Man*, Vol 26, No 2, pp 183-98.
 Bourdieu, P (1977): *Outline of a Theory of Practice*, Cambridge University Press, Cambridge.
 Callan, Hilary (1975): 'The Premise of Dedication: Notes towards an Ethnography of Diplomats' Wives' in S Ardener (ed), pp 87-104.
 Centre for Development Studies (1990): 'Report on the Kribho Rainfed Farming Project', Vols I and II, CDS, Swansea, in association with Centre for Arid Zones Studies, Bangor, University of Wales.
 Chambers, Robert (1983): *Rural Development: Putting the Last First*, Longman Scientific and Technical, London.
 – (1991): 'Shortcut and Participatory Methods for Gaining Social Information for Projects' in M C Cernea (ed), *Putting People First: Sociological Variables in Rural Development* (second edition, revised and expanded), Oxford University Press (for the World Bank), Washington.
 Cohen, A P (1989): *The Symbolic Construction of Community*, Routledge, London.
 Crewe, Emma (1992): 'Small Men Making Machines for Progress in Sri Lanka', 'Intermediate Technology Development Group (paper presented at the South Asian Anthropologists Annual Conference, London, September).
 Davis-Case, D'Arcy (1989): *Community Forestry: Participatory Assessment, Monitoring and Evaluation*, Food and Agriculture Organisation of the United Nations, Rome.
 Farhead, J (1991): 'Methodological Notes on Exploring Indigenous Knowledge and Management of Crop Health', *RRA Notes*, No 14.
 KRIBP (1992): 'PRA Notes' (draft), *Annual Review Mission*, Dahod.
 Mehta, Mona (1992): 'Kribho Rainfed Farming Project – Report on Gender Issues'.
 Mitchell J and H Slim (1991): 'The Bias of Interviewing', *RRA Notes*, No 14, pp 14-23.
 Okely, Judith (1975): 'Gypsy Women: Models in Conflict' in S Ardener (ed), pp 55-86.
 Pottier, Johan (1991): 'Representation and Accountability: Understanding Social Change through Rapid Appraisal' (MS), School of Oriental and African Studies, London.
 Ram, Kalpana (1992): *Mukkuvar Women: Gender, Hegemony and Capitalist Transformation in a South Indian Fishing Community*, Kali for Women, New Delhi.
 Robertson, A F (1984): *People and the State: An Anthropology of Planned Development*, Cambridge University Press, Cambridge.
 Scoones, I and J Thompson (1992): 'Rural People's Knowledge, Agricultural Research and Extension Practice: Towards a Theoretical Framework', Beyond Farmer First Overview Paper No 1, IIED, London.
 Shaheed, F (1989): 'Purdah and Poverty in Pakistan' in H Afshar and B Agarwal (eds), *Women, Poverty and Ideology in Asia*, Macmillan, London, pp 17-42.
 Sheelu and Devaraj (1992): *Participatory Rural Appraisal (PRA): An Initiation in Tamil Nadu*, The Activists for Social Alternatives (ASA), Tiruchirappalli.
 Welbourn, Alice (1991): 'RRA and the Analysis of Difference', *RRA Notes*, No 14, pp 14-23.
 – (1992): 'Rapid Rural Appraisal, Gender and Health – Alternative Ways of Listening to Needs', *IDS Bulletin*, Vol 23, No 1, pp 8-18.

Value Added Tax in a Federation

Commodity Tax Reforms in India

M N Murty

This paper discusses various types of VAT and their application in a federal country or a country with governments at many levels. In particular, it takes up a detailed examination of a comprehensive VAT covering the full chain of business activities from manufacturing to retailing. A case for having a comprehensive VAT at central and state levels in India is discussed. It finds that such a tax system supplemented by specific excises and subsidies to deal with the problems of equity, environment and social needs is ideal for India.

I

Types of Value Added Taxes

THE value added tax (VAT) is tax on value added by any economic activity (be it at the manufacturing, wholesale or retail level) to the commodities and services it buys from other economic activities. A comprehensive form of VAT covers value added at all three levels of business activities, viz. manufacturing, wholesaling and retailing, between production and final use of various goods and services. Currently, this form of VAT is predominant in the fiscal systems of many developed and developing countries.

There are three broad types of VAT depending on the extent of coverage of gross value added in the tax base. These are consumption VAT, net income VAT and gross income VAT.

The consumption VAT is the tax on the final sales to consumers by an integrated business firm carrying all the three levels of economic activities of manufacturing, wholesaling and retailing. As an illustration, take a firm which starts with the production of wheat, goes down the line to produce flour and bread and further down the line to engage in the wholesaling and retailing of bread. In carrying out the above process, the firm adds value to goods and services at each successive stage of business in comparison to the previous stage by using its own men and machines. The final price which is the price paid by the consumers for bread, covers all the value additions at successive stages. Therefore, it appears that the sum of value additions at various stages is equal to retail or final sales to consumers. This is of course true only in a closed and static economy. However, in the case of an open economy having imports, the retail sales of a commodity exceed the value added by domestic production to meet the part of domestic demand. It is so because the value added in producing imports accrued to the home country. In the case of export of a part of domestic production of commodity, the domestic value added exceeds the retail sales since the retail sales do not account for the value of exports. The treatment of exports

and imports under VAT will be discussed in detail in some of the following sections.

The income VAT considers income or net value added in the conventional sense as base. The aggregate base for this tax is consumption plus net investment. The gross product VAT takes gross value added in the conventional sense as base. The aggregate base for this tax is consumption plus gross investment.

There are in all three methods for computing tax liability under VAT. They are known as credit, subtraction and addition methods [Shoup 1990]. Under the credit method, a business firm keeps a record of VAT paid on purchases which are given in the purchase invoices along with the prices of goods and services purchased and takes credit for it while computing the net VAT liability on sales. For a given period, say a year, the firm collects all purchase invoices and finds the sum of all value added taxes shown on them which will be credited against its own gross tax to work out the net tax payable. The subtraction method prescribes the subtraction of total purchases from the sales to compute the base for VAT of a firm. According to this method, it is the value added by the firm in the conventional sense which acts as the base for VAT. The addition method prescribes the summing up of the factor payments to arrive at a base for VAT.

Table 1 describes the computation of the comprehensive VAT using the credit method. As mentioned earlier, a comprehensive VAT captures the total value added between the manufacturing and the retailing stages of supply of a commodity. Let us consider, as an illustration, the computation of VAT liability in the process of production and supply of bread in the economy. As described in Table 1, various business enterprises like a farm producing wheat, a mill producing flour, a bakery baking bread, wholesaling activity and retailing activity are involved. Start with a farm which purchases goods and services (which are assumed to be zero for the sake of convenience in this example) and incurs a cost worth of Rs 100 on its men and machines (value added) to produce wheat. The selling price of wheat is Rs 100.

Assuming a uniform 10 per cent rate of VAT, the tax liability of the farm is Rs 10. The gross and net tax liability of the farm is the same in this case because the purchases by the farm are zero. Next the purchase price of wheat by the mill is Rs 100 while the value added by the mill or the cost of men and machinery employed to produce flour is Rs 75. For the mill, the selling price of flour and gross tax liability are Rs 175 and Rs 17.5 respectively. The mill has a purchase invoice of wheat as Rs 100 with a VAT payment of Rs 10. Therefore, taking the credit for VAT paid on purchases, the mill pays the net tax equivalent to Rs 7.5. Now the bakery has the purchase invoice of flour for Rs 175 with the accumulated tax liability of Rs 17.5. Assume that it makes a value addition of Rs 25 while making bread and sells the bread for Rs 200. The gross tax liability of the bakery is Rs 20. After taking credit for the accumulated VAT on purchases, the net VAT liability of the bakery is Rs 2.5. Similarly, the wholesaler of bread generates incremental value added equivalent to Rs 20, thus making his selling price of bread and gross and net tax liabilities as Rs 220, 22 and 2 respectively. Finally, the retailers make a value addition of Rs 10 by selling bread, thus making the retail price of bread, gross and net tax liabilities as Rs 230, 23 and 1 respectively. It can be noticed in this example that the retail sales (Rs 230) are equivalent to sum of value added at various stages. Similarly the gross tax liability at the retail stage is equivalent to the sum of net taxes paid at various stages.

Table 2 describes the computation of tax liability using the subtraction method. At each stage of business, VAT is computed at a uniform rate of 10 per cent of value added at that stage. Again in this example, the retail sales are equal to the sum of value added at various stages. The sum of VAT collected at various stages Rs 23 is equal to the gross tax liability at retail stage $\text{Rs } 230 \times 0.10$.

The total tax collected under the tax credit method and the subtraction method is the same in the simple example described above. However, differences between these methods

with respect to tax revenue collected arise when there is either an exemption of an intermediary firm from VAT or when there are exports and imports in the economy. Suppose firm B, the flour mill, is exempted from VAT. Under the tax credit method, firm B need not file a tax return and therefore the chain of tax credit is broken. There is no record of tax (Rs 10) collected on the sales of the farmer (firm A) to firm B on the purchase invoice of the baker (firm C) so that C cannot take credit for that. Thus the bakery now pays a net tax equal to Rs 20 instead of Rs 2.5 which it was paying when firm B was not exempted from the VAT. Therefore, the cumulative VAT will be larger than the VAT at the same rate applied to aggregate value added or the value of retail sales by an amount equal to Rs 17.5 in the above example. In the case of subtraction method, the exempted firm, the flour mill, does not pay the tax on its value added. The cumulative VAT will be smaller than the tax collected at the same rate on aggregate value added by an amount equal to Rs 7.5.

With the credit method, the tax chain is not broken if zero rating is done for an intermediary firm instead of its exemption from paying VAT. With zero rating, the particular firm's gross tax is computed at zero rate and taxes paid by other firms in the earlier stages of tax chain are refunded. In the above example, if the flour mill is zero rated, the gross tax on its sales will be zero and it gets a refund of Rs 10 paid as VAT on farmer's sales to the mill. The total VAT will be the sum of (a) the gross tax on sales by bakery to the wholesaler (Rs 20) and (b) net taxes paid by wholesalers and retailers (Rs 3). Thus the cumulative tax collected in this case is same as the total tax collected at the same rate on the retail sales or total value added.

In an economy with international trade, a choice has to be made between destination and origin principles to determine the VAT liability of imports and exports. Under the destination principle, exports are not taxed in the home country and imports are taxed in the foreign country while under the origin principle the converse happens. The tax credit method with destination principle requires the zero rating of exports and refunding by the treasury of VAT paid in all the prior stages of production of exports to the exporter. This can be easily accomplished because the exporting firm submits a tax return and subtracts from its zero gross tax the sum of taxes shown on its purchase invoices. In contrast, the zero rating of exports is not possible under addition and subtraction methods. In the case of the origin principle, exports are taxable as domestic sales and as a result, the credit, subtraction and addition methods are all suitable for computing the VAT liability.

The tax credit method with destination principle requires taxing of full value of imports by the importing country, because no tax credit is allowed for a VAT collected by the exporting country. The subtraction and addition methods also do not have any problems for computing the tax liability of imports. Under the origin principle, only value added after importation has to be taxed.

II VAT in a Federation

In a federal country, there are governments at different levels with constitutionally assigned fiscal responsibilities. The fiscal responsibilities are normally shared by three levels of government, viz, central, state and local governments. Governments at all three levels, may levy taxes on commodities and services so that a tax reform leading to an introduction of VAT by the government at one level can have fiscal consequences for the governments at other levels also. Therefore, a tax reform requiring the introduction of a VAT in a federation should have the following objectives:

- (a) the tax reform should be revenue neutral between the governments. In other words, it should not cause gain in revenue to government at one level at the cost of governments at other levels.
- (b) the tax base should be uniform across the nation.
- (c) the lower level governments like the provincial and local authorities should have the autonomy to set the tax rates to reflect

their own social and economic priorities and fiscal needs.

(d) the central and provincial taxes should be such that the inter-jurisdictional border controls and adjustments are minimum.

(e) the tax should be neutral to location of economic activities.

(f) the tax should be relatively simple to administer and to achieve complete compliance.

(g) taxes on the international flows of goods should be based on uniform rules across the nation.

(h) inter-governmental tax co-ordination has to be secured such that un-economical or inefficient tax competition among different jurisdictions or states is minimised.

Poddar (1990) also considers some of the above stated objectives as ideal and provides the following four options for the introduction of a VAT in a federal country:

- (1) a national VAT with inter-governmental revenue sharing arrangements.
- (2) origin based VAT
- (3) destination based VAT
- (4) a joint federal and state VAT

The *national tax with revenue sharing arrangements* requires that a VAT to be imposed at uniform rate across the nation, and the revenue collected from the tax is shared by governments at different levels on the basis of a commonly agreed formula. The sharing of revenue from this tax depends upon the negotiations between central and state governments. The revenue allocation agreed upon by the states takes into account fiscal need and capacity of individual states, as well as their share in

TABLE 1: TAX CREDIT METHOD - AN ILLUSTRATIVE EXAMPLE

(Rs)

	Goods and Services	VAT at 10 Per Cent	Total Billing
(A) Farm			
(a) Purchases	0	0	0
(b) Value added	100		
(c) Sales	100	10	110
(d) Net VAT		10	
(B) Flour mill			
(a) Purchases	100	10	110
(b) Value added	75		
(c) Sales	175	17.5	192.5
(d) Net VAT		7.5	
(C) Bakery			
(a) Purchases	175	17.5	192.5
(b) Value added	25		
(c) Sales	200	20	220
(d) Net VAT		2.5	
(D) Wholesaler			
(a) Purchases	200	20	220
(b) Value added	20		
(c) Sales	220	22	242
(d) Net VAT		2	
(E) Retailers			
(a) Purchases	220	22	242
(b) Value added	10		
(c) Sales	230	23	253
(d) Net VAT		1	

national output and consumption. This tax is easy to administer and also simple to comply with. It does not require any special arrangements for calculating tax liability from inter-state movement of goods. The main limitation of this approach is the lack of fiscal autonomy to states.

The *origin based VAT* requires that a given state imposes taxes on sales of business firms residing in the state irrespective of whether the sales are meant for those persons residing in the state or persons staying outside the state. A tax credit method is used to allow an input tax credit for any taxes paid on the purchases by the firms, including those collected by exporting states on interstate purchases.

Under *destination based taxes*, the tax revenue from the supply of a product or service is calculated at a rate applicable to the state where final consumption occurs. With the tax credit method, the tax burden on the consumers depends upon the tax rate applicable at final retail sales and it does not depend upon the varying rates of taxes imposed during intermediate stages of business. Therefore, with this method, interstate variation in tax rates will not affect location of production and interstate pattern of trade.

The *joint national-state VAT* has two components: a federal tax imposed at a uniform rate across the nation and a state tax with variable rates across the states. Each business firm is required to compute federal and state taxes on each sale. The state taxes are those of the states to which the goods are shipped by the firm. The firm has to report its output tax payable to the federal and state governments separately at the end of each VAT payment period. In a similar manner, it has to segregate its input taxes for each government. The firm's VAT liability for the period would be the sum of all output taxes minus the sum of all input taxes, which it remits to a central tax collecting authority. The output and input taxes reported by the firm would be credited and debited to the accounts of appropriate governments by the tax collecting agency.

III

Experience of VAT in Some Federal Countries

Countries like Brazil, Canada, Germany and Mexico are among some of the federations currently having VAT. Gillis et al (1990) and Burgess and Stern (1992) provide a review of VAT experiences of these countries.

Brazil introduced VAT in the year 1967, federal tax replacing wholesale tax and the state VAT replacing the state turnover tax. The tax base for the federal VAT is industrial production. Agriculture, minerals and

services are excluded from the tax. The tax base for state VAT includes all goods with the exception of some industrial products, imports, agricultural inputs, food products and services. State VAT is administered by a council of states.

Mexico has been having a VAT since 1980. In that year, VAT has replaced 30 federal excise taxes and 400 municipal and state taxes. The tax base covers business connected with sale of goods and services, the granting of temporary use of property and importing of goods and services. Zero rating is applied to agricultural products and machinery, medicines and exports. The exempted goods and services are housing construction and rentals, passenger transport, education, medical services and public administration. Mexico has uniform VAT rates and bases across the states and it follows the destination principle. The tax may be regarded as a unified national VAT with revenue sharing.

Germany introduced VAT in 1968. All taxable transactions taking place within the boundaries of Germany are subjected to VAT. The destination principle is used to tax inter-state and international flows of goods and services. The VAT-exempted goods and services are financial and insurance activities, real estate transactions and services of physicians and dentists. A reduced rate of VAT applies to certain foodstuffs, raw materials, books and cultural activities.

Canada has had a relatively little experience with VAT since it was introduced only recently. Originally, a national VAT with a single base for all the states with each state having an option of charging an additional rate was mooted as a part of tax reform. In 1991, only federal VAT was introduced which applies to all supplies of goods and services unless they are zero rated or exempt. Transportation services, financial services, certain medical categories and agricultural and fishing supplies are zero rated. The exempted goods and services are health, educational and legal aid services, financial services, real property and transportation tolls. In 1992, only Quebec state had opted for provincial VAT.

IV

Pre-Reform Structure of Commodity Taxation

India is a federation with governments at different levels: central, state and local authorities. The Indian Constitution has clearly demarcated the functions of central and state governments. The functions of governments are classified under three groups: centre list, state list and concurrent list. The centre list consists of defence, national industries and mines, foreign

affairs, banking and currency, inter-state commerce, national highways, railways, airways, telecommunications and waterways. The state list covers health, education, agriculture, irrigation, roads, and law and justice. Labour relations, education and criminal law fall under concurrent list. Accordingly, the Indian Constitution makes revenue and expenditure assignments to governments at different levels to carry on the constitutionally entrusted functions.

The revenue instruments of centre are excises, customs, income tax and taxes on capital gains. The sources of revenue for state governments are sales taxes, excise duty on alcohol, tax on profession and trades, taxes on land and buildings, entry tax on goods entering the state, taxes on vehicles, taxes on entertainment, agricultural income tax and stamp duty. Commodity taxes are the main sources of income for both centre and states. They constitute around 80 per cent of tax revenue for centre and 95 per cent of tax revenue for states. Customs and excise duties respectively constitute 47 and 34 per cent of tax revenue of the centre while sales taxes and state excises respectively constitute 58 and 15 per cent of state tax revenue. There is a mismatch between constitutionally assigned revenue collecting powers and expenditure responsibilities of different levels of government in India. While the centre is favourably entrusted with more revenue raising powers than required to meet its expenditure needs, states and local self governments are left with revenue raising powers much short

TABLE 2: SUBTRACTION METHOD - AN ILLUSTRATION

	(Rs)
(A) Farm	
(a) Sales	100
(b) Purchases	0
(c) Value added	100
(d) Tax	10
(B) Flour mill	
(a) Sales	175
(b) Purchases	100
(c) Value added	75
(d) Tax	7.5
(C) Bakery	
(a) Sales	200
(b) Purchases	175
(c) Value added	25
(d) Tax	2.5
(D) Wholesalers	
(a) Sales	220
(b) Purchases	200
(c) Value added	20
(d) Tax	2
(E) Retailers	
(a) Sales	230
(b) Purchases	220
(c) Value added	10
(d) Tax	1

of their expenditure needs. The above observed discrimination between centre and lower levels of government may be justifiable on certain grounds. It is convenient to levy certain types of taxes by the centre and redistribute the revenue proceeds to states rather than states collecting those taxes. There are some less developed states with little tax potential so that their expenditure needs cannot be met by local taxation even with all the instruments of taxes at their disposal. Therefore, the balanced regional development of the Indian economy requires that more developed states have to contribute to the development of less developed states which can be done only if centre has more powers to tax and redistribute in favour of backward states. The Indian Constitution has taken care of this problem by entrusting more revenue-raising powers to centre and creating an institution called Finance Commission to facilitate transfer of resources from centre to states.

Introduction of tax reforms in India has to take cognisance of its implications for centre-state financial relations. In the Indian federation, the fiscal system which does not co-ordinate the fiscal decisions of different levels of government contributes to many inefficiencies some of which are given as follows:

(a) There can be a conflict between the fiscal objectives of centre and state governments.

(b) There is an overlap between the tax bases of central excise duties and state sales taxes which can lead to cascading. Given the common tax base, changes in the central excise duties may affect the state's revenue and tax rates vice versa [Murty and Ray 1990]. In other words, unilateral decisions by central and state governments about commodity taxes may generate reciprocal externalities in terms of effects on the revenue of each government.

(c) Widespread taxation of inputs by both centre and states without giving credit to taxes levied by centre while fixing taxes by the states and vice versa leads to cascading and rising commodity prices.

(d) Autonomy of state governments to fix tax rates may provide incentives to their strategic behaviour. State governments may compete by reducing their relative tax rates so that each one of them can attract business and investment at the cost of the others. This type of strategic behaviour by states which is known as fiscal competition, may contribute to lower rates of provincial taxes and revenues and less than optimal provision of public services (Mintz and Tulkens 1986 and Murty 1992a and b).

(e) Both central and state taxes are marred by the complexity of rates and bases which has contributed to significant difficulties in administration and to tax evasion.

(f) Incomprehensive tax base for the taxation of domestic goods and services has led to reliance on trade taxes as an important source of revenue to central government.

Take for instance, the reforms of trade taxes suggested by Chellaiah Committee Report (1991, 1992). The suggested reform was to reduce the average rate of import tariff to 25 per cent level by the year 1998-99. If such a reform has to be revenue neutral, it has to be accompanied by revenue augmenting reforms in domestic taxation. In federal India, switching over from trade taxes to domestic taxes, though it is welcome, can create problems for sharing the tax revenue for governments at different levels. The centre and state financial relations are such that the revenue collected by the centre from domestic taxes on personal income and excise duties on goods and services has to be shared by centre and states while the revenue from trade taxes entirely accrues to the centre. According to the recommendations of Ninth Finance Commission, 45 per cent of revenue from excise duties and 85 per cent of revenue from personal income taxes have to be distributed among the states. For instance, a fall in revenue by Rs 100 from customs duties causes a loss of revenue of the same amount to centre while a compensatory increase in revenue by Rs 100 through either excise duties or income tax will bring less than Rs 100 gain to centre (Rs 55 in the case of excise duties and Rs 15 in the case of income taxes).

Consider as an illustration, the case of additional resource mobilisation in the central and railway budgets for the year 1992-93 in the context of tax reforms leading to major reductions in the rates of customs duties. The reductions in the rates of customs duties contribute a loss of Rs 20,230 million to the centre which is more than compensated by the increase in revenue from domestic taxes. The increase in revenue from excise duties, income tax

and corporate tax are respectively Rs 22,110, 5,700 and 325 million. However, after facilitating the sharing of central tax revenue by centre and states as per the recommendations of Ninth Finance Commission, centre incurs a loss of revenue amounting to Rs 5,270 million while the revenue gain to the states is Rs 15,000 million. The 1992-93 railway budget aimed at a revenue gain of Rs 13,660 million over the previous year and after taking into account this amount, the net additional resource mobilisation for centre amounted to Rs 8,490 million. This meagre amount of additional resource mobilisation by the centre may not be sufficient for its additional expenditure needs resulting in a deficit in the revenue account. The estimated revenue account deficit of centre for 1992-93 forms 2 per cent of GDP. The persistent revenue account deficits will make the centre a net borrower resulting in the rising fiscal deficits over time.

The Tax Reforms Committee (Interim Report 1991 and Final Report 1992) had recommended a full-fledged value added tax system at the central level covering almost all commodities and services with the exception of raw produce of agriculture. The Committee recommends the following commodity tax reforms to facilitate a smooth change to VAT at the centre:

(1) Make tax base comprehensive by giving limited exemptions and bringing more commodities under the tax net. Most of the commodities manufactured by decentralised and small-scale sector can also be brought under the tax net. Extend the taxation to service sector. Moderate taxes can be levied on advertising services, services of stock brokers, services of insurance of automobiles, residential property, personal effect and jewellery and residential telephone services.

(2) Replace specific taxes by *ad valorem* duties. With *ad valorem* duties, there can be an enhanced elasticity of revenue with

TABLE 3: ADDITIONAL RESOURCE MOBILISATION IN THE CENTRAL AND RAILWAY BUDGETS FOR 1992-93 (Rs million)

	Centre's Share	States Share	Total
(I) Taxes	-5170	15000	9830
(a) Direct taxes	3600	4350	7950
(i) Corporation taxes	3250	-	3250
(ii) Income tax	1350	4350	5700
(iii) Expenditure tax	-1000	-	-1000
(b) Indirect tax	-8770	10650	1880
(i) Customs duties	-20230	-	-20230
(ii) Excise duties	11460	10650	22110
(II) Post and telecommunications tariffs, railway fares and freight rates	13660	-	13660
(a) Railways	13660	-	13660
(b) Post and telecommunications	0	-	0
(III) Total (I+II)	8490	15000	23490

Source: Economic Survey: 1992-93, Government of India.

respect to national income and buoyancy of revenue on account of increase in prices.

(3) Reduce the multiplicity of tax rates to two or three rates.

(4) Give credit to taxes on inter-regional trade such as central sales tax and consignment tax when provincial taxes such as sales taxes are levied by the importing state. Also, credit the revenue collected through taxes on inter-regional trade to a central pool such that this pool is shared by centre and states on the basis of an agreed formula.

In many important earlier studies on commodity tax reforms in India, due recognition is not given to the federal structure of taxation peculiar to India. In two important recent analytical studies, optimal commodity taxes are computed with the assumption that there exists only one centre of authority or unitary form of government [Ahmad and Stern 1984; Murty and Ray 1989]. Even in the commodity tax reforms suggested by the Jha Committee Report, 1978 and the Cellaiah Committee Report, 1992, reforms in central excise duties are suggested without considering in a detailed way the required accompanying reforms in sales taxes levied by states. The Jha Committee Report recommends a central VAT up to the manufacturing stage plus a retail sales tax in the states. The Cellaiah Committee recommends VAT up to the wholesale stage but believes in the states levying and retaining the revenue from that tax.

V

Comprehensive VAT: An Ideal Structure of Commodity Taxation

The ultimate aim of commodity tax reforms in India should be a comprehensive VAT covering value added by all business enterprises from the manufacturing to the retailing activities. The tax should have consumption base and follow the tax credit method to compute the net tax liability of a business firm. The tax liability of international and inter-state flows has to be calculated using the destination principle.

Table 1 describes the operation of a comprehensive VAT with the unitary form of government. However, considering that it can be ideal to have a central VAT and a state VAT in India, the following two alternative tax regimes can be considered: (a) a national VAT and parallel state VAT on the same base and (b) a national VAT up to the manufacturing stage and a state VAT at the wholesale and retailing stages.

In the case of a national VAT and a parallel state VAT on the same base, the state and central VAT rates can be different. Following the procedure described in Table 1, firms would have to calculate their net taxes payable to centre given the central tax rate and in a similar fashion they would

have to calculate the net taxes payable to the state given the state's tax rate. The tax liability of international flows would have to be computed using the destination principle. Even in the case of inter-state flows, destination principle has to be followed with zero rating of exports from the given state. Full value added by imports are taxed by the importing state at the rate applicable to it and the tax collected is credited to the exporting state. Alternatively, the exporting state could collect the tax from the exporter on the value added up to the exporting stage at the rate applicable to the importing state. Also, the importing state collects the tax from the importer and the retailer on their respective incremental value added at each stage and credits the tax collected to the exporting state. Since each state can both be an exporter and an importer, net tax liability to the other state can be computed after taking into account all the trade flows. Therefore, each state has to maintain a tax clearing department for inter-state trade. With this method, exporting state gets credit for taxes paid on the value added in the importing state also.

Alternatively, while considering the inter-state trade, a method can be adopted in which each state can tax value added in its territory. In this case, exporting state will collect the tax on value added up to exporting or manufacturing stage which forms part of its revenue. The tax can be collected either at the home rate or the rate applicable to the importing state. The tax on additional value added at the stages of importing and retailing is collected by the importing state at its own rate and kept it as its revenue. In this case, there is no need for tax clearance mechanism in each state. In case, the exporting state is allowed to collect the tax on the value added up to the manufacturing or exporting stage at the rate fixed by it (as is normally the case with the origin principle), there can arise a price discrimination between imports and the home-produced goods in the importing state. This may lead to inter-state fiscal competition with each state reducing its tax rate to increase the exports to the other state. Alternative, the exporting state can apply

zero rating for its exports and the importing state collects the tax on the total value added up to the retailing stage. However, the importing state keeps the tax on incremental value added during the importing and retailing stages and credits the rest of the tax to the exporting state.

One approach which may be more relevant for the Indian case is the sharing of tax base by the centre and states. In this method, value added up to the manufacturing stage can be the base for the central VAT while the value added up to the retail stage or total value added is the base for the state VAT. In this method, credit can be given to the central VAT when the state VAT is fixed at the wholesale or retail stage. In the case of the example described in Table 1, if centre and a particular state have 10 and 5 per cent VAT respectively, centre collects Rs 20 as tax on the value added of Rs 200 up to the manufacturing level. The wholesaler purchases goods worth of Rs 200 from the manufacturer and makes a value addition of Rs 20, thus making his total sales equal to Rs 220. He computes the gross tax at the rate of 15 per cent (central rate of tax of 10 per cent plus state's tax rate of 5 per cent) which becomes Rs 33. He gets credit for Rs 20 paid to the centre as central tax and therefore he pays net tax of Rs 13 to the state. The retailer makes purchases worth of Rs 220 and makes a value addition of Rs 10, thus making sales worth of Rs 230. His gross tax liability at the rate of 15 per cent of sales or total value added is Rs 34.5. Also, the retailer gets credit for the central tax of Rs 20 and the state tax of Rs 13 paid by the wholesaler. Therefore, his net tax liability to the state is Rs 1.5. Thus with this method, as described in the example given in Table 4, the centre collects Rs 20 as tax while the state collects tax worth of Rs 14.5 on the retail sales worth of Rs 230.

The advantage of this method is that only taxes at wholesale and retail stages are relevant for the inter-state trade flows since there are no state taxes up to the manufacturing stage. With the destination principle, there is no need for zero rating of exports by the exporting state. If the

TABLE 4: COMPUTATION OF STATE VAT USING BASE SHARING METHOD

				(Rs)
Activity	Goods and Services	VAT	Total Billings	
(1) Manufacturer sales	200	20	200	
(2) Wholesaler				
(a) Purchases	200			
(b) Value added	20			
(c) Sales	220	33		
(d) Net VAT		13		
(3) Retailer				
(a) Purchases	220			
(b) Value added	10			
(c) Sales	230	34.5		
(d) Net VAT		1.5		

wholesaler is an importer also, taxes collected by the importing state from the importer and the retailer have to be credited to the exporting state. Alternatively, if the importing state has the right to retain the taxes collected on incremental value added to imports in its own territory, it can deduct this amount of tax from the gross tax collected on imports and credit the balance to the exporting state. In the above example, out of gross state tax of Rs 14.5 collected on imports, it can retain Rs 1.5 (5 per cent of incremental value added by the importer and the retailers) and the balance of Rs 13 can be credited to the exporting state.

VI

Problems of Implementing a Comprehensive VAT

Implementation of a comprehensive VAT with one or two rates for centre and states in India, though desirable from the practical point of view, can have problems from a developing country's perspective. Many writers including Musgrave (1987) and Deaton (1987) have suggested uniform commodity taxation in the developing countries. Musgrave (1987) has suggested a general consumption tax assessed on a broad base and at a uniform rate. In his words:

In industrialised countries such a tax may be imposed as either a retail sales tax on consumption or a value added tax of the consumption type, that is, a value added tax that exempts capital goods from the base. Where both the options are available the choice between them is a matter of administrative convenience. The identical base is covered and the burden of distribution will be the same. In developing countries, however, the retail option is typically not available, because retail establishments tend to be small, informal and unstable. Thus sales cannot be determined readily, and enforcement at the retail level is difficult. The trend, therefore, has been towards a value added approach.

Such a tax cannot tackle the problem of equity, which is an important problem in the developing countries. Murty and Nayak (1994a and b) have shown that there are significant welfare losses associated with uniform commodity taxes in India. Musgrave has prescribed the following alternative subsidy/tax arrangements to supplement a broad-based uniform tax.

(a) a lower relief from a general consumption tax via income credit.

(b) to combine a higher rate of consumption tax with the exclusion of certain consumption items that draw a large share of low income budgets, and

(c) to supplement the broad-based consumption tax with a set of *ad valorem* excises

imposed on items that weigh heavily on high income groups.

Musgrave's prescription (a) may not be suitable to India where a large part of the population is not covered by income tax. In India the income tax base is not comprehensive and the major part of the population does not pay income tax. Therefore options (c) and (d) of Musgrave are more suitable for India.

The necessity for having environmental pollution taxes on pollution-intensive commodities and specific taxes on social bads like tobacco and alcohol is another limitation in having a uniform value added tax. Take for example, taxes on electricity. In the case of a uniform VAT system, a VAT levied on electricity say at 10 per cent does not distinguish between the hydro and thermal power. However, from the point of view of environmental protection, different rates of taxes have to be levied on thermal power and hydro power. If there has to be a pollution tax on coal, VAT should be higher on coal than on hydro power.

VII

Conclusion

A comprehensive VAT with consumption base covering the full chain of business activities from manufacturing to retailing is identical to a tax on retail sales. Given a choice between a VAT and a tax on retail sales, a developing country has to opt for VAT, because retail sales departments are small, unstable and informal in those countries.

A comprehensive VAT with the consumption base, the tax credit method, and the destination principle to determine VAT on international and inter-state trade flows can form an ideal commodity tax structure for India.

In a federal country like India, it may be ideal to have state and central VATs substituting the current state and central taxes on goods and services respectively. There can be two types of tax regimes with the state and central VATs: (a) the parallel state and central VATs on the same base covering business from manufacturing to retailing stage and (b) the central VAT up to the manufacturing stage and the state VAT at wholesaling and retailing stages. Tax regime (b) may be ideal for India.

A VAT with one or two rates has to be supplemented by the special excises and subsidies to deal with the problem of equity, environment and social bads like tobacco and alcohol.

[This paper forms part of work for a research project on 'Fiscal Instruments for Water Pollution Abatement in India' funded by IDRC, Canada. I am grateful to Sushama Murty for carefully going through an earlier draft of this paper and providing some suggestions for improvement.]

References

- Ahmad, E and N H Stern (1984): 'The Theory of Tax Reform and Indian Indirect Taxes', *Journal of Public Economics*, 25, 3, 259-98.
- Burgess, R and N H Stern (1992): *A VAT in India: Problems and Options* (mimeo), STICERD, London School of Economics, London, UK.
- Deaton, A S (1987): 'Econometric Issues for Tax Design in Developing Countries' in D Newbery and N H Stern (eds), *The Theory of Taxation for Developing Countries*, Oxford University Press, USA.
- Gillis, M, Carl S Shoup and G P Sivat (eds) (1990): *Value Added Taxation in Developing Countries: A World Symposium*, The World Bank, Washington, DC.
- Government of India, Ministry of Finance, *Economic Survey: 1992-93*.
- (1991): *Interim Report of the Tax Reforms Committee*, Chairman, R J Chelliah.
- (1992): *Final Report of the Tax Reforms Committee*, Chairman, R J Chelliah.
- Mintz, J and H Tulkens (1986): 'Commodity Tax Competition between Member States of a Federation: Equilibrium and Efficiency', *Journal of Public Economics*, 29, 133-72.
- Murty, M N (1992a): *Free Market and Reforms in Domestic Commodity Taxes in India*, Paper presented in a Seminar organised by Ministry of Finance, Government of India on 'Commodity Tax Reforms in India', November 11.
- (1992b): *Inter-Governmental Resource Transfers, Tax Competition and Externalities in a Federation*, Department of Economics Working Paper No 92-103, The University of Birmingham, UK.
- Murty, M N and R Ray (1989): 'A Computational Procedure for Computing Optimal Commodity Taxes with Illustrative Evidence from Indian Budget Data', *Scandinavian Journal of Economics*, 9, 10, (40), 665-70.
- (1990): *Fiscal Federalism and Optimal Commodity Taxation: A Comparison of Centralised and Decentralised Decisions*, Working Paper No E/147/90, Institute of Economic Growth, Delhi.
- Murty, M N and P B Nayak (1994a): 'Optimal Taxation in India: A Review of Theory and Applied Work' in Bhaskar Datta (ed), *Welfare Economics*, Oxford University Press, Delhi.
- (1994b): 'A Normative Approach for Resource Transfers in a Federal State' in A Bagchi and N H Stern (eds), *Tax Policy and Planning in Developing Countries*, Oxford University Press, Delhi.
- Musgrave, R A (1987): 'Tax Reforms in Developing Countries' in D Newbery and N H Stern (eds), *The Theory of Taxation for Developing Countries*, Oxford University Press, USA.
- Poddar, S P (1990): 'Options for a VAT at State Level' in Gillis, M, Carl S Shoup and G P Sivat (eds).
- Shoup, Carl S (1990): 'Choosing among Types of VATs' in Gillis M, Carl S Shoup and G P Sivat (eds).

Vedic Mathematics

Jashbhai Patel

THIS is in support of S G Dani's appeal (EPW, July 31, 1993): "It is high time that the saner elements joined hands to educate people... lest the intellectual and educational life in the country get vitiated..." Around 1976, the book *Vedic Mathematics* by Jagadguru Swami Shri Bharti Krishna Tirthaji Maharaj was referred to me. I refused to comment on it at that date because I did not know then nor know now a single word of Sanskrit. Even then, I was surprised to read the contents. It consisted of the various tricks to do arithmetic simply. No doubt, to discover an original or a new method in arithmetic or for that matter in any other field is a sure sign of a genius and the jagadguru was perhaps one such genius. I do not want to dispute this fact. What I felt then was this: to call his work mathematics, as the word is understood in the modern world, was certainly and highly problematic. Further, that the work was contained in the Vedas was beyond verification for me because I had not read them. However, I was fairly familiar with the work: *History of Hindu Mathematics – A Source Book*, Parts I and II by Bibhutibhushan Datta and Avadhesh Narayan Singh (1935, 1938). This is the best and the most reliable scholarly work on Hindu mathematics. The first part is devoted to Hindu Arithmetic and the second part deals with Hindu Algebra and a few allied topics. I did not find in this great work any reference to what the jagadguru had written about in his book. This did cast some doubt in my mind but I was not Bibhutibhushan Datta, a remarkably great scholar of Sanskrit and mathematics, whose student Dhar (Krishnamurthy Foundation, Rajghat) said to me in Benaras that he became a sanyasi in his later life, to dispute the jagadguru's claims. I am happy that Dani has exposed the worth of the jagadguru's book in his article.

The most painful question that remains unanswered is: why a very learned man like the jagadguru stooped so low as to practice this deceit of forging a copy of a Veda and hoodwink his countrymen? The Shankracharyas do play their brand of dirty politics to promote their proteges ('chelas') to the temple-thrones ('gadis'), but where was the need to tamper with the Vedas and tinker with the history of Hindu mathematics?

Was he not aware of the fact that the most of Hindu mathematics is not Vedic? The following list of Hindu mathematicians proves the fact beyond doubt: (1) Aryabhata I (499 AD), (2) Varahamihir (505), (3) Bhaskara I (522), (4) Siddhasen Gani (550), (5) Lalla (598), (6) Brahmagupta (628), (7) Sridhara (750), (8) Mahavira (850), (9) Prathudakasvami (860), (10) Manjula (932), (11) Aryabhata II (950), (12) Bhattopala (966), (13) Sripati (1039), (14) Bhaskara II (1150), (15) Mallikarjuna (1175), (16) Amaraja (1250), (17) Simhatilaka (1275), (18) Narayana (1350), (19) Makhibhata (1377), (20) Gangadhara (1420), (21) Parmeshwar (1430), (22) Laxmidas (1500), (23) Nilkantha (1500), (24) Jnanaraja (1503), (25) Suryadas (1538), (26) Ganesa (1545), (27) Krsna (1580), (28) Ranganatha (1602), (29) Munisvara (1608), (30) Nrsimha (1621), (31) Ramkrishna (1648), (32) Kamalakara (1658) and (33) Pathumana Somayaji (1733). The jagadguru could have added his name to this list with lustre by writing the book under his own name instead of taking a totally wrong, devious, unethical, deceitful path.

This list is by no means exhaustive. Some mathematicians in the list were originators; others were commentators and writers of mathematical treatises. The dates in parentheses represent either the birth-date or the date of the manuscript. A great deal of work needs to be done in all the fields of Indology, and, if the present-day Hindus or Indians take to the art of forgery of the existing or unearthed manuscripts then the task of writing the correct history of this country would be next to impossible.

I will now touch upon a few aspects of Hindu mathematics. First, some very important milestones of Hindu mathematics:

(1) Hindus knew Pythagoras (569?-500? BC) theorem in 800 BC.

(2) Even if the credit for the invention of zero and the place value system is given to American Red Indians, even then the invention of 10 symbols 0 to 9 and the place value system associated with these 10 symbols are Hindu and are in Bharat. This way practically most of arithmetic was developed in India. And this type of arithmetic is in vogue in the world – whatever may be the refinements.

(3) Most of the elementary algebra or high school algebra in the world is of

Hindu origin. In fact, India's made remarkable contributions to the solution of linear, quadratic, indeterminate, equations associated with rational triangles and quadrilaterals, and with multiple equations.

(4) Even if the origin of trigonometry is ascribed to Greeks, the fact remains that the words 'sine' and 'cosine' are derived from the Sanskrit word 'jiva'. The Indian tables of sines and cosines were superior to those of Europe right up to the time of Sawai Jai Singh (died 1743) of Jaipur.

Most of this research is not Vedic. Do Hindus want to push them back to the Vedas? If not, what sense is there in teaching Vedic mathematics. We need to preserve these manuscripts honestly and truthfully in order to keep the history of mathematics intact. Also, Hindus should ask themselves one simple question: why they failed to build modern mathematics when they were in the lead. The answer is, they failed to recognise the imaginary roots of the quadratic equations. That is, they could not devise the symbol 'i' for the imaginary number equal to the square root of minus one. For this reason, they could not achieve much in the solution of cubic and biquadratic equations. The question of solvability of quintic in the manner of quadratic and its insolubility did not arise because these problems were far beyond their reach. The symbol 'i' revolutionised trigonometry also. In short, 'i' sets apart more or less the European mathematics from the ancient and medieval mathematics of Hindus. With modern mathematical analysis Europeans built up a mathematical edifice as high as a tall skyscraper. Obviously, the base of the skyscraper is underground and is invisible whereas the higher stories are seen everywhere. If Indians are disappointed by the invisibility of their achievements, the best course open for them is to build a skyscraper taller than the European and American ones by adding a few more stories to theirs. But this task is not going to be easy nor can it be done by going back to Vedas. The only hope is in the future course of history. The lessons from history point out that what was thought to be impossible at one time becomes possible at some future time. And, this realisation should spur us to rare devotion and dedication to mathematics and not to the Vedas. After all, truth, knowledge and virtues are a monopoly of no nation or an individual. They belong to those who single-mindedly dedicate and devote themselves to noble endeavours.

MAHARASHTRA STATE LOTTERY

HOLI BUMPER DRAW

PRIZE STRUCTURE

ONE DRAW – TOTAL NO. OF PRIZES – 1,82,035

PRIZE AMOUNT	NO. OF PRIZES IN EACH SERIES	TOTAL NO. OF PRIZES
Rs. 12 LAKH (GUARANTEED) COMMON	_____	1
Rs. 1 LAKH _____	9 (NINE)	27
Rs. 50,000 _____	1 (ONE)	3
Rs. 25,000 _____	2 (TWO)	6
Rs. 5,000 _____	6 (SIX)	18
Rs. 1,000 _____	60 (SIXTY)	180
Rs. 100 _____	600 (SIX HUNDRED)	1,800
Rs. 25 _____	60,000 (SIXTY THOUSAND)	1,80,000

DRAW : 21ST MARCH, 1995

4.30 P.M., AT LATUR

TICKET PRICE Rs. 10 ONLY



MAHARASHTRA STATE LOTTERY

The Country's most trusted lottery

Ideology as Contagion

Madhava Prasad

ARVIND RAJAGOPAL's clarification letter (*EPW*, August 13, 1994) regarding his analysis of an advertisement in an earlier article ('Ram Janmabhoomi, Consumer Identity and Image-Based Politics', *EPW*, July 2, 1994: pp 1659-68) only exacerbates the methodological problems instead of doing anything to rectify them.

There are many problems with the essay, not all of which are germane to what seems to me to be the main methodological issue. For instance, the definition of communalism keeps shifting throughout the essay and the most objectionable version equates the rise of communalism with "the expression of relatively new, vernacular elites vying for power against older, more often English-educated elites, although the last few years have seen a blurring of this distinction, with more and more educated professionals espousing communal views" (p 1660). This does not tally with an identification of caste, elsewhere in the article, as the axis of division of the polity. It also enshrines as a sociological truth an Anglophone-prone prejudice according to which the Anglophone Hindu is the degree zero of caste identity. Secondly, Rajagopal's caution about the functionalist temptations of an 'economistic' approach is ritualistic rather than well thought out. His appeal for the investigation of desire and agency remains a guideline for the future, since such a possibility is negated by equating/reducing it to the study of meanings. Lastly, the article leaves one with a sense that its own unity is dependent on the existence of the master signifier 'Hindutva', which stitches together a wide variety of fragments of analyses, impressions, observations, statistics, etc, just as, by his own reading, the same master signifier quilts together a wide range of images and ideas to constitute a field of politics.

Rajagopal's basic, though unstated, premise, which I consider a product of the 'mass communications' approach he adopts, can be termed an epidemiological thesis on ideology. According to this, cultural products and human minds are merely the carriers of ideology, whose transmission they enable. A popular strand of North Atlantic sociology favoured this body-snatcher model of ideological capture. It now seems to have acquired new uses.

Thus the author avers that liberalisation and consumerism "created... new spaces into which communal discourse inserted itself" through "adaptation and encroachment" (p 1659). The basic formula of the discipline of mass communications research establishes a relation between message, medium

of transmission and destination. In this relation, the first two entities retain their original form. The message does not undergo any change in the course of transmission. The medium itself remains a neutral relaying mechanism. It is only the point of reception, the individual who receives the message, that undergoes a transformation, becoming infused with the message and becoming the agent of its further unfolding. The cause – the discourse of communalism – thus produces effects in the social-violence and destruction – through a channel of communication.

It is this naive theory of causality that leads Rajagopal to seek out empirical evidence in the form of market response to back his reading of the Greaves advertisement. To question the logic of the reading – which ascribes meaning to the saffron colour of the sunset – would only be to invite a pluralist defence ('That's just your opinion'). Instead let us look at the unstated assumptions (or unrecognised implications) behind the reading strategy. The starting point for the 'suspicion' of infection appears to have been the discovery that the company which produced the advertisement had also been engaged by the BJP for its campaigns. This could either mean that the virus, taking advantage of the proximity, transmitted itself to a non-BJP

advertisement that was being put together at a nearby desk, or that the management of the ad company was favourably disposed towards the BJP ideology and undertook to do its mite for its propagation by infusing it into its other products, much as a shopkeeper, if suitably rewarded, might prominently display and encourage the sales of a particular brand of commodity. The problem with the second thesis is that it would require a demonstration that at least some of R K Swamy's other advertisement from this period show symptoms of a similar infection.

Further, it is possible that the author is implying a coincidence of sympathies between the BJP, the ad company and the management of Greaves, so that a programme of subliminal communication could have been devised with the active consent of the industrialist. In which case the industrialist will have to be accused of a level of commitment to Hindutva ideology that induces him to risk losing the support of non-BJP investors. We cannot, of course, rule that out. But that would imply that the message is concealed. Which gives rise to a further complication: in the first place, why conceal a message behind such an elaborate (one might almost say foolproof) alibi? What are the chances that the meanings intended will communicate themselves selectively only to those who are predisposed to receive it? To any reader, two strategies might suggest themselves: to abstract from the text the concealed messages like 'ancient

MADRAS INSTITUTE OF DEVELOPMENT STUDIES

Applications are invited for the post of Director of Madras Institute of Development Studies. The Institute, which comes within the purview of the Indian Council of Social Science Research, has a faculty drawn from different disciplines in the social sciences and committed to the pursuit of research with a central focus on developmental issues. The applicant should have a pronounced academic orientation which she/he should be able to combine with administrative skills and a vision for the future in the running of an institution with a broadly liberal agenda that allows for a plurality of points of view and disciplinary specialisations. The appointment will ordinarily be for a period of five years, and the applicant shall be less than fifty-five years of age in January 1996 when her/his tenure will begin. The post carries the salary of a Professor under the UGC scales, a special Director's Allowance and subsidy for house rent. Applications, accompanied by *Curriculum Vitae* and the names of two referees, may be sent *before end of April* to:

The Convener, Search Committee,
Madras Institute of Development Studies,
79, Second Main Road, Gandhinagar, Adyar,
Madras - 600 020.

civilisation', 'symbols of the past', etc. and then, in a second movement, apply them to their own surroundings, thus eliminating the material presence and signifying force of the Egyptian pyramid, making it a transparent carrier/host of a message in transit: this is what Rajagopal's reading assumes; secondly, the reader might feel too strongly the presence of the pyramid itself, and depending on his/her inclinations, may either receive the message for what it is worth, or be affected by the alienness of the symbol, and develop a hostility to this Indian company for ignoring the symbols available here and going all the way to Egypt (a Muslim country at that!).

Whichever way you look at it, we are dealing here with a viral infection, a serial process of causality in which a manipulative ring of conspiring communalists releases a virus into the social body and reaps a harvest of infected minds.

Not surprisingly, Rajagopal's essay unconsciously echoes the discourse of epidemiology so consistently that even the general theory of the social that he builds to explain the process of communalisation is informed by it. Thus he establishes an opposition between commitment and communication. This equation (i.e. absence of commitment = communication of diseases) became a discursive common place in the US in the course of a moral campaign to prevent the spread of AIDS. Lack of commitment in relationships meant a high turnover of sexual partners, indicating moral degeneration, breach of communal and familial bonds and a resultant erosion of moral values. Such developments created new spaces where the AIDS virus could propagate itself, according to this thoroughly ideological explanation.

Rajagopal's theory equips itself with a similar explanation for the spread of communalism. Not only does the media serve as an instrument of dissemination of diseases, it is in itself a social affliction. He posits a process of erosion of commitment and the consequent opening up of the social field for the spread of communal ideology. "With the growing distance between lived experience and public culture, however, the commitment implied by audiences' consent no longer has the guarantees personal presence would entail. Commitment then becomes far more fluid and mobile, being based more on the gratification different images afford than on any investment of personal resources" (p 1660). This transformation of 'commitment' into a changeable, promiscuous thing makes it possible for a "highly disciplined and organised force like the RSS" to "exploit this altered form of commitment to present its own politics as representing those of the public at large" (p 1660). This 'explanation' fails to indicate what

makes the commitment-free space more receptive to the RSS ideology than to any other. I suspect that the words "highly disciplined and organised" are supposed to provide the absent justification. In other words, a discourse's success is a direct result of the strength and resourcefulness of the disseminating body. There is again, here, a tendency to regard a complex, transformed social field as reducible to a three-term equation. Disseminating agent → field of communications media → uncommitted subject. (Part of the problem might arise from a disciplinary will to elevate the object of mass communications research to a position of pre-eminence in the social.) The villains of the piece are distancing and impersonalisation. "Thus individuals may shift from one form of identity to another without necessitating a proportional shift in the distribution of their resources" (p 1666).

The last quotation points to the discursive reduction at work in the essay. Having abandoned the 'economism' of class-based explanations, Rajagopal treats Hindutva as an ideology whose dissemination can be accomplished without loss of social position, without a transformation of

personal life. This is perhaps true of the proponents of E-mail fascism but the entire phenomenon of Hindu nationalism cannot be explained (away) by recourse to this one idea. For most of the new adherents of Hindutva, no such security against transformation of personal life exists. Rajagopal's assumption that the English-speaking segment of the population is free from communal passions and his consequent surprise at what he considers a 'recent' change in its character may have led to the explanatory priority given to a purely discursive, 'gratificatory' relation to Hindu nationalism.

It is doubtful whether the vicarious pleasures of non-committed voters (Advani's use of this term is consistent with its meaning in political journalism and can only be accommodated to Rajagopal's definition by force) can serve as the main support base of a party whose politics has involved unimaginable levels of violence and planned confrontation with a weak transitional state. But having swept political economy under the carpet and isolated discourse and its vicissitudes as the sole object, Rajagopal could not have reached any other conclusion.

SAMEEKSHA TRUST BOOKS

Selections of Articles from *Economic and Political Weekly*

General Editor: Ashok Mitra

Industrial Growth and Stagnation

Edited by

Deepak Nayyar

A selection of essays presenting the main strands in the debate on industrialisation in India. The contributors analyse the factors underlying the deceleration in industrial growth from the mid-1960s to the mid-1970s and discuss the conditions and policies for a return to the path of sustained growth. Alternative hypotheses about the macroeconomic determinants of and constraints on industrial growth in India are examined, focusing on the performance of the agricultural sector, intersectoral terms of trade between agriculture and industry, disproportionalities within and between sectors, the level of investment in the economy, the nexus between public and private investment and the relative significance of supply and demand constraints.

362 pages

Rs 275

Available from

OXFORD UNIVERSITY PRESS

Bombay Delhi Calcutta Madras



The Paint Specialists

**Ganpatrao Kadam Marg,
Lower Parel,
Bombay-400 013.**

**Phone : 493-4001
Gram : GOODLASS**



Here's one investment plan that takes care of four others!



*Tax Exemption. • Annual Dividend and Maturity bonus.
• Life Insurance Cover. • Free Accident Insurance.*

ULIP (Unit Linked Insurance Plan) from UTI is a single-window investment plan catering to more than one financial priority. Consider the benefits offered:

Tax Exemption: When you invest in ULIP your investments qualify for tax exemption under section 88 of the Income Tax Act. Moreover, investment made in the name of spouse and children is also eligible for tax exemption now.

Annual Dividend and Maturity Bonus: The annual dividend is reinvested in the plan. There is also a maturity bonus of 5% on the 10 year plan and 7.5% on the 15 year plan respectively. The annual

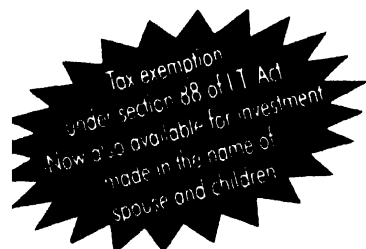
dividend for 1993-94 was 16.5%.

Life Insurance Cover: An insurance cover equal to your target amount without a medical examination. This cover is effective 6 months after you invest in ULIP.

Free Accident Insurance: An additional Rs. 30,000 accident cover, irrespective of your target amount.

Target Amount And Plan Period: You can choose either the 10 year or 15 year plan and aim for a target amount between Rs. 6,000 and Rs. 60,000.

For further details, please contact your nearest UTI branch, Chief Representative or agent.



UNIT TRUST OF INDIA

For your better tomorrow

All investments in mutual funds and securities are subject to market risks and the NAV of schemes may go up or down depending upon the factors and forces affecting securities market. Past performance is not necessarily indicative of the future results. Unit Linked Insurance Plan is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or returns. There is no guarantee that the Fund's objective will be achieved. Please read the offer document before investing.

ECONOMIC AND POLITICAL

WEEKLY

Sameeksha Trust Publication

Rs 20.00

Vol XXX No 12

March 25, 1995

REVIEW OF AGRICULTURE

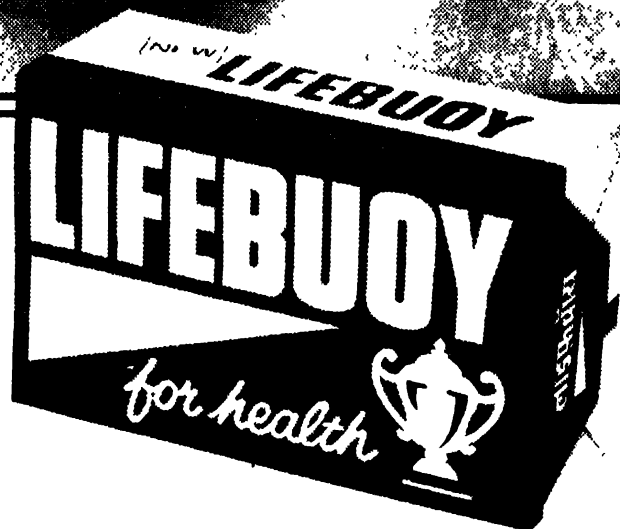
- **GENDER AND LEGAL RIGHTS IN AGRICULTURAL LAND IN INDIA**
- **ECONOMIC OUTLOOK FOR INDIA, 1994-96**
- **OILSEEDS DEVELOPMENT AND POLICY**
- **FEMINIFICATION OF THEORY**
- **AGRICULTURAL GROWTH ACROSS CROPS AND REGIONS**
- **PLANNING KERALA'S IRRIGATION PROJECTS: TECHNOLOGICAL PREJUDICES**
- **ENVIRONMENT AND SUSTAINABLE AGRICULTURAL DEVELOPMENT: CONFLICTS AND CONTRADICTIONS**
- **RURAL NON-AGRICULTURAL EMPLOYMENT IN KERALA: INTER-DISTRICT VARIATIONS**
- **BUDGET 1995-96: SELLING SHODDY GOODS**
- **TAX REFORM ON HOLD**
- GLOBALISATION AND REVIVAL OF TRADITION:
DUAL ATTACK ON MODEL OF NATION BUILDING**



CHAMPION

LIFEBUOY

Where there's Lifebuoy there's health. It washes away all the germs in dirt — to give you that clean, healthy feeling that comes only with Champion Lifebuoy. Now with a modern, new look.



WHERE THERE'S LIFEBUOY, THERE'S HEALTH

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Command Performance	591
Congress Party: Growing Rumbles - Tax Buoyancy, Beyond Compliance - Health Budget Roller-Coaster Ride - The Dollar: Other Countries' Concern - Uttar Pradesh Repeat Performance	592
In the Capital Market	595
Current Statistics	596
Companies	598
Commentary	
New Delhi: Selling Shoddy Goods	
—B M	601
The Budget: Tax Reform on Hold?	603
Tripura: Illusory Gains of Liberalisation	
—Malabika Das Gupta	604
Blue Revolution in a Green Belt	
—M Naganathan, K Jothi Sivagnanam	607
C Rajendran	
Sorry State of UP's Economy	
—Kripa Shankar	609
Transplantation of Human Organs Bill: Curate's Egg	
—J Amalorpavanathan	611
Grozny and Return to Big Powerism?	
—Anirudha Gupta	613

REVIEW OF AGRICULTURE

Agricultural Growth across Crops and Regions. Emerging Trends and Patterns	A-2
—S D Sawani, C V Achuthan	
Oilseeds Development and Policy: A Review	A-14
—K N Ninan	
Environment and Sustainable Agricultural Development: Conflicts and Contradictions	A-21
—V Ratna Reddy	
Planning Kerala's Irrigation Projects: Technological Prejudice and Politics of Hope	
—V Santhakumar, R Rajagopalan	A-30
S Ambirajan	
Gender and Legal Rights in Agricultural Land in India	A-39
—Bina Agarwal	
Perspectives	
Feminisation of Theory	
—Dipankar Gupta	617
Reviews	
Practice of Sociology in India	
—Ramachandra Guha	621
Challenge of Power-Sharing in Sri Lanka	
—A G Noorani	622
Special Articles	
Globalisation and Revival of Tradition: Dual Attack on Model of Democratic Nation Building	
—Rajni Kothari	625
Rural Non-Agricultural Employment in Kerala: Inter-District Variations	
—Midul Eapen	634
Economic Outlook for India, 1994-96	639
Discussion	
Medical Community's Civil War: Plague in Retrospect	
—Taruni Madan	643
Letters to Editor	680

ECONOMIC AND POLITICAL WEEKLY

Hikari House
284 Shahid Bhagat Singh Road, Bombay 400 001
Phones 2616072/73 Grams Ecomweekly
FAX: (022) 261 6073
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Naviekhia (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager M K Ansari
Manager K Vijayakumar
EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887 3038/3041
FAX: (022) 887 3038

Vol XXX No 12

March 25, 1995

Globalisation and Nation-Building

With the advent of globalisation, the changes taking place at the bottom tiers of nations have received little attention. Yet shifts in power relations, allegiances and consciousness at various levels of civil societies are changing the world as much as, if not more than, the macro changes wrought by international capital, technology and the mass media. To what extent these new cultural assertions of identity will enable the peoples of various regions to face the new capitalist order remains to be seen. 625

Women's Rights in Agricultural Land

Though the Constitution promises no discrimination on the basis of sex as a fundamental right, most inheritance and ceiling provisions relating to one of the most important economic resources in the country continue to be highly gender discriminatory. And the Ninth Schedule lends itself to their perpetuation. These aspects which impinge directly and crucially on women's legal and economic status have received surprisingly little attention from either researchers or activists. A-39

The Budget: Long on Rhetoric

The 1995-96 Budget is a desperate attempt to postpone the day of reckoning in the last year of the government's tenure. 601

The budget proposals fail to advance the objective of moving towards a simpler, fairer and less distortionary tax system which the finance minister professes to pursue. 603

The outlook for the Indian economy in 1995-96: forecasts by a macro-economic model. 639

Agricultural Growth

Production and productivity growth in Indian agriculture in recent years cannot be attributed only to favourable weather. The improvements in yield and the relatively wide dispersal of growth across regions and crops point to a technologically dynamic growth process. A-2

India's goal of self-reliance in the oilseeds and vegetable oils sector does not appear beyond reach any more in view of the acceleration of growth achieved in the past few years. A-14

Environmental Dimension

Sustainable agriculture involves not only the identification and application of improved technologies but the incorporation of ecological and socio-economic considerations. Inevitably conflicts and contradictions arise. A-21

The state government's policy of having major irrigation projects in all the river basins in Kerala is based on neglect of specific agro-climatic and agro-ecological features of humid-tropic Kerala. A-30

The fisherfolk and peasants of coastal Tamil Nadu are organising themselves against the encroachment of prawn farming which is adversely affecting the environment and their own life chances. 607

Anti-Theory

The postmodernist denigration of theory and of disciplinary grids as 'fictions', of one kind or another, has significantly influenced a wide range of scholarship. But it is in contemporary feminist studies, more than anywhere else, that this intellectual attitude has been fully realised. 617

Structural Weakness

Though Kerala has a relatively high proportion of rural non-agricultural employment, the emerging occupational structure is weak, as reflected in its inability to take advantage of the growth impulses generated by increases in demand. 634

Power Play

Kremlin's decision to pit Russia's entire military might against the Chechen rebels, supported as it was by the US and approved by the European governments, reveals the rough outlines of an emerging multi-power world. 613

Economies in Distress

With declining investment and profligate non-developmental expenditure, UP's economy is in the doldrums. 609

Much has been said about the impact of external liberalisation on the Indian economy as a whole, but what about the economies of individual states? The harsh prospect for Tripura. 604

A Strangled Cry

"WE the Marxist Communists deserve brickbats and not bouquets", Nripen Chakraborty, the octogenarian freedom fighter and veteran communist and member of the politburo of the CPI(M), bitterly told the Congress(I) delegation who came to offer him a floral tribute at his hospital bed in Calcutta. The Congress men were having the time of their lives. The day before, Nripen Chakraborty had unburdened his heart to an interviewer from a local Bengali daily: The Marxist Communists in West Bengal have thoroughly degenerated – morally, politically and intellectually. The state government was pursuing an anti-labour policy. The new economic policy of the Left Front government was a gimmick and the party's mouthpiece, *Ganashakti*, could not be read 'without revulsion'; there was not an iota of Marxism-Leninism in it.

It was a strangled cry, devastatingly accurate. The entire leadership of CPI(M) both at the state and all-India levels were struck dumb. Chakraborty retained the dignity of the idea and could not yet get rid of his hatred and contempt for a different way of life of ease, safety, toleration and complacency. He could yet see the thoughts, hunger and hope and hatred in the eyes of the people. He had not the kind of dwarfed dignity which the other veterans were accustomed to – the dignity of people afraid of a little pain and yet sitting with firmness in their chairs.

This is not to idealise Nripen Chakraborty. One is astonished at his innocence. Was he not aware that participation in the administration paralyses the revolutionary will of the working class, that so-called relief under the present relations of production proletarianises the masses still more? It does not offset the imbalance of income between workers and capitalists. It only redistributes wages among different groups of workers. The party's preoccupation with wage restraint since it came to 'power' reflects Indian capital's anxiety about the trend of declining profit rate. But, as Marx pointed out, this decline does not necessarily lead to a decline in the mass of surplus value. Over-accumulation of capital in the hands of the owners has been an integral part of every capitalist crisis and is a prime factor in the waves of speculation that precede and sometimes accompany large-scale declines in mass purchasing power. It is time our

economists calculated what a huge percentage of the money in circulation was in speculative operation and not in production. The figure would be fantastic. The removal of all controls on cross-border capital flows is an indication of how anxious the owners of capital were to valorise their holdings in ways that did not involve investment in local industry – not to speak of West Bengal industry. It is not a question of centre-state relations but mainly and essentially a question of the crisis of capitalism, of class relations. 'Class' is now a forgotten or forbidden word. Nripen Chakraborty's cry is the belated expression of the self-flagellation of the honest among the communists. The workers the world over, with the temporary prosperity of the post-war years, have become compromisers and ceased to be revolutionaries. The severe chastisement by crises is bestirring the mass of them again now.

Calcutta

A READER

Intellectual Property Rights

'INTELLECTUAL Property Rights: An Indian Perspective' (February 4) by DM Nachane merits attention and discussion. Whatever one might say, intellectual property rights is a powerful weapon for

marketing of technology on the terms and conditions of the seller. This must be resisted as it defeats the established norms of fair trade practice to ensure protection of the buyer. In this context LDCs are helpless buyers. It also tends to make the future insecure for LDCs.

IPR is being forcefully implemented in the name of the inventor and technology. Nobody is asking if the inventor has freedom of expression. As we know, technology, in spite of its continued refinement, cannot prove helpful, unless it is accompanied by a corresponding behavioural change on the part of society. Have the promoters of IPR or the scientific community taken this fact seriously?

It must also be appreciated if any law or rule (including the IPR) is made strict and forcibly implemented, it would lead to violation. We have not heard many cases where infringement of IPR has been successfully curbed by a judgment of a court of law.

More than in LDCs, infringement of the IPR is occurring in the developed nations. None seems to have been punished. It is for such reasons that industrial security is gaining great importance. The monopoly product producers and many multinationals are watching helplessly and their competitors are coming up fast by infringing IPR and patents.

S K SHARMA

New Delhi

Revised Subscription Rates

Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years
Institutions	—	600	1125	1650
Individuals	250	475	875	1275
Concessional Rates				
Teachers/Researchers	—	325	—	900
Students	—	225	—	—

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential. Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

	Foreign		(in US \$)	
	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	80	50	65	30
USA, Canada, UK, Europe, Japan, New Zealand,				
Australia & Russia	150	100	90	65
All other countries	100	70	70	50

All remittances to **Economic and Political Weekly**

Command Performance

FOR the ruling party at the centre, the Tenth Finance Commission was very much an in-house affair. The chairman was a veteran Congress stalwart whose residual, but high, ambitions for holding a major political office were smothered by developments in Uttar Pradesh. He had to be accommodated; he was. Two other slots were filled by an economist and an economic administrator with long official links. And as far as the convention of having a distinguished judicial personality as a member so as to enable the commission to decide upon financial dispensations with dignity and detachment was concerned, the Tenth Finance Commission broke altogether new ground. A member of parliament, currently serving in the Lok Sabha, and a practising lawyer in the Supreme Court and in the Calcutta High Court, was picked for the slot. A formal explanation for the extraordinary choice was not lacking either: the gentleman, the nation was informed, had, once upon a time, served for some months as puisne judge in one of the country's high courts.

After such a composition, little, very little, could have been expected to emerge from the deliberations of the Tenth Finance Commission. That assessment has not been belied. Mercifully the report the commission has submitted is not long on verbiage. What it has to say it says with an admirable economy of words. That apart, what little it has to say is an echo of the traditional views of the union government, mostly reflecting the post-independence stance of the Congress Party towards centre-state relations. The undercurrent of impression the report of the Tenth Finance Commission exudes is that the centre is the centre of the universe and the states are a near-insufferable nuisance.

The problem, however, does not lie with Article 280 of the Constitution, which sets forth the procedure of appointment and mode of composition of the quinquennial finance commissions. The core of the problem has its nexus with Article 74: under all circumstances the president will have to act, it says, according to the advice of the council of ministers adorning the union government. The finance commission, given its principal responsibility, to decide the distribution of shareable tax proceeds between the centre and the states and grants-in-aid from the Consolidated Fund of India to the states, has to fill in the role of an arbiter. But one party in the arbitration, the union government, decides the commission's composition as well as the terms of reference for it. In course of time the ministry of finance has assumed that the commission has no other assignment to look after except to do North Block's bidding. The assumption has been duly validated by the turn of events as the decades have rolled by.

Forget for the present the Tenth Commission's discourses on how the country's fiscal framework ought to be restructured beyond 2000. Consider its recommendations for the period 1995-2000. The states, thanks to the awards of the preceding commissions, had till now been enjoying an 85 per cent share of the proceeds of income-tax. That share has been brought down by the Tenth Commission to 77.5 per cent. It will be said on its behalf that, never mind, the share of union excise duties given to the states has been simultaneously raised from 45 per cent to 47.5 per cent. But the fact is that, with the drastic slashing of rates of excise duties the finance minister is bent upon pursuing, the marginally higher allocation to the states may be altogether of a chimerical quality. What is being lost on the swings would then not be compensated on the roundabouts.

Perhaps that denouement would be in conformity with intentions. Even more bemusing is the commission's decision to abolish the additional excise duties on sugar, textiles and tobacco and tobacco products and to merge this tax head with basic excise duties. The commission has added the ukase that despite what it has proposed, the states would have no right to levy sales tax on these categories of commodities. But have the legal and constitutional implications been fully gone into? The commission was not the judiciary; it did not have the prerogative to write the law or rewrite the Constitution. The additional duties of excise on textiles, sugar and tobacco and tobacco products were in lieu of the states' taxes. Once, as a result of the Tenth Commission's verdict, this arrangement is terminated, the right to levy sales tax on these commodities should automatically revert to the states. The commission would not like that to happen and has recommended an amendment of the Constitution so that its direction becomes operational with effect from the fiscal year 1996-97. The commission has obviously been either ignorant or oblivious of the country's changing political geography to assume that the constitutional amendment sought to be introduced can be enacted in the course of the next few months.

The rest of the recommendations of the Tenth Finance Commission, such as with respect to debt relief, grants-in-aid, grants in lieu of tax on rail passengers, grants to local bodies, maintenance outlays, etc, are run-of-the-mill. The suggestion for establishing a calamity relief fund has the aura of an innovation, but the modality of who will operate the fund and under what procedures is left tantalisingly vague. Finally, it is most unlikely that the commission's longer range proposal to pool all central taxes together and permit the states to partake of 26 per cent of the total would have many buyers. It will be seen as a ploy, and a pretty transparent

due, to further centralise an already excessively over-centralised tax-sharing arrangement. The formula by which the commission decided that not 27 per cent, not 25 per cent either, but exactly 26 per cent would be the prerogative of the states under the proposed new fiscal system is not easily explicable. Given the fast pace at which the country's political map is getting altered, it would be no surprise if sooner or later, sooner probably than later, the states demand in unison that the yield from all taxes levied by the centre should be shared with the states on a 50:50 basis. After all, as early as in the early 1970s, the CPI(M) actually went to town in West Bengal with the electoral slogan of a three-fourths allocation for the states from the central tax kitty. Some chief ministers might in the coming years not be averse to suggesting that, with the corporation tax and taxes on foreign trade, they would not mind a pooling arrangement as per the recommendations of the Tenth Commission, but what the share of the states would be from out of this pool was to be a matter for settlement in the political arena.

On the more basic issues afflicting centre-state fiscal relations the Tenth Finance Commission has little to say. It was conceivably under specific instruction to remain taciturn on the role of discretionary transfers which the ministry of finance has become so addicted to in the past couple of decades. The plan transfers, that is, transfers according to the recommendations of the Planning Commission, were never of a significant magnitude; with the ruling party's discovery of the so-called 'special category states', plan transfers for the overwhelming majority of the states were reduced to tokenism. But it is the other fact, that of statutory transfers under the finance commission's dispensation being increasingly dwarfed by the ministry of finance doling out funds for its favourite causes under Article 282 which should be the focus of attention on the part of those who are interested in the evolution of a non-overcentralised, democratic fiscal system. The Tenth Finance Commission has chosen not to venture into such, to it forbidden, territories. Nor has it any comments to offer on the increasing tendency of the centre to deduct from the statutory dues of individual states, as determined by the awards of finance commissions, amounts which it thinks such states owe to it. The funds which come to the states on account of finance commission awards are in the nature of trust funds; these may at any point of time lie in the Consolidated Fund of India. But constitutionally these belong to the states; the union government, as a mere trustee presiding over the Consolidated Fund, should not have the right to interfere with or appropriate from such monies for its own purposes. This is an extremely serious issue; not however according to the Tenth Finance Commission.

But the commission's had to be a command performance. That objective reality must also have stood in the way of it offering any worthwhile comments on the mysterious affair of the tax on consignments, a proposal for introducing which was unanimously decided upon at a conference of chief ministers more than a decade ago. There are, of course, parallel fiscal visions, such as of those who cannot wait to see India emerge as a unified, integrated, single homogeneous market over which the value added tax would reign supreme and the abomination of sales taxation would be a relic of the abominable past. Visions, however, are theoretical constructs; the country may come to nurture altogether different, even if rather less tidy, practical propositions.

CONGRESS PARTY

Growing Rumbblings

THE resignation of UP Congress leader N D Tiwari from the Congress Working Committee (CWC), which has infused fresh blood into the ongoing crisis in the party, is significant in several respects, although it is premature to say that it would lead the party towards a split.

The resignation has come at a time when the Congress had only recently suffered humiliating defeat in two major states, Maharashtra and Gujarat, which, coupled with the rout of the party in Karnataka and Andhra Pradesh earlier, has made the position of the prime minister and the party president P V Narasimha Rao particularly vulnerable. This vulnerability of Rao, and of the coterie around him, explains the cautious and, in fact, appeasing reaction in the higher circles in the party to Tiwari's resignation.

Another reason for this mild reaction is that apart from his seniority as a party leader, Tiwari, unlike Arjun Singh, has a reputation for honesty and probity in public matters, for which he is respected by the party rank and file. However, these traits of his political personality, in the wake of his resignation, have a much more serious implication for the dissidents rather than the mainstream of the party: they have the potential to establish him as a serious challenger to Arjun Singh, whose moral stature is not beyond reproach, for the leadership of the dissident camp. It would not be entirely surprising, therefore, if this becomes a contentious issue for the Congress dissidents in the coming days and months.

An aspect of the Tiwari resignation which has totally escaped attention is its impact on the Congress in Punjab and particularly on chief minister Beant Singh's leadership of the state party. It should be recalled in this context that Tiwari's resignation had followed remarks by Beant Singh and by Balram Jakhar, another Congress leader

from Punjab, that disciplinary action would be taken against him if he attended the dissidents' rally in Bhatinda on March 23. What is significant is that Beant Singh and Jakhar, member and vice-president, respectively, of the party's Disciplinary Action Committee (DAC), had made these remarks because Tiwari's presence in the rally, where Arjun Singh was also to speak, would have strengthened the position of Jagmeet Singh Brar, dissident Congress MP from Punjab and organiser of the rally, in the state party. Brar, a relatively young leader, who has become a thorn in the side of the state party leadership, has been trying to emerge over the years as a serious contender for the top party post in the state. This prospect is unpalatable not only to Beant Singh but also to Jakhar whose son is a minister in Beant Singh's government. Thus, Beant's and Jakhar's remarks which, originating in a regional political context, have bolstered the crisis in the party at the national level. Nor have these two leaders succeeded in realising the intent behind their remarks. On the contrary, the prominence that the Bhatinda rally – which was, in the event, largely attended – acquired due to the controversy has only served to strengthen the position of Jagmeet Singh Brar.

TAX BUOYANCY

Beyond Compliance

A CONSTANT refrain of the finance minister and his officials has been that the last budget's reduction in marginal tax rates on personal and corporate incomes have yielded good results. As the finance minister has emphasised in his latest budget speech, the receipts from personal income and corporation taxes together are expected to increase by more than 25 per cent in 1994-95 and the share of direct taxes in GDP to rise from 2.1 per cent in 1990-91 to 2.8 per cent in 1994-95. The *Economic Survey* for 1994-95 has tried to drive home this point more vigorously. Arguing that the cumulative effect of the decline in marginal income tax rates in the past four years has not reduced tax revenue as feared by some, the *Survey* states that the overall effect of the reforms has been to raise buoyancy of both personal and corporate tax revenues (with respect to GDP). Personal income tax buoyancy has averaged about 1.4 during 1991-92 to 1994-95 (BE) against 1 during the previous four years, while corporate tax buoyancy has similarly risen from 0.8 during 1987-88 to 1990-91 to around 1.7 during 1991-92 to 1994-95 (BE). As the revised estimates of revenue from these two taxes are higher than the budget estimates, the buoyancy figures for the latter period should be even higher. Even if the increases in tax revenues are related to GDP originating in the non-farm sector (that is, other than

agriculture, forestry and fishing), the improvements in buoyancy noted above are still valid: 0.87 for the first period and 1.05 for the second period in respect of personal income tax and 1.82 and 1.36, respectively, for the corporation tax. It is also true, as claimed in the *Economic Survey*, that the share of direct taxes in the centre's gross tax revenue has improved from 19.1 per cent in 1990-91 to 28.4 per cent in 1994-95 (RE) and further to 29.2 per cent in 1995-96 (BE).

While all this may be true, how valid is the claim that the improved tax buoyancy is the result of reductions in marginal tax rates and simplification and rationalisation of the tax system and administration? Mere juxtaposition of aggregative data on tax revenues and GDP is not enough. There is, in fact, evidence pointing in a somewhat different direction.

Let us take trends in corporate tax revenue. In the past four years, the largest rise in it from Rs 5,335 crore to Rs 7,835 crore or by 47.20 per cent took place in 1991-92. That was the year when the marginal tax rate for the corporate sector was raised from 40 to 45 per cent for widely-held companies and from 45 to 50 per cent for closely-held companies. The finance minister had declared then, "I feel disappointed that the phenomenal growth in the output, value added and profits of the corporate sector, in recent years, has not been appropriately reflected in corporate tax collections". In the same vein, arguing that the rates of depreciation prescribed in 1987 on plant and machinery were too generous and provided much more than was needed to compensate for wear and tear, the finance minister reduced the general rate of depreciation for plant and machinery from 33.33 per cent to 25 per cent. These increases in rates gave the above-noted jump in corporate tax revenue in 1991-92. The next two years saw only a rise of 13 per cent each in corporate tax revenue and buoyancy with respect to non-farm GDP remained below unity (0.91 to be exact). It is in 1994-95 that there has again occurred an improvement of 31.7 per cent, from Rs 10,060 crore to Rs 13,250 crore (RE), though tax rates on companies were slashed to a uniform rate of 40 per cent for both widely-held and closely-held companies. In the case of companies incorporated abroad, the rate was reduced from 65 per cent to 55 per cent. Capital gains tax on companies was also reduced from 40 per cent to 30 per cent. The conventionally estimated revenue loss on these counts was estimated at Rs 1,355 crore, whereas the revised estimates now show a rise in collections of Rs 3,190 crore, an increase of 45.2 per cent.

Significantly, similar buoyancy has been seen in personal income tax receipts in 1994-95 when there was some reduction in income tax on individuals. The estimated revenue rose by 20.7 per cent from Rs 9,115 crore in 1993-94 to Rs 11,000 crore in

1994-95 or by Rs 1,885 crore. Considering that the loss of revenue on account of the tax reductions had been placed at Rs 1,075 crore, the effective rise in income tax revenue worked out to 32.5 per cent.

While it may be true that the above increases to an extent do reflect the effect of improvement in tax administration, it is doubtful if voluntary compliance by taxpayers has improved as a result of moderation of tax rates. A review of the performance of the economy in the past two years suggests other possible reasons.

First, studies on corporate finances show that a large number of companies garnered sizeable pre-tax profits in 1994-95 because of three factors: (i) large increases in sales turnover of manufacturing firms, (ii) massive profits made by these in non-manufacturing activities which are reflected in a quantum jump in 'other incomes' consisting of interest and dividends, as also in non-operating profits by sale of physical and financial assets; and (iii) a substantial step-up in profits of public and private sector corporate bodies in the financial sector. A study of the unaudited financial results of 2,017 companies comprising 1,982 private sector companies and 35 listed PSUs for the first half of 1994-95 shows that their combined net sales rose by 25.2 per cent, their 'other income' by 46.4 per cent and gross profit by 32.6 per cent. As interest and depreciation provisions rose only by about 5-6 per cent each, profit before tax shot up by 75.5 per cent. As a result, these companies' provision for direct taxes is higher by 27 per cent. Companies producing commercial vehicles saw their gross profit rising by 156 per cent and tax provision by 474 per cent in the first half of 1994-95 and those producing passenger cars and jeeps by 104 per cent and 1,083 per cent, respectively. Such sharp increases in profits and in tax provision are seen in a number of other manufacturing sectors. Data on financial sector companies and banks for 1994-95 are not available but it is known that financial sector activities, including treasury operations of commercial banks and term financing and investment institutions, got a boost from the surfeit of liquidity emanating from inflow of foreign portfolio investment. This must have produced massive profits and enhanced tax payments by players in the capital and money markets.

Secondly, this has also been a period when executive salaries in financial as well as non-financial companies have gone up phenomenally. A rise of about one-third in income tax collections was to be expected even as per conventional behaviour of income tax-payers (excluding some collections from presumptive taxation).

In effect, certain special factors have been responsible for the higher profits and incomes and higher tax payments in 1994-95. To an extent, tax evasion in capital market and financial dealings is more

difficult than in manufacturing, trading and the professions. If the government were to put out more disaggregated data on the number of assesseees and their gross incomes and tax payments, including those by professionals like doctors, lawyers, architects and contractors, it might turn out that it is not improved compliance and collection that is responsible for higher direct tax revenues, but the sudden emergence of a large category of high-income earners among the upper middle classes as a result of economic liberalisation, in the financial sector in particular.

HEALTH BUDGET

Roller-Coaster Ride

IT is hardly surprising that the 1995-96 Budget places negligible emphasis on the health sector. A budget which has ensured further deterioration in the parameters of health for a growing number of people cannot be expected to strengthen short-term technical preventive and curative services. Even apart from the larger socio-economic base which determines health status, budget allocations for items such as the integrated child development scheme under social welfare barely keep pace with the rate of inflation. The allocation for rural water supply has gone up by 37 per cent, but the allocation on sanitation remains the same. Clearly, the funding of social welfare programmes is not based on an integrated concept of people's well-being, but on piecemeal hikes, motivated by considerations other than welfare. Even if some of these programmes are supplemented by separate state programmes, the centre's cuts combined with poorer overall transfers to the states ensure their gradual attenuation.

Even the rhetoric on the need to provide good health care, is missing today. By allocating Rs 1,048 crore to 'medical services and public health', that is, 5.5 per cent more than last year's revised estimates, in other words a reduction in real terms, the union government has signalled its continuing withdrawal from the health sector. In some areas there is a reduction even in nominal terms, such as for 'medical education, training and research', from Rs 293.84 crore to Rs 277.77 crore. Within this an institution like the Indian Council of Medical Research, which is meant to provide direction to and organise medical research and has suffered long neglect, has this year been allocated a minuscule Rs 49 crore, just Rs 0.82 crore over last year's budget. Not surprisingly, the direct and indirect consequence of this is that programmes considered to be of relatively low priority suffer. The ICMR, for instance, has wound up all its research programmes related to the Bhopal gas disaster. The haphazard manner in which the health budget is put together also results in there being no

consistent and secure funding. For instance, cancer research received Rs 19.80 crore in the 1994-95 budget for setting up peripheral detection centres, etc; however, the revised estimate of Rs 43.80 crore indicates that lump sum funding was received for particular projects. In 1995-96 the budget allocation of Rs 16.88 crore is even less than the original 1994-95 allocation. Inevitably, ongoing projects will either have to look to other sources for funds or be disbanded.

Public health allocations continue to trace the same roller-coaster curves which have been long characteristic of the central health budget. Of the allocation for disease programmes, the largest single component is the Malaria Control Programme for which the states contribute an equal amount. This is not surprising given what appears to be a rapid spread of the disease, especially in more virulent forms, and its debilitating effects. Malaria is a disease whose spread is directly related to poor development planning – urban and rural, agricultural and industrial. Funding a disease control programme without ensuring that the factors which make for the spread of the disease are not eliminated is like trying to repair a leaky bucket with the tap turned on. Within the AIDS control programme the older STD control programme, which has now been merged with it, has consistently suffered declines in allocations, getting Rs 0.50 crore in 1993-94 and Rs 0.18 crore in 1995-96. The tuberculosis control programme received a new lease of life with the onset of AIDS. WHO has now recommended a supervised treatment programme using more expensive drug regimens. The higher allocations will no doubt go towards paying for the increased cost. However, detection and follow-up of patients requires an efficient primary health care set-up which, ironically enough, is being systematically disbanded by the squeeze on health care allocations. A different example of the haphazard approach to the health sector is the higher allocation for the National Institute of Communicable Diseases, no doubt the result of the institution's inadequacies coming into the limelight during the plague epidemic.

At this rate in a few years there may be no central health budget to comment on, the states taking care of the minimal public programmes and the entire curative sector being pushed into the private sector with a network of private health insurance companies.

THE DOLLAR

Other Countries' Concern

FIRST it was thought that the yen-dollar exchange rate would not be allowed to go below 100 yen to the dollar; now that it has fallen below 90, the question is how much lower it would be allowed to sink. Not that

attempts have not been made to jack up the rate to over 90, but the outcome has not been quite successful. With the US trade deficit reaching a record level, early hopes of raising the dollar's exchange rate seem to have given way to a sort of resignation that it will be difficult to push it back to 90 yen or above.

Interestingly, practically all attempts to jack up the dollar have emanated from quarters outside the US. Monetary authorities in the US have virtually turned a deaf ear to all the concern over the depreciation of the dollar. On the other hand, monetary authorities of other countries, particularly Japan and Germany, in respect of whose currencies the dollar has suffered the maximum decline in recent weeks, have had to shoulder the brunt of the action to stem the tide of a declining dollar – action which has taken the form of intervention in the exchange markets and/or interest rate reduction. These actions could certainly be said to have slowed down, if not stemmed altogether, the dollar's decline.

The question remains, however, whether the fundamentals, so-called, are slated to push the dollar further down against the other major currencies. If by fundamentals one refers to trade and current account balancing, the dollar should have been in the dumps long, long back. But the US has enjoyed a special position in the world of international finance, particularly since the second world war, because of the role the dollar has assumed as a reserve currency, first under the Bretton Woods agreement and even later after the Bretton Woods arrangement more or less collapsed, at least insofar as it was premised on the fixed exchange rate system.

The basic question to ask therefore is whether the reserve currency role performed by the dollar is likely to come more and more under attack. In this context, it is well to bear in mind that while other countries with strong currencies, such as Japan and Germany, have been reluctant to let their currencies take on extended reserve currency roles – principally, it would appear, for the fear that it would oblige them to surrender their freedom to regulate domestic economic policies – these are also the countries which along with the US have been the most vociferous in their opposition to the creation of an international reserve currency which is free from domestic economic compulsions. Germany and Japan have, no doubt, over recent years acquiesced in the use of their currencies as reserve currencies to a limited extent, but the dollar's dominance has stayed put with 60 per cent of the currency reserves of the monetary authorities (including India's) held in dollars. So long as this remains the position, the dollar's exchange rate is under no danger of collapse, certainly not in the manner of Mexico's peso. And in the circumstances why should the US not be indifferent to what happens to the dollar's external value?

UTTAR PRADESH

Repeat Performance

HARDLY had the threat created by N D Tiwari-Arjun Singh game plan to Mulayam Singh's government receded, the banned VHP, in its new incarnation of Hindu Sangam, decided to set astir the political waters of Uttar Pradesh. On February 27, the day of Mahashivratri, the VHP conducted a 'jalabhishek' at the Kashi Vishwanath temple in Varanasi as an initiatory step to 'liberate' the temple from the nearby Gyan Vapi mosque. Though the local Hindus and Muslims wisely kept away from the event and tight security arrangements prevented any untoward incident, the very launching of 'Kashi andolan' disturbingly indicates that the Sangh parivar has not budged from its divisive designs.

As was the case with the Ayodhya issue, the BJP, the political arm of the Sangh, has officially dissociated itself from the initial stages of the agitation. According to the Sangh strategy, which by now is an open secret, the various other fronts of the Sangh parivaar prepare the groundwork for the BJP to ultimately reap the political gains. Thus at the moment L K Advani may say that Kashi is not on the BJP agenda but by allowing Mahant Avaidyanath and Uma Bharati, the BJP legislators, to participate in their 'individual' capacities and indulge in aggressive rhetoric, he has left the door open to capitalise upon the issue as and when the time is considered ripe. Given the noticeable decline in the popularity of the BJP since the Ayodhya incident, Atal Bihari Vajpayee's categorical statement that all the wrongs of history cannot be undone, may guide the party policy for some time. Yet the influence of the moderates in the Sangh parivar is likely to fade in the face of another upsurge of extremism.

By proclaiming its support to the VHP stir, the RSS, on the one hand, aims to elevate the prospects of the BJP in the forthcoming Lok Sabha elections. On the other hand, by announcing its intention of supporting the Congress if the latter makes N D Tiwari the prime minister, the RSS not only desires to stoke the infighting within the Congress but also slyly lend credibility to the accusations levelled by Mulayam Singh against the Tiwari-Arjun Singh faction. The crisis in the Congress has certainly helped Mulayam Singh to strike a working relation with Narasimha Rao who recently approved a 20 per cent hike in the plan outlay for Uttar Pradesh. Mulayam Singh has also utilised the Kashi stir to further tarnish the Tiwari-Arjun Singh axis. Yet if Mulayam Singh plans to go for mid-term polls, it would be judicious for him to curtail his present polemics against Arjun Singh and concentrate his energies on squarely tackling the Sangh threat.

IDBI I-Nit

IDBI MUTUAL FUNDS is promoted by IDBI which has over three decades of experience in corporate lending and investment. IDBI Mutual Fund has announced its maiden scheme I-nit '95 specially designed for small investors. It is a growth scheme with a five-year maturity. It offers two plans: Dividend I-nits to offer dividend income through distribution of profits at the end of each year and growing I-nits to offer long-term capital appreciation through reinvestment of profits realised. The scheme offers periodic encashment facility under which investors can encash their I-nits at NAV. Encashment facilities would be offered once every six months in the first year and once every three months thereafter. A unique banking convenience is also offered to investors through a cash across the counter facility. For this the IDBI Mutual Fund has tied up with seven commercial banks. IDBI as the sponsor and lead manager has offered a safety net for the first time in a mutual fund scheme under which IDBI would purchase I-nits at face value for a period of one year from the date of allotment from original allottees subscribing up to 5,000 I-nits. The issue is to open from March 27 to May 6.

Monalisa Multiplast

Incorporated in 1994 and belonging to the Azam Plastic Group, Monalisa Multiplast is engaged in the manufacture of high fashion injection moulded plastic furniture like chairs and tables and also crates, storage bins, tanks, drums, etc. Marketed to households and industrial units the products are 100 per cent termite resistant. The company is entering the capital market with maiden public issues of 21,90,000 equity shares of Rs 10 each at par aggregating Rs 219 lakh. The funds would be used to set up manufacturing facilities at Daman for manufacturing 3,600 mt of injection moulded plastic furniture. The project being located in a centrally notified backward area, the company is entitled for 100 per cent income tax exemption for the first five years and thereafter 30 per cent exemption for the next five years along with sales tax exemption for the first five years. Since commercial production is to commence in April the project has almost no gestation period. The project has been appraised by SBI Capital Market and the cost is estimated to be at Rs 1.700 lakh. SBI is financing the project to the tune of Rs 500 lakh and State Bank of Mysore is providing Rs 300 lakh. The issue, slated to open on April 6, is being lead

managed by Times Guaranty Financials and Prudential Capital Markets.

Kadvani Securities

Kadvani Securities managed by K L Kadvani and A L Kadvani is operating in financial services and finance-related areas. In order to broad base its activities, the company is embarking on expansion of its activities in the field of shares and securities, leasing, corporate advisory services and project and management consultancy services. The company is already into trading in shares and securities and plans to enter leasing of industrial equipment and plant and machinery. Under corporate advisory services it plans to undertake arranging bill discounting, intercorporate deposits and fund placements for its clients. Project management and consultancy includes identification of profitable project opportunities, preparation of project reports, appraisal of project reports and credit syndication from banks and financial institutions for term loans, debentures and working capital finance. For this expansion the company needs to augment its long-term

working capital. The company is entering the capital market on March 28 with a public issue of 18 lakh equity shares of Rs 10 each at par aggregating Rs 180 lakh. Lead manager to the issue is Prudential Capital Markets.

Suprapti Plastics

Suprapti Plastics, a 100 per cent export-oriented unit manufacturing bags, stretch films and garbage bags has an installed capacity of 1,330 mtpa. The company has been promoted by Prashant Tanna and his associates. The company is entering the capital market on April 4 with a public issue of 37 lakh equity shares of Rs 10 each at par aggregating Rs 370 lakh of which Rs 56.38 lakh is to be firmly allotted to NRIs/OCBs and Rs 20 lakh to Mutual Funds. The project is to expand capacity to 1440 mtpa. The cost of the project is estimated to be at Rs 453.89 lakh. The gestation period is very low since commercial production from the expanded capacity is to begin in April. The company has signed an MOU with Lightways, London, for supply of its entire production for five years. Lightways also has an equity stake in SPL to the extent of Rs 48.62 lakh.

OUTSTANDING BOOKS

GATT ACCORD

India's Strategic Response

Foreword by

Pranab Mukherjee

Edited by

V. Ramachandriah

The General Agreement on Tariffs and Trade, GATT (1948) is the basis for a global rule-based trading system. GATT members agree to trade with one another on equitable basis, irrespective of the level and size of their economics or political system and to reduce barriers to trade.

This important book places the impact of GATT Agreement in proper perspective and offers proceedings and papers presented during a seminar organised by the Indian Institute of Foreign Trade, New Delhi, for the benefit of those interested in GATT affairs.

1994

ISBN 81-7169-286-9

Rs. 500

Save Indian Publishing—Buy Indian Books



COMMONWEALTH PUBLISHERS

4378/48, Ansari Road, Murari Lal Street,
New Delhi-110002 Phone : 3272541

CURRENT STATISTICS

EPW Research Foundation

Prices of primary articles and food have receded somewhat over the past year. Reserve money growth has picked up as net RBI credit to the centre has started rising. The BSE sensx has registered a fall of about 27 per cent over the year's peak, losing 1,236 points. There has been a fall in the share of petroleum products and some rise in that of capital goods and metals in imports. In exports the shares of chemicals and cotton and manmade textiles, including readymade garments, have shown a rise. Capital goods exports have remained a little over 10 per cent. Foreign currency assets have again crossed \$ 20 billion.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Mar 4, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100.0	283.9	0.3	10.5	10.3	9.9	10.3	10.8	7.0	13.6	12.1
Primary Articles	32.3	294.0	-0.2	14.1	10.4	13.5	11.0	11.5	3.0	15.3	17.1
Food Articles	17.4	316.5	-1.6	12.2	3.9	12.9	5.0	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	326.2	2.3	19.6	22.1	16.4	21.6	24.9	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	281.4	0.0	1.2	13.1	1.2	13.1	13.1	15.2	13.2	14.4
Manufactured Products	57.0	278.7	0.6	10.3	9.6	9.6	9.3	9.9	7.9	12.6	8.9
Food Products	10.1	273.0	-0.9	9.2	11.9	8.3	11.4	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	300.5	-1.4	11.2	6.4	11.3	7.1	7.0	5.8	17.1	16.9
All Commodities (Average Basis) (April-March 4, 1995)	100.0	273.7	-	10.8	8.1	10.8	8.1	8.3	10.1	13.7	10.3

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent): Point-to-Point							
			Over 12 Months	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	
				Latest	Previous					
Industrial Workers (1982=100)	291 ¹¹	0.3	9.8	8.6	9.0	9.1	9.9	6.1	13.9	13.6
Urban Non-Man Emp (1984-85=100)	240 ¹⁰	0.8	10.1	6.3	8.1	6.3	-	6.8	13.6	13.4
Agri Lab (July 60 to June 61=100)	1292 ¹	-0.4	10.8	9.4	10.0	10.7	11.6	0.7	21.9	16.6

Money and Banking (Rs crore)	Feb 17, 1995	Over Month	Variation					
			Fiscal Year So Far		1993-94		1992-93	
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91
Money Supply (M ₁)	503611	5229 (1.0)	70045 (16.2)	59139 (16.1)	66741 (18.2)	49344 (15.5)	51653 (19.4)	
Currency with Public	100040	2441 (2.4)	17842 (21.7)	13115 (19.2)	13925 (20.4)	7175 (11.7)	8050 (15.2)	
Deposits with Banks	400609	3012 (0.8)	51769 (14.8)	45743 (15.4)	51601 (17.4)	41741 (16.3)	43392 (20.5)	
Net Bank Credit to Govt Sector	217927	2438 (1.1)	14141 (6.9)	29157 (16.5)	27548 (15.6)	17975 (11.4)	18070 (12.9)	
Bank Credit to Comm'l Sector	273345	3925 (1.4)	36142 (15.2)	13831 (6.3)	17068 (7.8)	32141 (17.1)	16225 (9.4)	
Net Foreign Exchange Assets	70710	57 (0.1)	16983 (31.6)	18439 (73.9)	28775 (15.3)	3726 (17.6)	10645 (100.6)	
Reserve Money (Feb 24, 1995)	167729	1588 (0.9)	29107 (21.0)	23916 (21.6)	27843 (25.1)	11274 (11.3)	11726 (12.4)	
Net RBI Credit to Centre	96185	972 (1.0)	-598 (-0.6)	5088 (5.3)	263 (0.3)	4257 (4.6)	5904 (6.7)	
Scheduled Commercial Banks (Mar 3, 1995)								
Deposits	364723	2331 (0.6)	49591 (15.7)	43768 (16.3)	46560 (17.3)	37814 (16.4)	38216 (19.8)	
Advances	199266	3358 (1.7)	34848 (17.5)	10531 (6.9)	12436 (8.2)	26390 (21.0)	9291 (8.0)	
Non-Food Advances	185987	3597 (1.9)	32476 (21.2)	6028 (4.2)	8272 (5.7)	24317 (20.1)	9127 (8.2)	
Investments	148226	-1308 (-0.9)	15703 (11.8)	28093 (26.6)	26867 (25.4)	15460 (17.1)	15131 (20.2)	

Index Numbers of Industrial Production (1980-81=100)	Weights	Nov 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages							
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	
General Index	100.0	251.6	236.5 (8.7)	217.6 (4.1)	3.0	2.3	0.5	8.4	8.6	8.7	7.3	
Mining and Quarrying	11.5	256.0	223.8 (6.7)	209.7 (3.1)	2.5	0.5	0.9	4.5	6.3	7.9	3.8	
Manufacturing	77.1	242.3	228.4 (9.2)	209.2 (3.6)	2.2	2.1	3.0	9.1	8.6	8.7	7.9	
Electricity	11.4	310.5	304.1 (7.8)	282.1 (7.5)	7.3	5.1	8.5	7.8	10.8	9.5	7.7	

Capital Market	Mar 16, 1995	Month Ago	Year Ago	1994-95 So Far		1993-94		End of Fiscal Year			
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92	1990-91
BSE Sensitive Index (1978-79=100)	3368	3410	3792	3368	4604	2037	4286	3779	2281	4285	
	(-11.2)		(54.1)					(65.7)	(-46.8)	(266.9)	
National Index (1983-84=100)	1641	1667	1823	1641	2176	934	2050	1830	1021	1968	
	(-10.2)		(65.4)					(79.2)	(-48.1)	(234.1)	

Foreign Trade	Dec 1994	Cumulative for Fiscal Year So Far		1993-94		1992-93		1991-92		1990-91	
		1994-95	1993-94	1993-94	1992-93	1992-93	1991-92	1991-92	1990-91	1990-91	
Exports: Rs crore	7490	57503 (16.9)	49182 (31.8)	69547 (29.5)	53688 (21.9)	44042 (35.3)	32553 (17.6)				
US \$ mn	2387	18328 (16.9)	15681 (20.0)	22173 (19.6)	18537 (3.8)	17866 (-1.5)	18143 (9.1)				
Imports: Rs crore	8587	63814 (23.9)	51477 (8.4)	72806 (14.9)	63375 (32.4)	47851 (10.8)	43193 (22.0)				
US \$ mn	2736	20339 (23.9)	16413 (-1.3)	23212 (6.1)	21882 (12.7)	19411 (-19.4)	24073 (13.2)				
Non-POL US \$ mn	2230	16138 (33.1)	12121 (-1.4)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)				
Balance of Trade: Rs crore	-1095	-6308	-2295	-3259	-9687	-3809	-10640				
US \$ mn	-349	-2011	-732	-1039	-3345	-1545	-5930				

Foreign Exchange Reserves (excluding gold)	Mar 10,	Mar 11,	Mar 31,	Variation Over							
	1995	1994	1994	Month Ago	Year Ago	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
						1994-95	1993-94				
Rs crore	63139.0	44251.0	47626.0	1509.0	1888.0	15513.0	24055.0	27430	5385	10223	-1383
US \$ mn	20438.0	14124.0	15176.0	799.0	6314.0	5262.0	7672.0	8724	731	3383	-1137

Foreign Trade

Commodity Composition of Imports and Exports	Apr-Dec 1994		Apr-Dec 1993		1993-94		1992-93		1991-92	
	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn	Rs Cr	US \$ mn
Imports										
Food and live animals										
chiefly for food	3495(5.5)	1114	1080(2.1)	344	1551(2.1)	494	1911(3.0)	660	804(1.7)	326
Pulses	435(0.7)	139	377(0.7)	120	567(0.8)	181	334(0.5)	115	255(0.5)	104
Cashewnut raw	522(0.8)	166	222(0.4)	71	483(0.7)	154	376(0.6)	130	267(0.6)	108
Sugar	2231(3.5)	711	neg	neg	neg	neg	neg	neg	neg	neg
Crude materials, inedible oils										
except fuels	4676(7.3)	1490	3115(6.1)	993	4199(5.8)	1399	4777(7.5)	1649	3268(6.8)	1326
Fertiliser crude	319(0.5)	102	296(0.6)	94	390(0.5)	124	459(0.7)	158	455(1.0)	185
Metalifers ores and metal scrap	1516(2.4)	483	994(1.9)	317	1299(1.8)	414	1922(3.0)	664	1175(2.5)	477
Mineral fuels, lubricants and related materials	15208(23.8)	4847	14721(28.6)	4694	19514(26.8)	6222	18525(29.2)	6396	14160(29.6)	5744
Petroleum, crude and products	13605(21.3)	4336	13646(26.5)	4351	18055(24.8)	5756	17142(27.0)	5919	13123(27.4)	5323
Animal and vegetable oils, fats and waxes	440(0.7)	140	124(0.2)	40	166(0.2)	53	168(0.3)	58	249(0.5)	101
Chemicals and related products	9467(14.8)	3017	6723(13.1)	2144	9286(12.8)	2961	8913(14.1)	3077	7526(15.7)	3053
Organic chemicals	3223(5.1)	1027	1983(3.9)	632	2882(4.0)	919	1871(3.0)	646	1361(2.8)	552
Fertiliser manufactured	1646(2.6)	525	1544(3.0)	492	1988(2.7)	634	2023(3.2)	699	1591(3.3)	645
Manufactured goods classified chiefly by materials	10262(16.1)	3271	10562(20.5)	3368	14715(20.2)	4691	12455(19.7)	4300	9193(19.2)	3729
Pearls, precious/semi-precious stones	3657(5.7)	1166	6107(11.9)	1947	8284(11.4)	2641	7072(11.2)	2442	4825(10.1)	1957
Iron and steel	2481(3.9)	791	1563(3.0)	498	2452(3.4)	782	2060(3.3)	711	1741(3.6)	706
Non-ferrous metals	1800(2.8)	574	1113(2.2)	355	1490(2.0)	475	1144(1.8)	395	839(1.8)	340
Capital goods	13880(21.8)	4424	10400(20.2)	3316	18944(26.0)	6040	13123(20.7)	4531	10432(21.8)	4232
Machinery except electrical and electronic	5588(8.8)	1781	4081(7.9)	1301	6871(9.4)	2191	4786(7.6)	1653	3593(7.5)	1458
Transport equipment	2812(4.4)	896	2073(4.0)	661	3973(5.5)	1267	1338(2.1)	462	915(1.9)	371
Project goods	4119(6.5)	1313	3067(6.0)	978	4394(6.0)	1401	3701(5.8)	1278	3625(7.6)	1471
Others	6386(10.0)	2035	4753(9.2)	1515	4430(6.1)	1412	3503(5.5)	1210	2220(4.6)	900
Total	63814(100.0)	20339	51475(100.0)	16412	72806(100.0)	23212	63375(100.0)	21822	47851(100.0)	19411
Exports										
Food and live animals chiefly										
for food	8522(14.8)	2716	7633(15.5)	2434	10770(15.5)	3434	8084(15.1)	2791	6861(15.6)	2783
Cashew kernels	953(1.7)	304	766(1.6)	244	1042(1.5)	332	745(1.4)	257	672(1.5)	272
Oil meals	1238(2.2)	395	1525(3.1)	486	2309(3.3)	736	1545(2.9)	534	921(2.1)	374
Marine products	2557(4.4)	815	1713(3.5)	546	2537(3.6)	809	1743(3.2)	602	1443(3.3)	585
Beverages, tobacco and tobacco manufactures	83(0.1)	26	106(0.2)	34	136(0.2)	43	160(0.3)	55	102(0.2)	42
Crude materials, inedible oils except fuels	3374(5.9)	1075	3471(7.1)	1107	4048(5.8)	1291	2798(5.2)	966	3022(6.9)	1226
Iron ore	904(1.6)	288	979(2.0)	312	1357(2.0)	433	1104(2.1)	381	1435(3.3)	582
Mineral fuels, lubricants and related materials	1036(1.8)	330	982(2.0)	313	1248(1.8)	398	1379(2.6)	476	1022(2.3)	415
Animal and vegetable oils, waxes and fats	319(0.6)	102	245(0.5)	78	344(0.5)	110	162(0.3)	56	169(0.4)	69
Chemicals and chemical products	5512(9.6)	1758	4151(8.4)	1324	5973(8.6)	1904	4198(7.8)	1449	4146(9.4)	1682
Drugs, pharmaceuticals and fine chemicals	1767(3.1)	563	1409(2.9)	449	2014(2.9)	642	1533(2.9)	529	1550(3.5)	629
Dyes/intermediates/coal tar chemicals	1058(1.8)	337	826(1.7)	263	1150(1.7)	367	958(1.8)	331	781(1.8)	317
Plastic and linoleum products	968(1.7)	309	666(1.4)	212	1013(1.5)	323	433(0.8)	150	276(0.6)	112
Manufactured products classified chiefly by materials	31775(55.3)	10127	26839(54.6)	8557	38851(55.9)	12386	30752(57.3)	10618	23540(53.4)	9549
Leather manufactures	1497(2.6)	477	1361(2.8)	434	2634(3.8)	840	2512(4.7)	867	1984(4.5)	805
Footwear, leather	1073(1.9)	342	983(2.0)	313	1505(2.2)	480	1188(2.2)	410	1143(2.6)	464
Gems and jewellery	9668(16.8)	3081	8743(17.8)	2788	12528(18.0)	3994	8897(16.6)	3072	6750(16.1)	2738
Cotton yarn, fabrics, madeups, etc	5005(8.7)	1595	3466(7.1)	1105	4837(7.0)	1542	3911(7.3)	1350	3203(7.3)	1299
Manmade yarn, fabrics, madeups, etc	1345(2.3)	429	1001(2.0)	319	1324(1.9)	422	1079(2.0)	373	821(1.9)	333
RMG cotton incl accessories	5180(9.0)	1651	4036(8.2)	1287	6166(8.9)	1966	5156(9.6)	1780	3754(8.5)	1523
Capital goods	5136(8.9)	1637	4388(8.9)	1399	6232(9.0)	1987	4964(9.2)	1714	4054(9.2)	1645
Metal manufactures	1655(2.9)	527	1487(3.0)	474	2174(3.1)	693	1622(3.0)	560	1194(2.7)	484
Machinery and instruments	1605(2.8)	512	1470(3.0)	469	1996(2.9)	636	1569(2.9)	542	1433(3.3)	582
Transport equipment	1670(2.9)	532	1272(2.6)	406	1840(2.6)	587	1546(2.9)	534	1224(2.8)	496
Others	1746(3.0)	556	1341(2.7)	428	1957(2.8)	620	1192(2.2)	412	1125(2.6)	457
Electronic goods	877(1.5)	280	677(1.4)	216	978(1.4)	312	615(1.1)	212	654(1.5)	265
Total	57503(100.0)	18328	49157(100.0)	15673	69547(100.0)	22173	53688(100.0)	18537	44042(100.0)	17865

(Figures in brackets are percentages to total)

Notes: (i) Superscript numeral denotes month to which figure relates, e.g. superscript ³ stands for March. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year.

FERRO ALLOYS CORPORATION

Exports Looking Up

INDIA'S largest manufacturer of ferro alloys and producer of quality steel, Ferro Alloys Corporation (FACOR) has been in the red for the past four years. Rising cost of production and stagnant or falling prices in the world market, coupled with severe competition both in the international and domestic markets, and lower realisation and heavy burden of interest charges amounting to Rs 26.83 crore contributed to the adverse situation. The ferro alloys industry suffered a blow with the break-up of USSR. Also China's emergence as a ferro alloy exporter further increased competition and dampened prices. Mushrooming growth of small units has resulted in over supply and sharp price cutting. Net sales rose marginally by 0.44 per cent (Rs 1.33 crore) but operating profit fell by 74 per cent (Rs 20.85 crore) and net profit by 106 per cent (Rs 10.21 crore). Depreciation was lower by Rs 2.01 crore, while interest charges rose by Rs 2.54 crore. Other income was down by Rs 5.71 crore, while non-operating surplus rose by Rs 1.18 crore. Exports and imports fell by 20 per cent and 22 per cent, respectively.

Debt-equity ratio fluctuated at 419 per cent in 1991-92, 745 per cent in 1992-93 and 341 per cent in 1993-94. Sundry creditors to current assets rose by 4 percentage points in 1992-93 and then fell by 12 percentage points in 1993-94. Growth in inventories was down by 17 percentage points in 1993-94. Return on investment was up by 3 percentage points in 1992-93 and then fell by the same extent in 1993-94. Net value added to value of production rose steadily by 3 percentage points in 1992-93 and by 2 percentage points in 1993-94. Short-term bank borrowings to inventories fell by 11 per cent in 1992-93 and was 34 per cent for 1993-94.

Exports are looking up with structural changes in CIS countries and economic recovery in Europe and Japan coupled with the increasing level of stainless steel production which is also indicative of likely improvement in prices and volumes of trade in chrome products in future. Power cut, non-availability of suitable raw materials, lack of demand for certain products, transformer trouble, etc., all resulted in shut down of furnaces in 1993-94. During the year the captive power plant at Garividi generated 141.09 million KWH units. The production of charge chrome was lower by 8.8 per cent due to load restrictions and trippings by the Orissa State Electricity Board and lower power generation by company's captive power plant.

Overall production was higher in the steel division. It successfully developed the use

of bottom blown converter for making stainless steels with dolomite refractories. The company expects the cost of production to go down with the stabilisation of the process.

Development of process for production of medium carbon ferro chrome by blending of liquid high carbon ferro chrome and liquid ferro chrome, production of manganese bearing silico chrome, high carbon ferro chrome using 60-70 per cent fine ore, silico chrome using briquettes of coke and use of limestone briquettes made from rejects in ferro manganese operations and use of castable line ladles in low carbon ferro chrome production were some of the areas in which R and D was carried out by the company.

FINOLEX CABLES

Growth of Production

Pune-based Finolex Cables, which is engaged in the manufacture of cables for telecommunications, has registered an increase in net profit by Rs 1.52 crore (5 per cent) and declared a dividend of 55 per cent for 1993-94. Net sales were up by Rs 5.60 crore (2 per cent) and operating profit by Rs 5.51 crore (10 per cent). There was a rise in taxation by 8 per cent (Rs 1.10 crore) and in interest charges by 55 per cent (Rs 4.40 crore), though depreciation was down by 17 per cent (Rs 93 lakh). Other income rose by 8 per cent (Rs 1.11 crore) and non-operating income was up by Rs 3 lakh. Exports have shown a steady rise in the past three years. They rose by 22 per cent in 1993-94.

Inventories fell by 2.79 per cent. Earning per share has shown a steady rise in the past three years from Rs 39 in 1991-92 to Rs 44 in 1992-93 and Rs 46 in 1993-94. Raw materials consumed to value of production fell by 1 percentage point in the past three years. Return on investment rose by 2 percentage points in 1992-93 and fell by 5 percentage points in 1993-94. Net value added to value of production rose from 20 per cent in 1991-92 to 25 per cent in 1992-93 and 29 per cent in 1993-94. Sales to total assets and sales to gross fixed assets have fallen in the past three years. Sundry creditors to current assets fell by 20 percentage points in 1992-93 and then rose by 1 percentage point in 1993-94. Short-term borrowings to inventories rose by 9 percentage points in 1992-93 and fell by the same extent in 1993-94. Gross saving to gross capital formation rose by 33 percentage points. Debt-equity ratio rose by 22 percentage points in 1992-93 and then fell by 2 percentage points in 1993-94.

Production of jelly filled telephone cables went up by over 28 per cent and that of light duty cables and power cables increased about

18 per cent in kilometres and tonnage. During the year the company introduced rubber insulated cables for welding equipment. The increase in output was not reflected fully in turnover due to lower price realisation consequent upon the bearish trend in copper prices during the year since normally the company's prices of cables are linked to copper price levels. To attain better economics, the company shifted its jelly filled telephone cable manufacturing equipment from its Pimpri works to its Urse works. With this the capacity at Urse has been increased to 40 lckm though there will be some gap before the entire capacity becomes fully operational. With the shifting of the jelly filled telephone cable manufacturing equipment to Urse, the modernisation plans at Pimpri are now to be implemented. Negotiations are also in progress for joint ventures for the manufacture of PVC and polycarbonate rigid thermoplastic sheets and PVC calendared products.

Finolex Cables increased its share capital to Rs 18.05 crore from Rs 6.48 crore in 1993-94 by allotting bonus shares and equity shares against GDRs and warrants.

Research and development on light duty and power cables is on to identify new products, improve quality and reduce costs.

SRF

Capacity Expansion

SRF has done well in 1993-94 with net sales increasing by 11 per cent and operating profits by 8 per cent. Taxation fell by Rs 5.50 crore, while depreciation and interest charges were up by Rs 5.01 crore and Rs 1.34 crore, respectively. Other income was up by Rs 2.31 crore and non-operating profit by Rs 2.58 crore. A dividend of 30 per cent was declared for the year against 25 per cent in the previous year. Exports were higher by Rs 32.88 crore.

Raw materials consumed to value of production showed a steady decline from 52 per cent in 1991-92 to 50 per cent in 1992-93 and 47 per cent in 1993-94. Inventories grew by 59 percentage points. Sales to total assets declined by 31 percentage points in 1992-93 and 9 points in 1993-94. Earning per share fluctuated at Rs 15 in 1991-92, Rs 7 in 1992-93 and Rs 11 in 1993-94. Inventories to sales fell from 17 per cent in 1991-92 to 16 per cent in 1992-93 and rose to 23 per cent in 1993-94. Net value added to value of production fluctuated at 22 per cent in 1991-92, 26 per cent in 1992-93 and 25 per cent in 1993-94. Debt-equity ratio fell by 42 percentage points for 1992-93 and rose by 23 percentage points in 1993-94. Short-term bank borrowings to inventories fluctuated at 79 per cent in 1991-92, 102 per cent in 1992-93 and 92

Financial Indicators	Ferro Alloys Corporation		Finolex Cables		SRF Limited		Jaiprakash Industries		Raymond Woollen Mills	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	30593	30460	19858	19298	23007	20550	56971	50299	57050	50107
2 Value of production	30150	31271	20024	19589	23325	20547	56926	49596	56872	52434
3 Other Income	470	1041	1397	1286	401	170	4735	7045	872	662
4 Total income	30620	32312	21421	20875	23726	20717	61661	56641	57744	53096
5 Raw materials/stores and spares consumed	14482	14358	12435	12414	12342	11236	10953	9547	18412	18846
6 Other manufacturing expenses	8704	8234	889	950	1658	1383	13661	13397	11645	10413
7 Remuneration to employees	2465	2317	532	449	1670	1382	2019	1613	6315	5515
8 Other expenses	4261	4610	1537	1585	2994	2052	11531	9760	8372	6021
9 Operating profit	708	2793	6028	5477	5062	4664	23497	22324	13000	11701
10 Interest	2683	2429	1226	786	2154	2020	9966	9521	2911	3201
11 Gross profit	-837	384	4805	4637	3195	2673	13361	12747	10520	8710
12 Depreciation	1145	1346	433	526	1376	875	3987	3465	3744	3064
13 Profit before tax	-1983	-962	4372	4111	1819	1798	9374	9282	6760	5640
14 Tax provision	0	0	1335	1225	50	600	3	0	2200	1720
15 Profit after tax	-1983	-962	3037	2886	1769	1198	9371	9282	4560	3920
16 Dividends	0	0	356	356	470	392	2905	1851	1334	1026
17 Retained profit	-1983	-962	2681	2530	1299	806	6466	7431	3226	2894
Liabilities/assets										
18 Paid-up capital	1135	873	648	648	1568	1568	15760	9416	3408	3558
19 Reserves and surplus	1875	706	10347	7667	18527	15860	50395	25949	20299	19655
20 Long term loans	10268	11779	5240	4079	11081	5660	42846	64990	21251	16089
21 Short term loans	7858	4787	2238	1775	6101	4559	41979	8803	3407	6076
22 Of which bank borrowings	2631	2726	514	630	5048	3459	40439	5678	2707	3576
23 Gross fixed assets	25406	25075	9332	7697	30823	25539	87891	72729	46009	39620
24 Accumulated depreciation	7577	9398	3233	2814	7390	7118	21050	17108	20805	17239
25 Inventories	7661	7881	3789	2845	5478	3370	13412	9650	11943	11210
26 Total assets/liabilities	30946	28393	22222	17305	43650	33504	179832	132091	74047	66403
Miscellaneous items										
27 Excise duty	494	544	4916	5071	3878	4073	7540	6603	1093	1076
28 Gross value added	5617	5347	6307	5514	7422	6244	21832	22443	20434	17611
29 Total foreign exchange income	6743	8433	102	83	4740	1452	1270	3416	7357	4857
30 Total foreign exchange outgo	2531	3246	9919	5732	6150	4374	1170	1260	6754	4630
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	98.9	107.3	89.4	111.5	52.7	61.3	31.7	38.1	77.0	75.5
32 Sales to total net assets (%)	144.7	167.9	107.5	136.2	61.7	74.3	37.7	46.1	118.0	110.4
33 Gross value added to gross fixed assets (%)	22.1	21.3	67.6	71.6	24.1	24.4	24.8	30.9	44.4	44.4
34 Return on investment (gross profit to total assets) (%)	-2.7	1.4	21.6	26.8	7.3	8.0	7.4	9.7	14.2	13.1
35 Gross profit to sales (gross margin) (%)	-2.7	1.3	24.2	24.0	13.9	13.0	23.5	25.3	18.4	17.4
36 Operating profit to sales (%)	2.3	9.2	30.4	28.4	22.0	22.7	41.2	44.4	22.8	23.4
37 Profit before tax to sales (%)	-6.5	-3.2	22.0	21.3	7.9	8.7	16.5	18.5	11.8	11.3
38 Tax provision to profit before tax (%)	0.0	0.0	30.5	29.8	2.7	33.4	0.0	0.0	32.5	30.5
39 Profit after tax to net worth (return on equity) (%)	-65.9	-60.9	27.6	34.7	8.8	6.9	14.2	26.2	19.2	16.9
40 Dividend (%)	0.00	0.00	55.00	55.00	30.00	25.00	20.00	20.00	40.00	30.00
41 Earning per share (Rs)	-17.78	-11.28	46.87	44.54	11.28	7.64	5.95	9.86	133.48	109.22
42 Book value per share (Rs)	26.8	18.3	169.7	128.3	128.2	111.1	42.0	37.6	695.6	652.4
43 P/E ratio (based on latest and corresponding last year's price)	-2.9	0.0	8.9	0.0	11.5	0.0	11.6	10.9	1.8	0.0
44 Debt-equity ratio (adjusted for revaluation) (%)	341.1	746.0	47.7	49.1	55.1	32.5	64.8	183.8	89.6	69.3
45 Short term bank borrowings to inventories (%)	34.3	34.6	13.6	22.1	92.2	102.6	301.5	58.8	22.7	31.9
46 Sundry creditors to sundry debtors (%)	208.2	265.5	52.6	49.7	47.7	40.3	19.7	14.4	66.8	57.2
47 Total remuneration to employees to gross value added (%)	43.9	43.3	8.4	8.1	22.5	22.1	9.2	7.2	30.9	31.3
48 Total remuneration to employees to value of production (%)	8.2	7.4	2.7	2.3	7.2	6.7	3.5	3.3	11.1	10.5
49 Gross fixed assets formation (%)	1.3	9.9	21.2	52.5	20.7	75.2	20.8	11.7	16.1	10.7
50 Growth in inventories (%)	-2.79	15.32	33.18	51.01	62.55	3.95	38.98	18.90	6.54	29.54

per cent in 1993-94. Sundry creditors to current assets fell by 12 percentage points in 1992-93 and rose by 1 percentage point for 1993-94. Exports to sales rose from 2 per cent in 1991-92 to 7 per cent in 1992-93 to 20 per cent in 1993-94.

Production at the fluorochemicals division recorded a 57 per cent growth while the industrial synthetics and industrial fabrics division operated at 100 per cent of the capacity despite surplus production by the industry. Revenues from nylon tyre cord sales in the domestic market formed only 42 per cent of total sales, thus demonstrating that the company's revenues and profitability were not dependent on any particular segment on business. The expansion of capacities at the Madras and Trichy plants have been completed and so has the construction of ophthalmic houses and chloromethane plants. A plant for processing synthetic industrial yarn into tyre cord fabrics is being set up at an investment of \$ 25 million at UAE. The project is to be implemented by the company's wholly-owned subsidiary. It is to go into production by the third quarter of 1995. The plant is to cater to the demand for tyre cord fabric in west Asia, Africa and Europe. SKF International became a wholly-owned subsidiary of the company in April 1994 with an investment of \$ 50,000 to promote international trade. Trading companies are being set up in Dubai, Mauritius and South Africa.

JAIPRAKASH INDUSTRIES

Lower Margins

The Delhi-based construction and cement giant, Jaiprakash Industries, has registered mixed performance in 1993-94. Though net sales showed improvement by 13 per cent (Rs 66.72 crore), operating profit was up by 5 per cent (Rs 11.73 crore), and net profit marginally by 0.96 per cent (Rs 89 lakh). Taxation was up by Rs 3 lakh, depreciation by Rs 5.22 lakh (15 per cent) and interest charges by Rs 4.45 crore (4 per cent). Other income was down by 32 per cent (Rs 23.10 crore) and non-operating by Rs 1.14 crore. All this had a dampening effect on the margins of the company. A dividend of 20 per cent was declared for the year.

Debt-equity ratio showed a sharp decline in the past three years from 261 per cent in 1991-92 to 183 per cent in 1992-93 and 64 per cent in 1993-94. Short-term bank borrowings to inventories rose by 2 percentage points in 1992-93 and then by 243 percentage points in 1993-94. Sundry creditors to current assets fluctuated at 11 per cent in 1991-92, 8 per cent in 1992-93 and 9 per cent in 1993-94. Sales to total assets fluctuated at 35 per cent in 1991-92, 38 per cent in 1992-93 and 31 per cent in 1993-94. Sales to gross fixed assets rose by 8 percentage

points in 1992-93 and then fell by 5 percentage points in 1993-94. Raw materials consumed to value of production was steady at 3 per cent for the past three years. Return on investment after being steady at 9 per cent during 1991-93 fell by 2 percentage points in 1993-94. Earning per share has been falling from Rs 11 in 1991-92 to Rs 9 in 1992-93 and Rs 5 in 1993-94.

The company completed its construction work at Chamera dam in Himachal Pradesh and the raising of Lakhya earth dam for the Kudremukh Iron Ore Company in Karnataka. The works at other projects, viz, Sardar Sarovar (Narmada Project) in Gujarat, Indira Sagar dam and power house in Madhya Pradesh, Nathpa-Jhakri power house in Himachal Pradesh are progressing as per schedule. The work at the Iraqi Basrah sewerage scheme, in its third stage, remained suspended due to the pending of settlement of outstanding issues. The cement division did well with capacity utilisation increasing by 13.53 per cent. The company, to ensure uninterrupted power supply, has added a 2 x 6 MW DG sets thus increasing captive power generation to 41.4 MW. Jaiprakash's Superplus Jaypee Cement continues to be the market leader in UP and MP, and has now an increased share in Bihar. The Jaypee Bela cement unit with an annual capacity of 1.5 million tonne is under progress. The hotel division's deluxe holiday resort, the Residency Manor, situated in Mussoorie, is nearly complete and a decision on the sale/lease of it is yet to be taken. The international convention centre-cum-hotel at Agra under arrangement with Jaypee Hotels is expected to become operational in early 1996. The implementation of the 300 MW Baspai-II hydro electric power project is in progress. The company has also bagged the contract for the implementation of the 400 MW Vishnu Prayag hydro-electric power project and the 900 MW Kanchan Wangtoo hydro-electric power project. With the objective of concentrating on its hydro-electric projects, the company decided to scrap its plans to set up a 1 million tonne steel project.

RAYMOND WOOLLEN MILLS

New Textile Unit

Raymond, the flagship company of the Vijaypat Singhania group, has done well in 1993-94 after a lean performance in the previous year. The textile division did well, maintaining its market leadership. This division accounts for two-thirds of sales. Demand for the product was high in the market. The Engineers Steel Files Division continued to be the leader in its range of hand tools, in both domestic and export markets. The division's efforts to diversify export markets proved effective. The Thane and Ratnagiri plants of the Files Division earned

the distinction of being the first Indian files manufacturing plant to obtain the ISO-9002. The cement division suffered from sluggish market conditions and also its operations were disrupted during the third quarter by industrial relations problems. These were coupled with frequent power failures and non-availability of wagons.

Net sales were up by 13 per cent (Rs 69.43 crore), operating profits by 11 per cent (Rs 2.99 crore) and net sales by 16 per cent (Rs 6.40 crore). Taxation was up by 27 per cent (Rs 480 crore), other provisions by Rs 10 lakh, depreciation by 22 per cent (Rs 6.80 crore), while interest charges fell by 9 per cent (Rs 2.90 crore). Other income was up by 31 per cent (Rs 2.10 crore), and non-operating profit by 105 per cent (Rs 2.21 crore). Exports were up by 51 per cent for the year; exports to sales ratio has shown a steady rise from 6 per cent in 1991-92 to 9 per cent in 1992-93 and 12 per cent in 1993-94. Debt-equity ratio fluctuated from 79 per cent in 1991-92 to 69 per cent in 1992-93 and 89 per cent in 1993-94. Short-term bank borrowings to inventories rose by 14 percentage points in 1992-93 and fell by 9 percentage points in 1993-94. Sundry creditors to current assets fell by 2 percentage points in 1992-93 and rose by as much as 1993-94. Earning per share fluctuated at Rs 107 in 1991-92, Rs 109 in 1992-93 and Rs 133 in 1993-94. Net value added to value of production fell by 3 percentage points in 1992-93 and rose by 2 percentage points for 1993-94. Growth in inventories fell by 23 percentage points. The company undertook doubling of capacity of the Chhindwara textile unit. A new textile unit incorporating state-of-the-art equipment is being established at a green field site to manufacture initially 5 million metres of high quality worsted suitings. This is to go into operation in 1996. The cost of the project is estimated at Rs 260 crore. Work commenced on the plant to manufacture cold rolled steel strips/sheets and silicon steel sheets with an installed capacity of 1,50,000 MTA at Wadivhar near Nashik. The company has finalised technology transfer agreement with Allegheny Ludlum Corporation, Pittsburgh, USA, the world leaders in manufacturing high quality alloy steel. The plant entailing a capital outlay of Rs 183 crore is expected to be commissioned in the later part of 1995.

R and D work was undertaken in areas relating to the use of exotic fibres, fibre blends and development of new yarns and new fabric finishes. The textile divisions incurred an expenditure of Rs 171 lakh for its R and D activities. The files division developed new products for its exports market and the cement division has installed 'Leitz' Polarised Optical microscope to study clinker morphology and grain structure, which has helped the division achieve better clinkerisation and also improved clinker grindability.

NEW DELHI

Selling Shoddy Goods

B M

Manmohan Singh's budget speech this year was indeed an advertiser's copy – long on rhetoric and short on substance – for shoddy goods wrapped in attractive populist proposals.

THE budget for 1995-96 is a desperate attempt to postpone the day of reckoning in the last year of the tenure of the government headed by Narasimha Rao. Populist-electoral considerations and short-term expediency have been its guiding principles rather than even its own policy commitments. It is not without good reason that even the committed present-day economic 'reformers' are disillusioned with their chosen leader Manmohan Singh, the union finance minister, on whom they had placed great confidence to push ahead with their so-called reform agenda in spite of the grave political set-back for the ruling party in the wake of the resounding electoral reverses. A section of the media has, however, commended Singh for opting for 'wiser marketing techniques' to sell his fifth budget in the Indian market and turning into a 'dream merchant' instead of being a 'technocrat' relying on 'prosaic facts and outlays' to make a reasoned case for his reform policy and programmes.

Singh's budget speech this year was indeed an advertiser's copy, long on rhetoric and short on substance, for the sale of shoddy goods wrapped in attractive populist proposals. He waxed eloquent on the achievements of his budgets for the last four years and related them to criteria in terms merely of recovery from the economy in crisis in 1991. The fact is that the economy is still on slippery ground and the danger of a relapse into crisis even bigger than that in 1991 cannot be ruled out. He has fudged budget figures in the past also; this, however, has become glaring and widely noted in the budget for 1995-96.

Economic growth may have recovered to 5.3 per cent in 1994-95 from less than 1 per cent in 1991-92. But this has come about from already established production capacities in the economic structure. Since investment has admittedly remained subdued during the last four years, the economy has not returned to the growth path on a steady and sustainable basis as was promised would be achieved in a period of three years after the so-called structural adjustment programme. Worse still, fiscal correction has eluded Singh and social services for the mass of the people have visibly deteriorated. Reduction in fiscal deficit was given the

highest priority in the official reform agenda in mid-1991 when the Rao government was formed and embarked on the IMF/World Bank adjustment strategy. There has, however, been sharp slide back in regard to drastic cuts in fiscal and revenue deficits of the government as originally planned and attempted in the first two years of the implementation of the structural adjustment programme. This had its own deflationary consequences for the economy resulting in rising levels of unemployment, poverty and deterioration in social services. Subsequently, fiscal deficit was allowed to go up in 1993-94 as high as 7.3 per cent of GDP as against the target of 4.5 per cent. It has exceeded the target of 6 per cent set for 1994-95 and has, according to the estimate of the finance minister risen to 6.7 per cent but has been actually 7.1 per cent. The rising levels of fiscal deficit have been accepted on the ground that this would give the Rao government some room for manoeuvre in the midst of the turbulent political and social conditions in India that had arisen in 1993. But, side by side, the government had to go quite far on cuts in a wide variety of rates of taxation, direct and indirect, especially customs duties to comfort the middle and upper classes and facilitate the entry of foreign capital, goods and services on preferential terms into the Indian market as part of its globalisation commitments. The assumption, which has fortified by the campaign of the votaries of the economic reforms, both inside the country and from abroad, that investment in private domestic sector and direct foreign investment could be relied upon as the necessary 'safety net' for the economy to function and grow is, however, turning out to be phoney. Totally facile, indeed deceptive, has turned out to be the claim that once responsibility for the development of industry and material infrastructure has been passed from 'inefficient' investment in the public sector to the more 'efficient' private business enterprise, Indian and foreign, economic growth will pick up and financial resources of the government would be released for social welfare such as education, health, agriculture and poverty alleviation. It is no longer possible to 'hide the fact that while

public investment has been drastically cut, private business, domestic and foreign has not stepped it up. Foreign investors, except in a few selected areas where very large investment was not needed, entered into a large number of memoranda of understanding on long gestating projects involving substantial investment to bargain for lucrative terms rather than make investment. The result has been that large lags in infrastructural facilities have appeared and impulses for economic, especially industrial, growth have been crippled. Side by side, social services have suffered gravely. It is not fortuitous, therefore, that inflationary pressures have reasserted and the growth objective has receded.

If the official policy has settled for a fiscal deficit at around 7 per cent of GDP for a long span of time, the more worrying point is the rising levels of revenue deficit, which has doubled over the period of four years of the Rao government. It went up from Rs 33,684 crore in 1993-94 to Rs 39,370 crore in 1994-95 revised estimates which exceed the budget estimate for the year by as much Rs 6,492 crore. The budget estimate of revenue deficit of Rs 35,823 crore is clearly a gross underestimate and is likely to exceed by a large margin. Singh has again resorted to the questionable way of not taking into account losses on account of his giveaways and has blithely assumed that losses of revenue would be covered by better compliance by tax-payers and control of expenditure. These are totally unrealistic assumptions. The fact is that Singh has been unable as well as unwilling to adopt policies and take measures which add up to a credible fiscal consolidation strategy. The revenue deficit has steadily grown and is far more stretched than it was in 1991-92.

The finance minister has been complimented in some quarters for the success of the policy of moderate rates of taxation to raise more revenue for the government, especially in respect of direct taxes which have shown impressive buoyancy in 1994-95. This is to be attributed to the high profits earned by the corporate sector during this year and the one time pickings on account of profits from what is called the 'scam money'. Whether buoyancy in direct tax revenue is a trend and will be sustainable is yet to be seen. But the promise of widening the social base of direct taxes is still to be realised. The landed gentry's claim for total exemption from any direct tax liability is still in force. The professionals are demanding further raising of the direct tax exemption limits on their pays and perks which have gone up dramatically. The scheme for taxing presumed incomes of small traders and those engaged in services and directly on those

with access to a variety of services has really not taken off. The demand for the dilution of the principle of progression in direct taxes by steeply lowering the marginal rate for high income and wealth brackets has, however, become overwhelming with the Chelliah Committee giving it the veneer of economic wisdom. This applies as much to indirect taxes on commodities and services as well so that resources that the government can raise by taxation is tending to be circumscribed and its ability to meet expenditure claims has become severely limited resulting in large revenue and fiscal deficits. The talk by some commentators of a major, even 'historic', shift away from indirect taxes and in favour of direct taxes in the total revenue of the government is indeed premature and an exaggerated view. In spite of the rise of revenue from direct taxes on incomes and wealth in 1994-95 to 40 per cent of total tax revenue, it is not possible yet to assert that this proportion will hold over time or that a trend in this direction has been established. The direct tax net still covers a very small segment of the population and yields only a small part of the national income. Though there is loud talk of the need to reduce high rates of direct taxes to improve tax compliance and widen the social base of taxation, progress in either direction so far is slow and fitful. The seemingly high rates of direct taxes do not take into account the plethora of exemptions for tax payers so that there is wide scope for evasion and avoidance of tax-liability making the effective rates quite low. Additional exemptions have been announced for direct tax payers in the budget for 1995-96.

The budget for 1995-96 is supposed to have as its central thrust reduction in the inflation rate and push forward economic growth with the industrial sector playing the leading role. The cuts in customs duties are supposed to provide cheaper inputs for industrial production and in excise to bring down the prices of industrial goods and boost their sale in the market. These measures are proposed to be combined with releases of foodstocks in the open market and the use of exchange reserves directly to import articles of essential mass consumption which may be in short supply in the market.

These measures may appear to be plausible for attaining price stability as well as promote growth. But doubts are cast on their efficacy, considering the overall macro-economic context in which they have been initiated. The yawning fiscal deficit, the large revenue deficit left uncovered and the relentless expansion in money supply are bound to have a severe inflationary impact. The production facilities have remained static for want of investment, especially investment in the public sector over as long as five years and this will be major constraint on the supply side of the economy. It is a facile idea

that the foodstocks and exchange reserves provide enough cushion to contain the inflationary pressures and ease the supply constraints in selected areas and facilitate the realisation of stability as well as growth objectives.

If agricultural production has not sharply declined in recent years, it is because of good monsoons for seven years in a row. But to let hope overwhelm prudence is not a sound or sensible approach. The endogenous growth potential of the agricultural sector has actually suffered because of declining public and private investment. The situation in this regard has further deteriorated as a result of so-called financial sector reform. The resultant lower availability of institutional credit to agriculture, if combined with drastic cut in subsidies on farm inputs, is bound to affect agricultural growth. The consequences can be disastrous in the event of a bad monsoon year and measures must be initiated to guard against this. The finance minister in making the budget for 1995-96 blissfully ignores this obligation. This only compounds defaults on the part of the union minister of agriculture.

There is much drum-beating about revival of industrial production in 1994-95. The major contribution to the growth of industrial production has, however, come from the automobile sector and consumer durables. That output of consumer durables has grown is of interest to the upper and middle classes but the production of consumer non-durables and essential items of mass consumption – among them, cotton textiles – is still extremely inadequate. Capital goods have shown impressive growth, which is welcome. But this too has come from commercial vehicles, with output of medium and heavy vehicles growing steeply. The sustainability of industrial growth will, however, depend on how broad-based it is and how widespread is the effective demand for industrial products.

The biggest default on the part of the government and a policy direction directly linked to the IMF/World Bank structural adjustment programme is the sharp decline in the government's capital expenditure. It is now proposed to be hardly 21 per cent in 1995-96 of the total government expenditure as against 37 per cent in 1985-90 and 33 per cent in 1992-93. The government has given up its role in industrial development. The idea that this task will be carried out by private enterprise, especially transnational corporations, has been found to be misplaced so far and is likely, in the event of its persistence, to become dangerous not only for the economy but also the polity of India.

The prime minister has been very vociferous in the past on financial allocations of the government for rural development, employment schemes and anti-poverty

programmes as part of his 'middle path' strategy. The finance minister has tried faithfully to go by the prime minister's direction in the making of the budget for 1995-96, the election years. However, he thought it prudent to caution that "we cannot simply spend our way into prosperity". Narasimha Rao, in his first statement after the presentation of the budget loudly claimed that 'benefits' had been spread all around which is what populism in economics and politics is all about. The fact, however, is that the government's financial allocations have been increased from a very low base in 1992-93 and have been made in the context of the overall decline in the rate of increase of development expenditure of the government. They have barely compensated for inflation so that the allocations in real terms have remained stagnant. Though competition in population is gaining ground in all political parties over whatever reform commitments they may flaunt, the entrenched vested interest and the bureaucracy still will not let any radical departure from the established structures and norms for the flow of financial resources that are ostensibly earmarked for poverty alleviation, rural development or social services.

Human resource development, employment and poverty alleviation have hardly received meaningful attention in the budget. While there may be pompous declarations by the prime minister or the finance minister about promoting education and health or poverty alleviation, any significant increase in their share as a proportion of total public expenditure has again been side-stepped. All that has been attempted is a rearrangement in the allocation of always scarce and lately gravely stretched budgetary resources for social services. As for going back to commercial banks for financing anti-poverty and welfare programmes there is something phoney about the government policy of eliminating what is called 'directed' credit as a basic requirement to its financial sector reforms. It may not be misplaced for the votaries of reforms to fear that this would mean more bad loans, more non-performing assets and more budgetary support through intermediation of financial institutions or to suspect that this is all window dressing for the coming elections to the Lok Sabha and ways would be found for the bureaucratic 'processing' of the budget proposals in the time-honoured leisurely fashion so as to ensure that none of these proposals are really implemented except to arrange benefits selectively for a few till the elections are over. After all, the setting up of the National Minorities Development and Financing Corporation was announced by the prime minister on independence day, 1993 and Manmohan Singh in budget speech for 1995-96 declared that it would enjoy from next year exemption from income tax.

Tax Reform on Hold?

The 1995-96 budget proposals fail to advance the objective of moving towards a simpler, fairer and less distortionary tax system that the finance minister professes to pursue.

DESPITE all the 'brave talk of better compliance making up for the likely revenue cost of tax concessions and distrust of conventional methods of calculating the revenue impact of budget changes, the finance minister has, very wisely, not gone along with Lafferites who would like to have the maximum rates of income tax, both personal and corporate, brought down to 30 per cent if not lower. The fact of the matter is that, after slashing the customs and excise tariffs on a wide front, the finance minister simply could not afford to take further risk with his revenue. But there are sops to keep the taxpayer happy. First, the rise in the exemption limit for personal income tax and the relief under section 80I, and then the specification of laudable charities and investments that will earn 100 per cent deduction from taxable income. Not that the list is very long nor are they unknown to Indian income tax. Only, they sound somewhat discordant against the philosophy that was put forward as the cornerstone of the reforms on the tax front which were initiated three years ago.

A basic tenet that has guided our tax reforms, as those of many other countries in recent years, has been 'widen the base, reduce the rates'. The aims of equity, efficiency and simplicity are served best, it is argued, when the base of the tax is comprehensive, be it income or consumption. For that levels the playing field and makes for simplicity by avoiding the pitfalls and consequent complexities of the law that invariably accompany preferential dispensation for selected sources or uses of income or, when the base happens to be consumption, for particular commodities and services in the consumption basket. A wide base also lends buoyancy to revenues at rates that go down better with the public. The conceptual framework underlying the recommendations of the Chelliah Committee was also anchored avowedly in the doctrine of 'wider base and lower rates'.

Unlike in countries where similar reform has taken place, however, base widening has not been pursued by our government with the same conviction as cutting the rates. While some of the hefty ones among the incentive provisions in the Income Tax Act have been done away with, a good many still remain on the statute book and quite a few new ones have streamed in even after the

proclamation of the reforms. Witness, for instance, sections 35AC, 35CC, 35CCB, 80D, 80G, 80GGA, 80HBB, 80HHC, 80HHE, 80JJ, 80L, 80O, 80P, 80Q, 80QQA, 80R, 80RR, 80RRA and 88, not to mention the odd package wrapped in section 10 with some 30 subsections. A few of these, no doubt, serve to refine the measure of taxable income by allowing for the costs of earning but many go well beyond what income accounting *per se* would call for. As is well known, tax incentives are a wasteful and inefficient instrument for promoting social or economic goals and once in they are difficult to expurgate. That is why expert opinion disapproves of the use of the tax laws for non-tax purposes. This year's budget proposals in the area of direct taxes do not quite advance the aim of moving towards a simpler, fairer and less distortionary tax system that the finance minister professes to pursue.

True, many of the reform measures were taken in the initial years and there is a notable step in this year's budget to help better enforcement, viz. the proposal to extend the requirement of TDS to several new income payments (One hopes the finance minister will not succumb to the powerful pressure to withdraw the proposal.) Yet, quite a few of the significant recommendations of the Chelliah Committee still remain ignored and the spirit underlying the reforms seems missing in this budget. For instance, the budget proposes to exclude any but the small industries from the benefit of tax holiday for operating from backward areas but the impact of this abridgement of the tax holiday, which in any case has no place in the new philosophy, gets undermined when in the same breath the finance minister proposes its extension to new sectors. While infrastructure is unquestionably a priority area, is tax remission a cost effective way to attract private investment in roads and ports? Insofar as they are meant to attract foreign investors, the benefit would go probably to the exchequer in their home countries. Besides, once the tax system is allowed to be used to favour a particular sector, pressures invariably build up from others for similar treatment. That lesson does not seem to have been taken seriously by our policy-makers. It would have been more consistent with the scheme of reforms and perhaps liked more by the business if

the tax rates were reduced while going further along towards a truly comprehensive base by removing the existing incentives and bringing under taxation all ingredients of economic power like fringe benefits of employees in all sectors, public and private, as recommended by the Chelliah Committee. If savings are to be promoted, the right course would have been to follow the Chelliah Committee's prescription to link tax benefit to net saving made in a year, rather than to the amounts put in the eligible instruments, irrespective of withdrawals.

Base widening in terms of getting a larger proportion of the population in the tax net also suffers when the threshold for personal income tax is raised from Rs 35,000 to Rs 40,000. Perhaps a million taxpayers would go out of the net simply because of this. If allowance is made for the price rise that has taken place in the last one year the revision of the exemption limit does not seem to be unreasonable, although it can be readily seen that the rise goes beyond what is required for indexation. Besides, as the finance minister himself noted in his budget speech, together with the other deductions available the level at which incomes truly become taxable is as high as Rs 68,000. This is more than seven times the estimated per capita income in India for the coming year, an unusually high threshold even by poor country standards. Whether better administration can make up for the concessions and the income taxes can maintain their present revenue buoyancy despite these dents will no doubt be the ultimate test of how sound the strategy has been.

In indirect taxes reforms seem to be going ahead. It must be acknowledged that the customs and excise structure look very much simpler and rational than before. But moves toward a wider, rational tax structure still falter. The promise of lowering the customs tariff has been faithfully fulfilled and some of the irritants in the application of MODVAT have been removed. But rate cutting has not been matched by base widening to the same extent. Services by and large remain outside the tax net. The finance minister has chosen to ignore the likely revenue loss of about Rs 1,500 crore, again by casting doubt on the soundness of the conventional calculations in this regard. One hopes he proves right. Even if he does, the revenue would need to grow at a much faster rate than postulated in the budget if the ground lost in the first three years of reform is to be retrieved.

Granting that lowering of customs tariff is an integral part of structural adjustment programmes seeking liberalisation, the standard prescription for the exchequer to make up for the fall in revenue that results is to turn more to taxes on domestic income

and consumption. Since taxation of incomes cannot possibly be that productive of revenue in a developing country attention has focused more on devising a system of taxing domestic trade that fetches the required revenues without being needlessly distortionary. It is in this context that the value added tax has figured so prominently in the reform agenda of all countries going through structural adjustment of their economies.

It is pertinent to point out that even with the surge in direct taxes the ratio of the centre's gross tax revenue to GDP remains at about 9.8 per cent, down by nearly 1.5 percentage points compared with the pre-reform level. The decline that came with the drop in revenue from indirect taxes is yet to be made up. Direct taxes have helped to recover the lost ground only by 0.6 percentage points. There is no way this can be made

up without an all-embracing tax on consumption comprising both goods and services like the VAT.

Recognition of the urgent need to move towards a system of value added tax was reflected in the previous budgets. A committee of state finance ministers was formed last year to work out an acceptable model of VAT at the state level. While action to this end lies primarily with the states, the centre too has an important role to play, especially in overseeing that the reforms in this important area get moving and in the right direction. Surprisingly, the budget makes no reference to what is happening on that front. Like the unfinished tasks on the direct taxes side, one wonders if the moves towards a truly rational regime of domestic trade taxes have also been put on hold. Or have the reforms no further to go?

made to diversify the production pattern and grow a variety of plantation and horticultural crops in Tripura mainly on hillslopes which are unsuitable for the production of plainland rice. There is only one medium-size industry in the state, i.e., the Tripura Jute Mills (TJML) and there are about 1,400 permanently registered small-scale industrial units. Cottage industries and traditional home-based production provide additional employment and income to large sections of the rural population of the state. The government is the biggest employer in the organised sector but most of the employment generated by the government is in the tertiary sector and is of an unproductive kind. The state suffers from a lack of infrastructural facilities. Its road, air and railway links with the rest of the Indian subcontinent as well as banking and insurance facilities are badly in need of expansion and are extremely poorly developed. Despite reserves of natural gas in the state Tripura is a net importer of electricity and suffers from a chronic power shortage. It is dependent on the rest of India for the supply of basic inputs, finished products and food and does not send many products outside the state, its main exports to the rest of India being primary products like timber, bamboo, etc. The state has a low level of per capita net SDP and a high incidence of poverty and unemployment. Though compared to the all-India figures, the state has a reasonably high literacy rate, trained and skilled manpower is in short-supply in Tripura. Health care facilities are not adequately developed and basic needs of the people like safe drinking water are not adequately met. Tables 1 through 7 give some quantitative data regarding the state to illustrate the points that have been made in this section.

The state needs to create employment opportunity for its people without compromising productivity for improving the standard of living of the vast majority

TRIPURA

Illusory Gains of Liberalisation

Malabika Das Gupta

What has been the impact of external sector liberalisation on the small backward state of Tripura? The hope that the state would be able to increase its exports of primary products has not materialised.

SINCE the beginning of the 1980s and particularly since 1991 India has embarked on a policy of liberalisation of its external economy giving incentives to boost exports and removing restrictions on exports, reducing tariff rates and eliminating quantitative restrictions on imports opting for full convertibility of the rupee on the trading account and encouraging foreign investment and technology transfers.

What has been the impact of external liberalisation on a small backward state in the north-east Tripura? Quite a lot has been written on the impact of external liberalisation on the Indian economy as a whole but to the best of any knowledge, studies relating to the impact of external liberalisation on the economy of individual states especially of states situated in north-east India are conspicuous by their absence.

Tripura is a small land-locked state in north-east India which has a 839 km long border with Bangladesh. Roughly two-thirds of the total area of the state is hilly so that there is a shortage of land suitable for growing foodcrops like plainland rice. 39 per cent of the total land mass of the state has been declared as 'reserved forests' and cannot therefore be used for other developmental purposes. The demographic picture of the state reflects the uninterrupted influx from across the border that has radically altered the demographic balance.

The state tribals who now form a minority of the population of the state still practise 'jheeming' or shifting cultivation to a large extent and are more backward than the non-tribal segment of population. The vast majority of the workers of Tripura continue to be employed in the primary sector and the unorganised sector absorbs most of its labour force. Low-productivity agriculture, mainly of the rainfed type, for the production of paddy on small and marginal holdings is the main source of employment in the economy although attempts are being

TABLE 1: LAND USE PATTERN IN TRIPURA AND INDIA

(in thousand hectares)

	Tripura (1989-90)	India (1986-87)
(1) Not available for cultivation		
(a) Forests	606.168 (57.78)	67,094 (22)
(b) Area under non-agricultural use	132.300 (12.61)	41,476 (13.6)
	738.468 (70.39)	108,570 (35.3)
(2) Other uncultivated land excluding fallow land		
(a) Pastures and other grazing land	0 (0.0)	11,894 (3.9)
(b) Other miscellaneous tree crops not included in net sown area	38.084 (3.63)	3,355 (1.1)
	38.084 (3.63)	15,249 (5.0)
(3) Cultivable waste land	0.770 (0.07)	15,249 (5.0)
(4) Current fallow	13,047 (1.24)	15,249 (5.0)
(5) Fallow other than current fallow	0.800 (0.08)	10,064 (3.3)
(6) Net sown area	258.00 (24.59)	1,40,590 (46.1)
Total	1049.169 (100)	3,04,971 (100)

Note: Figures within brackets indicate percentage of total area.

of its people. What are the prospects of development of a backward state like Tripura in the context of external liberalisation and what advantages can it hope to reap from the process?

The 'Asian Tigers' have achieved a spectacular growth based on the export of labour-intensive manufactured goods. In Tripura their example is quoted often to show what rich benefit can be reaped on a small scale from the policy of external liberalisation without bothering to examine if the conditions are the same. South Korea and Taiwan created a mass-based economy before they went in for liberalisation. These countries received a significant amount of foreign aid for their development. Their export industries got considerable assistance from the government and three countries of this group at one stage or the other had depended on import-substituting industrialisation for their development and had protected their industries from foreign competition.

If liberalisation of the internal sector is to increase the flow of foreign direct investment and technology into Tripura and also boost its exports to the rest of the world the infrastructural facilities of the state will have to be improved and investment made in improving the quality of resources available. The centre will have to play an effective role as a facilitator and remove the bottlenecks that stand in the way of effective external liberalisation. It will also have to reduce the social costs associated with external liberalisation. Again, for the growth of exports and inflow of investible funds from abroad international liberalisation will be required. Even if we make the heroic assumption that all the conditions will somehow be met, external liberalisation is not going to provide an answer to Tripura's problems.

As things stand at present Tripura is very unlikely to get investible funds from abroad or foreign technology as a result of the external liberalisation policies being followed in India. With the large incidence of poverty and unemployment in the state, the market in Tripura for luxury items likely to be produced with foreign direct investment or in joint ventures is going to be limited. Then again the lack of power infrastructural facilities like transport and banking, sufficient quantities and assured supplies of good quality raw materials, the difficulty of getting skilled manpower and other such bottlenecks are unlikely to make Tripura foreign investor's haven. The lack of transport and communication facilities with the rest of India would make goods produced in Tripura with foreign direct investment, foreign collaboration or by MNCs difficult to sell at competitive rates in the rest of India and difficult to export to foreign countries other than probably

Bangladesh. Unfortunately, the geopolitical realities of the region will not make it possible for foreign firms producing in Tripura to have access to the Bangladesh markets. Some

Indian companies reported to be negotiating with the Bangladesh government to produce goods there for sale in the eastern region and also in Tripura, taking advantage of the low

TABLE 2: DECENNIAL POPULATION GROWTH RATE, 1981-91

						(Per Cent)
India	Tripura	Manipur	Meghalaya	Nagaland	Mizoram	Arunachal Pradesh
23.50	34.30	29.29	32.86	56.08	39.70	36.83

TABLE 3: PERCENTAGE OF MAIN WORKERS OF TRIPURA IN DIFFERENT OCCUPATIONS, 1981 AND 1991

Sectors	Percentage of Main Workers in Different Occupations	
	1981	1991
1 Agriculture, animal husbandry, forestry, fishery, hunting, plantation, orchards and allied activities	70.01	63.79
2 Mining and quarrying	0.18	0.29
3 Manufacturing	5.46	4.94
4 Construction, electricity, gas, water	1.95	1.47
5 Trade and commerce	6.21	7.68
6 Transport, storage and communication	2.16	2.77
7 Other services	14.03	19.06
8 All sectors	100.00	100.00

TABLE 4: PER CAPITA NET STATE DOMESTIC PRODUCT AT CONSTANT (1980-81) PRICES

State	1989-90	Annual Growth
	(Quick Estimates)	over the Period 1980-90 (Per Cent)
Tripura	1636	2.36
Arunachal Pradesh	2199	4.09
Assam	1650	3.75
Manipur	1702	1.90
Meghalaya	1515	1.13
Nagaland	Not available	Not available
All-India	2169	3.35

TABLE 5: SECTORWISE DISTRIBUTION OF NET STATE DOMESTIC PRODUCT AT FACTOR COST (IN 1980-81 PRICES)

Sector	Tripura		India	
	1980-81	1985-86	1980-81	1985-86
Primary	571.16	63.20	39.6	36.3
Secondary	6.76	5.33	24.4	25.9
Tertiary	36.08	41.47	36.0	37.8
Total	100	100	100	100

TABLE 6: ESTIMATES OF PERCENTAGE OF POPULATION LIVING BELOW THE POVERTY LINE IN TRIPURA

1973-74		1977-78		1983-84		1987-88	
U	R	U	R	U	R	U	R
52.67	37.16	51.03	59.82	37.58	57.41	42.06	26.38
		(11)		(7)		(10)	
							(9)

Notes: R = Rural; U = Urban; C = Composite

Figures in brackets indicate all-India rank in terms of the extent of poverty.

TABLE 7: SELECTED INDICATORS OF BACKWARDNESS OF TRIPURA

- Number of commercial bank branches: 90; C/D ratio: 48.86.
- Percentage of surfaced roads to total roads: 36.00.
- Number of habitations with no drinking water sources: 3,469.
- Literacy status - all-India rank: 16th.
- Population served by each primary health centre: 54,000.

Source: All figures in Table 1 to 7 are from the Annual Plan, 1994-95, Volume 1, Government of Tripura.

labour cost in the neighbouring country. Even if foreign investment does take place in Tripura despite these heavy odds, it is unlikely to be invested in high-priority infrastructural sector like transport and communication or in the production of goods and services needed to meet the basic needs of the majority of the people of the state who live below the poverty line. Foreign investment is not likely to lead to local raw material-based industrialisation with well-developed forward and backward linkages with other productive sectors in the economy because of inadequate returns from such investments from their point of view. Gas-based industrialisation is another area where foreign capital may not be forthcoming in Tripura in view of the problem of extremism in the state and uncertainties and delays in the supply of gas. Foreign investment in the agricultural and forestry sector including plantations if it does take place, will pay scant heed to the nutritional needs of the people or the ecology of the state as it will be guided by the profit motive and not by any social considerations.

However, Tripura in going to bear the brunt of whatever foreign investment takes place in India as a result of liberalisation savings will be reduced due to the consumption of ostentatious and expensive goods produced by foreign investors for upper class consumers in Tripura who have access to these goods produced by multinationals and joint venture firms in the rest of India. Products produced with foreign capital or foreign collaboration like soft drinks, potato chips, etc. are already flooding the consumption goods market in Tripura sounding a death knell for the small-scale producers of these products in the state and aggravating its acute unemployment problem. Bank branches in Tripura which were unprofitable are being closed down as a part of the national policy of phasing out nationalised banks on the plea of improving the efficiency of the service sector while the actual motive seems to be to allow foreign banks to gain a foothold in the country. The vacuum created by the winding up of bank branches will not be filled up by foreign bank branches in Tripura because business will not be large enough to make their operations profitable.

Though theoretically, Tripura should be able to increase her exports of primary products like timber, agro-based products, handlooms and handicrafts or at least increase the volume of exports taking place legally because of concessions given to exporters, this has hardly been the case in actual practice. A variety of factors are responsible for this including trade barriers imposed by Bangladesh on the entry of Indian products into the country. Liberalised exports from India will not boost exports from Tripura to Bangladesh because the two economies

are not complementary. Many of the goods of Indian origin which find their way into Bangladesh market from Tripura are not produced in Tripura but in other parts of the country.

Exports from Tripura of products produced in the state are hamstrung by a variety of problems. These are problems relating to the lack of transport and infrastructural facilities, procurement of plant and machinery for export production problems of entrepreneurship, lack of skilled manpower and knowledge about the new export procedures, incentives offered to exporters under the government's policy of liberalisation, credit facilities, packaging, market research, quality control and so on. There is no foreign trade office in Agartala making the marketing of products difficult in the export market. The Tripura Handicrafts and Handloom Development Corporation (THHDC) is recognised by the government of India's Export Promotion Council but it has not tried to bag any export orders because of such constraints. True some Bangladesh entrepreneurs have expressed an interest in importing fruit juice, air-conditioning equipment and after machinery from distributors of these products located in Agartala are provided by well known Indian firms but the problems cited above have prevented them from placing orders for agro-based products produced in Tripura. Even before liberalisation, the markets for these products in the rest of the world was very uncertain as in the case of pineapple concentrate produced in Tripura which was marketed in the erstwhile USSR by an export agency based in Calcutta. At present then, liberalisation of exports has not done anything to boost Tripura export of manufactured products and is not likely to work wonders in the near future either.

Agricultural products like rice, fruits and Tripura's timber wealth find their way into the Bangladesh market through smuggling but this trade is not becoming legal as a result of liberalisation probably because smuggling is a low-risk, high-return operation in Tripura. The export of raw materials is in any case not to be encouraged because adding to the value of the product through further processing at home is desirable as it leads to the development of the economy through forward and backward linkages. Besides, export promotion at the cost of depriving the poor people or deterioration is not to be encouraged. Even if export-based agro units could be established in Tripura using agro products, these would in all probability be home-based units depending on the putting out system, which would exploit the labourers employed and not do much to improve their levels of living.

That Tripura has not gained much from export liberalisation is evident but at the

same time, the state has had to pay a heavy price for export liberalisation in India. The price of many goods of common consumption in Tripura has gone up because in order to meet the foreign demand for these products domestic supplies have been curtailed. Technology transfer has raised the price of many other goods produced in India which are brought by consumers in Tripura, pricing them out of the reach of many poor consumers in the state.

The only way in which liberalisation has seemed to help Tripura is that the state has been sanctioned Rs 3,500 lakh out of the World Bank loan. The loan has been sanctioned to Tripura to finance externally-aided projects fund during the year. Departments like agriculture, horticulture, power and public work have been requested by the planning and co-ordination department of the state to prepare detailed project exports for onward transmission to the World Bank. However, presumably because expertise is lacking for the preparation of projects costing more than a crore of rupees and because loans will have to be repaid and serviced and the mega projects managed efficiently, departments have been reluctant to submit proposals. All things said and done, the gains from external sector liberalisation can be said to be illusory, for Tripura will not succeed in making the state prosperous and free from the curse of poverty and unemployment. Restructuring the Indian economy so that it achieves growth with equity and balanced regional development will be required if Tripura is to gain.

New From Manohar

Indo-Pak Nuclear Standoff The Role of the United States

P.R. CHAN

1995, 256p. Rs. 350

Manohar Publishers & Distributors
28, Ansari Road, Daryaganj,
New Delhi - 110 002
Tel.: 328 2795, 327 5182

Blue Revolution in a Green Belt

M Naganathan
K Jothilal Sivaganesan
C Rajendran

The fisherfolk and peasants of coastal Tamil Nadu are organising themselves against the encroachment of prawn farming which is adversely affecting the environment and their life chances.

NAGAIQand-E-Millet District (NQM), a district recently bifurcated from Thanjavur, the so-called 'granary' of Tamil Nadu, and Karaikal, belonging to the union territory of Pondicherry, are now witnessing the mushroom growth of prawn (shrimp) farming in the name of 'Blue Revolution'. The phenomenon is causing severe damage to the eco-system of the region, loss of fertile paddy fields, unemployment of farm labourers (mostly the dalits), and alienation of fisherfolk from their common resource base. The resultant people's movement organised by environmentalists, peasants and fisherfolk is getting intensified and by all probability they will not settle down for anything less than a clear-cut government policy on aquaculture in which the prevention of environmental degradation and the rights of peasants and fisherfolk to survive in their region are assured. People of this region, especially peasants and fisherfolk, have demonstrated that their collective will-power and continuous agitation, could be effectively used to establish their rights to survival and prevent the environmental degradation inflicted by the reform-guided, export-oriented, foreign-exchange mongers.

During the initial period of the reform, the corporate giants like ITC, SPIC and MAC industries found Chidambaram district suitable to promote white shrimps (*penaeus indicus*) which fetch a lucrative price in the international market. Chidambaram was selected because of the availability of brackish water with high salinity which is conducive for the growth of white shrimps. However, later a dramatic shift took place in the calculations of the corporate giants.

Another prawn species that has been found suitable in Tamil Nadu is tiger shrimp (*penaeus monodon*). This variety prefers water with low salinity, and mostly, the estuaries where the entry of the fresh river water reduces the saline level of the sea water meet this condition. The coastal areas of NQM district perfectly satisfy this condition since the main tributaries of Cauvery and her innumerable irrigation canals pass through this region. Moreover, the availability of fresh water resources can be used to maintain saline level exactly at a prescribed level. The tiger shrimp is the

largest among the marine prawns with a growth of about 32 cms. It is a fast growing variety which grows about 10 cm in three months and 22 cm in an year, with an average weight of 95 gms. Above all, the changed taste of foreign consumers in favour of this variety prompted our corporate giants to accumulate quick foreign exchange. Thousands of acres of rich fertile paddy fields were acquired by paying tempting prices.¹ Land ceiling regulations were discarded. False promises like employment opportunities and provision of various infrastructural facilities were offered. The Delhi-based, Mani Shankar Iyer, an MP of Mayiladuthurai constituency, suddenly surfaced to promise that the region will be converted into another 'Dubai' through this 'blue revolution'. Thus, the patronage of the union and state governments, MPEDA,² the political leaders and their benamies have laid the foundation for the blue revolution.

Out of the 1,000 km coastline of Tamil Nadu, NQM and Karaikal cover a length of 110 km. This area is rich in alluvial deposits of Cauvery. The rich groundwater sources in addition to the canal irrigation facilities and the catchment area formed by the estuaries, are the other resource bases. It is needless to say that farming and fishing are the main occupations of this area. However, when 15,000 acres of cultivable lands have been acquired and encroached upon for shrimp farming by 10 major companies and about 150 medium and small ones, alienation of fertile lands from the peasants and loss of access and control over the existing common resources like sea, canals, groundwater, common lands, etc., has resulted.

Let us take the specific case of Pudukkuppam, a fishermen hamlet on Cauvery. The village has 175 households, mostly engaged in fishing. During the off-season, the Neythavaasal canal from Cauvery, adjacent to their village, is the only source of survival. Shriram Marine Harvest Limited has initiated its 'intensive shrimp farming' in 300 acres near the village and has harvested two yields of shrimps. The company later extended its area to another 700 acres, and in the process, more than 25 acres of paddy lands have been cornered

up and 300 trees have been uprooted. Ponds were constructed and a pumping station was installed with two giant motors to pump the sea water into the ponds. Three canals were also constructed to drain the sewage, one of which mixes with the Neythavaasal irrigation canal. Two more firms, Prawnex Sea Food and Krishna Farm, have also started the same exercise in 460 acres of land around the same village.

Coming to the social, economic and ecological implications, the large pipeline with powerful motors has damaged the fishing nets of Kattamarans. In the first three months, the Kattamaran owners incurred a loss of Rs 13,500. Death of eight persons of different age groups due to various unknown diseases have been reported within a period of two months. Around 100 persons have reported to have eye irritation since the operations of the firm. Shenbagam, a local fisherman, had a narrow escape from being sucked by the water pump when he tried to save his net from getting damaged by the suction pumps. Women of this area report that the groundwater has become saline and now they have to walk a distance of 1.5 kms to fetch good drinking water. The fish vendors/head-loaders (mostly fisherwomen) have been restricted from using the traditional pathway along the coastal line and now they have to walk an extra seven kms to reach the market. There are also reports about women being harassed by men working in the prawn farm. Some of the families are earning their livelihood by collecting the floats in the coast. The firms are suspicious on these pickers and recently, one of the villagers was beaten up and threatened not to use the coastal line for similar purposes. False complaints have been lodged against the villagers under various crimes.⁴ There are also frequent incidences where women head-loaders slip into the sewage canal while crossing them and incur, besides physical injuries, material loss. There are other problems too. The villagers are losing their access to fuel and fodder and drying yards for drying fish nets. There is also a loss of fish catch due to influx of untreated toxic chemical effluents into the sea.

The problems of the peasant villages are slightly different. Normally, ponds are constructed in 2.5 acres of land with six feet depth. They are filled with two feet of brackish sand and later by sea water. About 25-30 per cent of the seawater is to be replaced daily. Depending on the ammonia content and other parameters, the replacement may go up to 80 per cent. Moreover, along with the application of organic chemicals, oxygen is dissolved into the ponds using aerators. Adding oxygen to the existing hydrogen sulphide results in sulphuric acid. This blackens the soil, making it infertile. Further, the seepage of the brackish water

with chemical effluents into the neighbouring lands makes them totally unfit for cultivation. The dumping of unhygienic waste in the open results in pollution of air and water bodies and series of chronic health problems arise. Loss of grazing field for the cattle is another irritant for the already unemployed farm labourers.³

The first full-fledged people's protest against the shrimp farming was a huge procession at Mayiladuthurai on January 28, 1994. Later on, Uzhaikkum Vivasayigal Iyyakkam (Working Peasants Movement) convened a meeting at Ozhugaimangalam to discuss the future course of action. The meeting was attended by the village representatives, men and women of 140 villages of Thanjavur and Nagapattinam districts. In the next few days a study team of Tamil Nadu Environmental Council visited the village at the request of Social Need, Education and Human Awareness (SNEHA) and brought media attention. This forced the prawn companies to form their own association to resist the struggle. They also submitted a memorandum to Jayakumar, the minister for fisheries, to allot poramboke lands for the extension of their farmings and to grant clearance for their ongoing projects from the Pollution Control Board. Regarding the people's agitation, they argued that it is possible to recycle the waste with proper management. Brackish water seepage into the paddy field and discharge of untreated effluent into the water bodies would also be taken care of. Moreover, the aquaculture industry will promote several ancillary industries and provide more employment potential for the rural population. They also argued that only fallow lands were being used and not cultivable lands for aquaculture. However, the villagers are not prepared to buy these fabulous stories. Since the government turned a deaf ear to their grievances, they have initiated direct action.

On April 5, when the bulldozers of Magna Foods and Protein started removing all the huts in the settlement area of Nayakkarkuppam, the proposed site for prawn farming, local people gathered in large numbers and opposed them. The consequent visit of the district collector and the commissioner of fisheries stopped the operation to diffuse tension. After this, on July 24, 1994 people from Keezhamonarkarai stopped the functioning of a Coimbatore-based company. On the next day, fisherfolk and peasants of Pudukkuppam prevented the Shriram Marine Harvest from digging the fourth sewage canal. On August 4, men and women from Chinnorpettai and Mandaputhoor prevented the DCM and Shriram Aqua Foods from destroying trees and sent back five lorries loaded with sand. Now their demand is that both, the ongoing and future construction of aquaculture farms,

should be stopped immediately. If the government remains indifferent to their demands, the entire community will launch a continuous struggle to secure their fundamental rights.

When the struggle got intensified, violence erupted on August 10, at Thennampattinam in Sirkali taluka. Fourteen houses were demolished and 34 huts set ablaze. Many incurred severe injuries. The police denied us permission to visit the village. According to PUCL fact-finding team's report (they have also been denied permission), "34 houses of dalit families active in the agitation against prawn farms have been burnt down by the goondas hired by the company with the open support of the police... this attack on this village is pre-planned to suppress the movement and agitation against the prawn farms". The version of the local police is that the agitation became violent and that the agitationists themselves set fire to their own houses, attacked the supporters of prawn farms and police.

Though the Tamil Nadu government, even the union government for that matter, has no clear-cut policy on aquaculture, it responded at last. Jayakumar, the minister of fisheries, announced that the government has taken into consideration the effects of prawn farms. An expert committee will be constituted and necessary enactments will be made to prevent the damages, he added. Not satisfied with the government responses, the PUCL met the chairman of the National Human Rights Commission at Madras and briefed the problems. The latter asked Sudha Ramalingam, the general secretary of PUCL, Tamil Nadu, to submit a detailed report in this connection on August 23 in New Delhi. Accordingly, a delegation comprised of Jesu Rethinam of PUCL, P Christy of Nagai-Karai District Fisher People's Forum, Antonysam, convenor of the Tamil Nadu environmental council, Chandramohan of the Working Peasants Movement and John of the Delhi Forum met the chairman. They have also submitted a memorandum to the ministry of environment, urging the appointment of a committee to make an environment impact assessment of shrimp farms. Till then all

the activities should be stopped and no new units be allowed to come up, the PUCL demanded.

Notes

[The report is based on our personal visit and information provided by Jesu Rethinam, Christy and K. Shanmugham].

- 1 The companies acquired the lands through treacherous and insidious methods. When we asked, having understood all these problems why did you sold your lands?, a villager replied that "they have offered so many promises - construction of temple, school, roads, hospital, employment opportunities in prawn farms, etc. The prices offered were also more attractive. At that time we had not realised that we are going to lose agricultural work for ever". Gunasekaran, an organiser CPI(M) added, "When we realised, we stopped selling our lands. But the big landlords, mostly the brahmins, profited from this scarce situation by selling at a large scale unimaginary prices."
- 2 The Marine Products Export Development Authority (MPEDA) within the ministry of commerce has taken the lead in the promotion of intensive monoculture in this region and it has also opened its branch in Thanjavur to extend all financial assistance, research and training facilities to the holy cause of earning foreign exchange.
- 3 The traditional rice-shrimp rotating polyculture has proven to be sustainable because this low-input extensive system avoids using processed seeds, chemicals and antibiotics. Now the traditional system has been replaced by more intensive methods of monoculture which could produce thousands of kilograms of shrimp per crop. In the case of the former it is only 100-240 kg.
- 4 The erstwhile Indian People's Front (IPF) functionary, Gunasekaran, is the first victim on whom the police filed a case on charges of possessing explosives and bombs to use against Shriram Company. The IPF initiated the struggle against the company two years ago.
- 5 During the initial stages like constructing ponds, etc, the villagers agreed that they got employment almost daily. When such work got completed, they realised that they have lost their employment in paddy fields for

For the Attention of Authors

The compulsion to limit the size of issues on account of steeply rising newsprint and other costs and a sizeable backlog of material awaiting publication lead us to request that papers submitted for publication be not over 10,000 words, including tables and notes and references.

It is helpful if contributions in word-processed format are accompanied by floppy disc copies, in Wordstar preferably. The latter will be returned after use.

Sorry State of UP's Economy

Kripa Shankar

With declining investment and profligate non-developmental expenditure, Uttar Pradesh's economy is in the doldrums.

OF all the 14 major states of the Indian Union, UP has the lowest human development index (HDI) of 0.07 of as against 0.11 for Bihar, 0.14 for MP, 0.19 for Rajasthan and 0.21 for Orissa, the national average being 0.37. Although Bihar and MP have a lower per capita state domestic product, they stand above UP because of higher life expectancy and literacy percentage being higher in MP. Orissa has almost the same per capita domestic product as UP, but stands above in life expectancy as well as literacy rates and consequently has a higher HDI of 0.21. Similarly because of higher life expectancy, Rajasthan stands above UP despite a lower literacy rate (*Annual Plan UP, 1994-95, Vol 1, p 59*). UP has the highest infant mortality rate in the country and has the largest concentration of people living below the poverty line which is increasing in absolute terms despite a decline in percentage terms. According to the state annual plan 1994-95 the absolute number of people below the poverty line increased from 506 lakh in 1977-78 to 530.6 lakh in 1983-84 and further to 599.63 lakh in 1987-88 (pp 71-72). Households in the rural areas with an annual income of less than Rs 8,387 and Rs 9,164 in urban areas were found to be living below the poverty line in 1987-88 in UP. The cost of living index number for agricultural labourers increased from 650 in 1987-88 (base 1960-61 = 100) to 1,285 in December 1994 or it has doubled since then while agricultural production has stagnated and per capita annual foodgrains production in the state has declined from 273 kg in 1988-89 to 261 kg in 1990-91 according to official estimates. In subsequent years it has further declined. All this must have aggravated the problem of poverty.

The deceleration in growth rate of agricultural production in the state is the most disconcerting factor as it is the mainstay of the economy and supports three-fourths of the population. Foodgrains production in the state has been hovering round 355 lakh tonnes for the last few years while population continues to rise at an annual rate of 2.5 per cent. Yield per hectare of various agricultural crops is now stagnating which in the past had been principally responsible for rise in production.

A drastic stepping up of both public and private investment in the agricultural sector is required if a breakthrough is to be made. Public sector investment has induced private investment in the past and therefore, the

beginning has to be made with public investment although the question of raising the efficiency of investment hitherto made in this sector particularly in irrigation and power is no less important. Yield of foodgrains per hectare in UP is 18 quintals as against 35 quintals in Punjab. The soil rating of UP is higher than that of Punjab and rainfall is also almost twice. Whereas Punjab has made better use of its water resources, UP has failed in this respect. More than 92 per cent of the cultivated area in Punjab is irrigated as against 57 per cent in UP. The annual loss on state irrigation works in UP is more than Rs 700 crore which is rising every year while the area irrigated by state irrigation works is stagnating. Per hectare consumption of fertilisers in Punjab at 156 kg is significantly higher than that of UP at 86 kg but per hectare credit from co-operative credit societies is also twice in Punjab.

In the industrial sector UP's backwardness is equally pronounced. Industrial investment per person in UP at Rs 1,082 is lowest among all the major states excepting Bihar. In Gujarat, Maharashtra and Punjab it is three times that of UP. The average daily number of workers in registered working factories per lakh of population in UP at 454 is the lowest except in Bihar and MP. In Maharashtra it is four times that of UP. Per capita production of electricity in UP is also only 40 per cent of the national average. All this is reflected in the per capita income which is lowest in UP excepting Bihar. Excepting Bihar, other BIMARU states appear to be moving faster than UP. Rajasthan which used to have a lower per capita income has now left UP behind and MP has already

a higher per capita income. The gap between the per capita national income and that of UP is widening with every passing year. The latter at Rs 4,012 in 1991-92 is now less than three-fourths of the former at Rs 5,529.

The main reason for the poor performance of UP has been the (i) inability of the state to generate enough resources to step up investments; (ii) inability to use productively the resources by checking, as far as possible, non-developmental expenditure; (iii) inability to make efficient use of the investment made; and (iv) reliance on borrowings to finance the expenditure. We will briefly dwell on these issues.

Per capita state tax revenue in UP is lowest among all the major states excepting Bihar. A poor state like Orissa has higher per capita tax revenue. The same in MP and Rajasthan was Rs 343 and Rs 377 respectively in 1992-93 as against Rs 256 in UP. The national average was nearly twice at Rs 460. The picture for some of the states is shown in Table 1.

Apart from tax revenue, as regards non-tax revenue also UP lags behind the major states excepting Tamil Nadu and Kerala. But UP is not so unfavourably placed as regards share in central taxes as UP's share at Rs 205 is only marginally lower than the national average at Rs 213.

CENTRAL ASSISTANCE

Much has been made about the lower central assistance to UP as a factor in UP's backwardness but it will be seen that central assistance on per capita basis was Rs 172 in Punjab, Rs 138 in Haryana, Rs 111 and Rs 116 in Maharashtra and Tamil Nadu respectively as against Rs 152 in UP. Kerala which has the highest quality of life index had an assistance of Rs 166 in that year, only marginally higher than that of UP.

It has been argued that as UP is poor its per capita tax revenue is also lower. But the fact should not be lost sight of that other backward states along with developed states are making greater efforts in this connection

TABLE 1: PER CAPITA REVENUE RECEIPTS IN 1992-93

(in Rs)

State	Sales Tax Revenue	State Non-Tax Revenue	Share in Central Taxes	Central Assistance	Total Revenue
Bihar	175	123	230	138	665
MP	343	213	195	183	934
Rajasthan	377	187	205	240	1008
Orissa	274	100	265	301	940
UP	256	89	205	152	702
Punjab	763	145	151	172	1232
Haryana	883	318	131	138	1469
Kerala	586	80	191	166	1023
Tamil Nadu	721	74	225	116	1136
Maharashtra	770	237	162	111	1280
All India	460	146	213	200	1019

Source: Uttar Pradesh Aya Vyak ki Rooprekha, pp 73-74.

which will be clear if we compare the per capita tax revenue as a percentage of per capita income in the various states. In 1991 the per capita tax revenue as a percentage of per capita income was lowest in UP except Bihar and Assam (the latter is passing through disturbed conditions). The same was 6.66 per cent in UP as compared to 12 per cent in Tamil Nadu, 11 per cent in Kerala and Karnataka each, 10 per cent in Gujarat, 9 per cent in Maharashtra, Haryana and Andhra Pradesh each and 7 per cent in MP, Orissa and Rajasthan each (*Uttar Pradesh Aya Vyak ki Rooprekha 1994-95*, p 37).

Per capita plan outlay consequently has been lowest in UP throughout the planning period with the solitary exception of Bihar. But the most disturbing aspect is the abnormal growth in non-developmental expenditure. Declining percentage share of developmental expenditure on revenue account is shown in Table 2.

The percentage share of developmental expenditure has declined from 67 per cent in 1990-91 to 53 per cent in 1994-95. Developmental expenditure is budgeted to increase by Rs 141 crore over the previous year but non-developmental expenditure is to increase by Rs 971 crore. The fastest growth has been in interest payment which increased from Rs 1,181 crore in 1989-90 to Rs 3,271 crore in 1994-95 (BE), i.e. a near three-fold rise in a span of five years. The state government now specialises in creating more tehsils and districts out of the existing ones which has inordinately increased the administrative expenses. Expenditure on legislatures, governor, cabinet, secretariat and district administration increased from Rs 179 crore in 1993-94 (RE) to Rs 712 crore in 1994-95 (BE), i.e. a four-fold increase in a single year (ibid, p 16).

Unable to generate resources the state has resorted to the easy option of borrowings. The total indebtedness of the state government now stands at Rs 31,107 crore and is rising annually by roughly Rs 5,000 crore. Borrowings account for 28 per cent of the total receipts of the state as per 1994-95 budget and annual interest payment accounts for 17 per cent of the total expenditure which is the largest component of expenditure on any head. Repayment of debts accounts for 11 per cent of the total expenditure. Table 3 shows the total expenditure of the government on various heads as per 1994-95 budget on both revenue and capital accounts.

It would be seen that agriculture and allied activities which directly support nearly three-fourths of the population accounts for less than 4 per cent of the total budgeted expenditure. Even after including rural development and irrigation and power the percentage rises to only 17 per cent. Significantly expenditure on administrative

services is more than what is being spent on agriculture and rural development put together. This is also twice the expenditure on health and family welfare. If we add general services and pension to the expenditure on administrative services the combined expenditure is only marginally lower than the expenditure on all the economic services. The expenditure on all the economic services like agriculture, irrigation, power, rural development, industries, etc. does not add to even 20 per cent of the total spending. This only reflects the colonial legacy of administration under a new garb. No wonder that the state ranks lowest in human development index.

It is also worth noting that the expenditure on development heads is not so much oriented towards improving the productive base and the quality of services as in providing berth to the bureaucratic set up. In the name of development what has really developed is a large functionless bureaucracy on whose upkeep a large part of the outlay is utilised leaving little for productive investment.

Take the case of community development. There are 897 blocks in the state with a large army of officers in every block. The lowest functionary used to be called gram sevak, i.e. servant of the village. They resented the word 'sevak' and now they are officially designated as village development officer. The only service now they perform is to make money in selecting the beneficiaries under Integrated Rural Development

Programme (IRDP) and to have a cut of at least 10 per cent in the loan granted to them. The total allocation under community development in 1994-95 budget is Rs 294 crore. Out of it Rs 5 crore is to be spent on gober gas plants, Rs 2 crore on smokeless chulha, Rs 8 crore on drinking water, Rs 1 crore on nutrition, Rs 44 crore on housing schemes for the poor. But the expenses on salary, TA, DA, staff car and its maintenance, etc. is Rs 123 crore (*UP Budget 1994-95*, Sec 5, Part II, pp 117-21). The total assistance under IRDP is Rs 76 crore and an additional Rs 10 crore is to be spent on establishment expenses to execute it. If we take the entire budget under rural development it will be seen that out of a total allocation of Rs 1,170 crore on revenue account in 1994-95, establishment expenses account for 16 per cent. Significantly capital expenditure on rural development is only Rs 17 crore which consists of a capital expenditure of Rs 35 lakh on minor irrigation and another Rs 16.65 crore on community development. Similarly the revenue budget provision for crop husbandry, soil and water conservation and agricultural education and research is of the order of Rs 345 crore but establishment charges account for Rs 155 crore or in other words 45 per cent of the total expenditure. For purchase of vehicles, maintenance and petrol Rs 473 lakh has been provided. Revenue expenditure on agriculture and allied activities in 1994-95 has been estimated at Rs 699 crore which is Rs 44 crore less

TABLE 2: DEVELOPMENTAL AND NON-DEVELOPMENTAL EXPENDITURE

(Rs crore)

Year	Developmental Expenditure	Non-Developmental Expenditure	Total	Col 2 as Per Cent of Col 5
1990-91	6355.92	2947.03	9421.05	67.47
1991-92	6152.52	4070.96	10399.20	59.16
1992-93	7458.83	4989.23	12690.73	58.77
1993-94	7715.72	5812.51	13743.12	56.14
1994-95	7856.75	6782.94	14863.21	52.86

Note: Compensation to local bodies and panchayats ranging from Rs 37.82 crore in 1989-90 to Rs 223.52 crore in 1994-95 has been included in the total expenditure.

TABLE 3: BUDGET ESTIMATES OF EXPENDITURE, 1994-95

Item	Amount (Rs Crore)	Percentage
1	2	3
General services, pension	1,458.90	7.45
Interest payment	3,271.10	16.70
Administrative services	1,920.06	9.80
Education, sports, culture	2,852.40	14.56
Health and family welfare	842.96	4.30
Welfare of SC, ST, backward and social welfare	547.39	2.80
Agriculture and allied activities	711.21	3.63
Rural development	1163.97	5.94
Irrigation, flood control and power	1409.35	7.19
Industry mines and transport	602.40	3.07
Repayment of debts	2251.30	11.49
Loans and Advances	1418.51	7.24
Others	1142.56	5.83
Total	195,92.31	100.00

than the revised estimates of 1993-94. But all the same the salary bill is higher by Rs 81 crore.

The total salary bill of all the departments excluding TA and expenditure on work charged employees in 1994-95 is budgeted at Rs 4,100 crore which eats away almost the whole of state's own tax revenue. The salary bill rose by about Rs 500 crore in 1994-95 while tax revenue rose by less than Rs 400 crore. The total non-developmental expenditure (administrative services, pension and interest payment, etc) rose by Rs 970 crore in 1994-95 over the previous year while revenue receipts increased by Rs 413 crore. The government has been forced to cut down capital expenditure which declined from Rs 1,159 crore in 1993-94 (RE) to Rs 1,059 crore in 1994-95 (BE). The share of capital expenditure in the total expenditure has been constantly declining. The same has declined from 11 per cent in 1984-85 to 8 per cent in 1990-91 and further to 5 per cent in 1994-95. Net capital formation from budgetary resources also declined from

Rs 3,983 crore in 1992-93 to Rs 3,617 crore in 1993-94.

The state also appears to have entered an internal debt trap. The total borrowing is slated at Rs 5,109 crore in the 1994-95 budget while repayment of loans is slated at Rs 2,251 crore. Interest payment is slated at Rs 2,930 crore. The last two add to Rs 5,181 crore which is slightly more than the total borrowings. Thus the state borrows for meeting debt obligations and not for making investments. Further UP's total indebtedness to the centre is Rs 17,056 crore. During 1994-95 the state's borrowing from the central government was to the extent of Rs 2,715 crore. The state paid an interest of Rs 1,656 crore along with repayment of principal at Rs 642 crore to the centre. In other words the net amount of loan received from the centre after paying interest and principal amounted to Rs 417 crore only.

All this points to a grim situation. With declining investment, profligate non-developmental expenditure the state may witness prolonged stagnation.

Transplantation of Human Organs Bill

Curate's Egg

J Amalorpavanathan

The landmark legislation aimed at regulating organ transplantation will only have a limited impact on the unethical practices associated with it.

IN May last a landmark bill was passed in the parliament, which, among other things, seeks to ban the illegal organs trade that is so prevalent in this country. This bill was widely welcomed by the press and a large section of doctors who were disgusted by the way the organs smuggling, especially kidney smuggling, was taking place in this country.

Before subjecting the bill to critical analysis, a short introduction to the transplantation of organs. Medical scientists have devised surgical procedures by which certain organs like heart, lungs, liver and kidneys when they are irreversibly damaged by diseases can be replaced by healthy ones. The organs for replacement can either be taken from a healthy person who is willing to donate one of his paired organs like kidneys or from a dead body, cadaver. But if the body is dead for long, the organs also become dead and hence unfit for transplantation. Hence, the organs must be harvested when they are functioning while the donor's brain is irreversibly destroyed either due to injuries or due to diseases. This is the concept of 'brain death'. The brain dead patients will be totally and irreversibly unconscious while their heart would still be pumping blood to those vital organs of the body. The bill under discussion enables doctors to

certify brain death as clinical death and thereby enables removal of vital organs for transplantations. The transplantation of organs from such brain dead patients is 'cadaver transplantation'. Because of the lack of legislation a cadaver transplantation could not take off in India, although it has already become a routine surgery in many developed countries. But kidney transplantations was done here because one kidney can be taken from a healthy living person without harm.

Before the 80s only transplants between closely related donor and recipient could be undertaken, because transplantation from an unrelated person would lead to immediate rejection of the transplanted organ. That year marked a watershed in the history of transplantation surgery because a wonder-drug cyclosporine was synthesised. This drug would drastically reduce the rejection reaction therefore even unrelated donor transplantation could be undertaken under the cover of cyclosporine. That indeed was a great medical breakthrough. However, the sociological effects of this wonder-drug was entirely different. Cyclosporine was a classic example of that famous aphorism that nothing is 'class-neutral' in this world. In many advanced countries the synthesis of cyclosporine led to the development of

cadaver transplantation programme. The donor, brain dead person is essentially a 'non-relative' to the recipient and hence without cyclosporine this programme could not take off at all.

On the other hand in India, where the poorest of the poor would sell his or her own blood for survival – and this is very common in all the major cities in India – the introduction of cyclosporine did not lead to cadaver transplant programme. It, on the other hand, led to the poor man selling his kidney to combat poverty. And thus was born the most nefarious kidney trade in India, a multimillion dollar business. Very soon India came to be known internationally as the 'kidney bazaar' and Bombay and Madras became notorious in this connection. One locality in Madras, Villivakkam, came to be known as 'Kidneywakkam' because the majority of residents of this area were forced to eke out their living by selling one of their kidneys. The typical scenario would be this: A rich Arab with renal failure would land in one of the dubious nursing homes in Bombay. A poor migrant labourer from Dharavi would be encouraged to 'donate' one of his kidneys and of course, a measly sum of about Rs 25,000 would be given to him. Around Rs 6 to Rs 10 lakh would change hands in this entire deal. Some hospitals were doing 30 to 40 such operations a month and one can imagine the amount of money involved. While many urologists and nephrologists are involved in this racket. Some doctors not only began to oppose this organ smuggling but also worked hard to get this criminal trade banned. Thus was born the present bill.

The bill has several salient features. First, it allows doctors to certify brain death, thus enabling the starting of cadaver transplantation. (Within a few months of enacting this bill, a heart transplant took place in All-India Institute of Medical Sciences, Delhi. The donor was a brain dead individual). Once cadaver transplant starts, the future of this particular field of medical science is immense. At present, it involves high technology and is quite costly but in due course, it can be made cheaper and in government hospitals it can definitely be done free of cost – at least in the case of poor patients. This is one of the welcome features of this bill.

Secondly, apart from cadaver transplants, this bill also enables 'near relatives' to donate kidneys. In the definition of 'near relative' in the bill, the spouse is also included. Spouse may be a 'near relative' from the sociological point of view, but from the medical point of view, the spouse cannot be considered as such because husband and wife are not blood relatives. A spouse can, therefore, be only considered as a 'non relative' from the medical point of view. In a male-dominated country like India, this will put a lot of moral pressure on the wife to donate her kidney

to the husband if he needs one. M K Mani, a specialist, calls this a 'new form of dowry'. Muthusethupathy, another nephrologist in Madras feels that women's organisations must take this up for further study and action.

It is common knowledge that in India, the majority of kidney donors are females and the majority of recipients are males. Renal failure has no special sexual predilection and both men and women are affected equally. While men get transplants, women are probably left to die. A study done at Government General Hospital is revealing. This hospital undertakes only live-related donor transplants and the spouse is specifically excluded from kidney donation. Table 1 shows the proportion of male and female donors and recipients.*

TABLE 1

No of transplants (Since July 1987)	283
Recipients (Male:Female)	223:60 (4:1)
Donors (Male:Female)	110:173 (2:3)

Of first degree relatives, i.e., parents, siblings and children, women form 60 per cent of the total donors (Table 2).

TABLE 2

First degree relative donors (Male:Female = 98:150)	248
Parents	136
Mothers	103
Fathers	33
Siblings	100
Brothers	55
Sisters	45
Children	12
Sons	10
Daughters	2

In such a situation, where already females are the commonest organ donors, if the spouse is treated as a 'near-relative' it would, no doubt, put great pressure on the wives. Apart from not being medically acceptable, if anything untoward happens to the wife during surgery (in trained hands the death rate during this surgery should be less than 1 per cent but correct data are not available), the plight of the family with the dead mother and a permanently-ill father can well be imagined. Therefore, it is neither medically nor sociologically acceptable to include spouse in the list of 'near relative'. On the other hand uncles, aunts, cousins, nephews, nieces can be included in the list since they share some sort of sanguinous relationship with the patient. That would enlarge the number of donors available to the patient and one can choose the best matching kidney.

The most serious objection to the provisions in the legislation offered by many committed doctors is related to the setting up of an 'authorisation committee',

which will authorise a totally unrelated person to 'donate' (read 'sell') his organ to a recipient "by reason of affection or attachment or any other special reason". This is the classical way our rulers operate - banning the organ trade in the main text and allowing it stealthily through a sub-clause. While this clause would make the kidney brokers and organ smugglers happy, many committed doctors feel bitter about it.

All of us know how these 'authorisation committees' would work in practice. As usual the rich Arab would fly down to Bombay. The poor migrant labourer from Dharavi would 'donate' his kidney to the rich Arab "by reason of affection or attachment". The authorisation committee would of course be only too ready to oblige the mega rich. The kidney pluckers - urologists and nephrologists - would also be ready to do their 'professional' jobs. And the petrodollars would 'take care' of all of them. And so the trade would go on with the blessings of the authorisation committee. These are the types of committees that would allow the dangerous nuclear power plants, ecologically dis-

astrous mega power projects, spurious drugs in the market and so on. The sub-clause in effect only adds more middle men in the racket.

There are other fringe benefits in this bill like regulations of hospitals which perform transplantations, laying down criteria for 'brain death', etc. But they are all mere sop to the crusaders of the cadaver transplant programme. Therefore, when the welcome music and applause heralding a new era in transplantation dies slowly what would remain in place is only the dubious 'authorisation committee'. Ultimately what this bill does is to legalise unethical kidney trade. It legitimises the exploitation of the poor by the rich in one more way and will result also in perpetuating the gender bias Muthusethupathy's apt comment describing this bill as 'Curate's Egg - good in parts but rotten as a whole' is therefore a correct assessment.

Note

* Yet to be published data provided by M A Muthusethupathy, Nephrologist, Government General Hospital, Madras.

THE INSTITUTE OF DEVELOPMENT STUDIES, Jaipur

Requires three Senior Faculty at the level of Senior Fellow (equivalent to University Professor) or Fellow (equivalent to University Reader). Social scientists having specialization in Development Policies, Rural Development, Gender Studies, Education and Development and Econometric Modeling will be given preference. Other scholars with proven academic and publication record and research experience in any relevant area of development studies may also apply. Applications giving full details of the academic qualifications, publication record, work experience, and other relevant information should reach the undersigned within three weeks of the publication of this notice. The candidate should give names of three referees to support his/her candidature. Applicant should clearly indicate whether he/she is to be considered for the position of a Senior Fellow or a Fellow. Incomplete or delayed applications will not be considered. Those who have applied in response to an earlier advertisement issued by the Institute need not apply again.

Prof. V.S. Vyas
Director

Institute of Development Studies
8-B, Jhalana Institutional Area
Jaipur 302 004.

Grozny and Return to Big Powerism?

Anirudha Gupta

Kremlin's decision to pit Russia's entire military might against the Chechen rebels, supported as it was by the US and approved by the European governments, reveals the rough edges of an emerging multi-power world with America, Europe (not yet united), Russia, China and perhaps Japan contending for power.

It seems to me that the tendency of the time is to throw all power into the hands of the greater empires, and the minor kingdoms – those which are non-progressive – seem to fall into a secondary and subordinate place...

– Joseph Chamberlain, British minister for the colonies, in 1897.

GROZNY, the Chechen capital, has been reduced to dust. So also our hopes about building a brave – or even a timid – New World. What we see taking place instead is a revival of the Big Power system of the late 19th century. The system proved brutish, dangerous and short-lived. There is no substantial reason to believe that its second version would be less hazardous in any respect. But, first Grozny...

Kremlin's mishandling of the Chechens' claim for self-determination is a subject we leave to more competent hands to analyse and record. What concerns us immediately is the short- and long-term impact of the Chechen war on post-communist Russia and world politics. The decision to pit Russia's entire military might against a ragtag band of rebels in the Caucasus, it now appears, was taken by a small coterie of president Boris Yeltsin's advisers known as the 'party of war'. The decision did not go down well with ordinary citizens. A majority of the members of the *Duma*, lower house of the Russian parliament, criticised the decision. Many of Yeltsin's pro-reform ministers felt unhappy and resigned in disgust. The most influential among them and once the president's chief economic adviser, Yegor Gaidar, warned about the possibility "of a military-authoritarian regime being established in Russia". His view found powerful support from Leonid Petrovsky, a communist deputy.

Opposing the war, a number of human rights organisations publicised gruesome details of violence committed by Russian soldiers against Chechen civilians. Their loud protest provoked a worldwide response, which at one point did appear to have unnerved Yeltsin as he reportedly ordered a temporary cease-fire in Grozny.

But, quite contrary to such reported 'gestures', the Russian army advanced and pounded the centre of Grozny with withering rocket and artillery fire as waves of air attack on Chechen-held parts of the city reached unprecedented ferocity. Did Yeltsin lose control over his generals? Not exactly: for a couple of days later (January 18), we find him making a fine point of emphasising that he was personally in control of the day-to-day running of the war, which he promised would be over "in the coming days".

What intervened in-between to rejuvenate president Yeltsin and his advisers? Not presumably the war, for it was not progressing well. On the contrary, Russian generals were quarrelling and blaming each other; and in Grozny, Chechen rebels were outmanoeuvring and destroying Russian tanks. The war-front, in a word, was becoming a mess. Yet, Yeltsin's spirit soared as the voice of his opponents subsided. Why? Because relief came 'unexpectedly' from western quarters, deploring the violence in Chechnya, the US president, Bill Clinton, reiterated nevertheless his unqualified support for Yeltsin. "Chechnya", he told a conference of US investors in central and eastern Europe (January 13), "is part of the Russian Federation and we support the territorial integrity of Russia". His secretary of state, Warren Christopher, went one step ahead to predict that the \$90 million aid-package for Russia would be approved despite fierce opposition in the US Congress. In New Delhi, around the same time, the US defence secretary, William Perry, gratuitously conceded that Russia had the right to defend its federation (January 15).

Most European governments approved this stand. In Frankfurt, the German Chancellor, Helmut Kohl, pledged full support to the Russian president despite the Chechen crisis: "in the interest of stability, democracy and economic liberalism". And, of course, in the interest of huge German capital sunk in the effort for Russia's economic recovery.

Where did the opponents of the 'war party' go wrong? In holding the illusion

that America and the west would vindicate their stand on Chechnya and force Kremlin to draw back its troops from Grozny. They erred in their judgment in as much as the early Bolsheviks had in expecting that the European working class would rise in support of the October Revolution. In 1918-20, the politically advanced workers of France and Germany deserted the cause of proletarian solidarity. Seventy-five years later, the so-called Crusaders of human freedom turned down any call for help from Russian liberals against a revanchist, neo-nationalist war-party. In their view, a strong and stable Russia, even if fronted and back by soldiers, was preferable to defending obscure rights of ethnic minorities in the Caucasus. Besides, a strong Russia constituted the only barrier to an irredentist upsurge of the 'savage' Tartar and Mongolian hordes. Hence, if Chechnya broke away, others might try to follow. Conversely, if Moscow triumphed, it could send a message to other non-Russian ethnic groups, including those of the newly independent states, that "it will not hesitate to use violence in the face of recalcitrance". In the process, if the war party was emboldened to re-establish Russia's claim as, if not a superpower, at least a great power, it could cause no harm. In the relation among nations – nations which matter – a show of force becomes inevitable. Hence, Chechnya could be allowed to be seen as Russia's Haiti!

Thus, despite the noises the western media raised over the sack of Grozny, the war party was given a green signal to go ahead and crush the Chechens. In particular, the Clinton administration was keen to see a quick end to the war: one, because it was no longer sure how a Republican packed Congress would view its close relations with the current bunch of dictators in Kremlin. Two, a prolongation of the conflict in Chechnya could raise an outcry over the violation of human rights which Washington could not possibly ignore. For, in its new role as the world's Supercop, America had used the issue of human rights to interfere at will into the affairs of other nations and societies. True, it had made several compromises (as in the case of China); but it could not give up the issue altogether without damaging its own image as a do-gooder.

Surprisingly, this attitude suited China, an established big power in the east, and India, an aspiring power to the south of central Asia. Both have a common cause to defend. China's sovereignty on Tibet and India's on Kashmir. Both, therefore, have unleashed state-violence by degrees to keep ethnic unrest under control. Hence, they had reason to be extra-grateful to the

Russian foreign minister, Andrei Kozyrov, when he brazenly claimed that the Chechen crisis was strictly Russia's internal affair. Said Kozyrev, "I recently held negotiations in Geneva and Bern with US secretary of state, Warren Christopher, and German foreign minister, Klaus Kinkel, who unequivocally confirmed their understanding of our stance. The same understanding was displayed by our eastern partners, China and India. Russia's partnership with the leading countries of the world passed the durability test that although there is a very strong opposition in many of them, Islamic countries too are not going to the extreme and are showing restraint."

Yet, at the height of the conflict, Moscow did not hesitate to officially spread the rumour that Islamic militants were backing the Chechen unrest and planning to ignite a 'jihad' throughout the Caucasus. The very idea frightens western Europe. Is it not across the "fault-lines between Christian and Islamic civilisation" that Huntington draws his picture of the coming 'Apocalypse'? "In the coming years", he writes, "the local conflicts most likely to escalate into major wars will be those, as in Bosnia and the Caucasus, along the fault lines between civilisations. The next world war, if there is one, will be a war between civilisations" (*Foreign Affairs*, Summer 1993).

EMERGING PATTERN

Thus, we see the rough edges of a multi-power world emerging. The chief contenders for power will be America, Europe (though not as yet united), Russia, China and perhaps Japan. The unwritten code to bind them together will be that none should abruptly collapse and thereby cause a seismic upheaval in their power equations. This means that Big Powers should support one another in times of crisis – though not always as allies but as amiable rivals. A measure of competition among them will help secure and strengthen a global security system which will discourage "secondary and subordinate" states from over-spending on their weapons and armies.

This explains why the US – as self-appointed chief of the Big Power Club (BPC) – is so anxious to impose a blanket ban on the production and proliferation of weapons of mass destruction by non-nuclear nations. "Our global and regional strategies for 1995", asserts the US secretary of state, "comprise the most ambitious non-proliferation effort in history, beginning with seeking the definite and unconditional extension of the NPT".

It is obvious that an NPT regime, when established, will rule out any further addition to the BPC, even if some other nations happen to acquire nuclear capability. At the most, they can be co-opted into an alliance system which will give them full protection from possible external attack. At worst, they will be branded as "hostile states". Besides, attempts will be made to point out that some BPC members have on their own surrendered their option to go nuclear. Japan, for instance, adheres to its fixed national line of Three Non-nuclear Principles, viz, non-possession, non-production and non-introduction of any nuclear weapons. Although, the third principle raises some criticism inasmuch as the preservation of Japan's security depends on a US-extended nuclear umbrella, the policy has nevertheless helped Japan to restrict its defence-related expenditure to the minimum as well as create a climate for friendly commercial and diplomatic relations with other countries of Asia. Similarly, Germany – where the anti-nuclear sentiment still runs strong – relies on credible deterrence extended by America.

Two arguments follow from the above: First, since some Big Power Club members remain non-nuclear, there is no convincing reason why others outside the Club should not emulate their examples. In other words, possession of nuclear capability and big power status are not one and the same thing. Second, in addition to strengthening its own defence, the US takes on the burden of guaranteeing nuclear protection to its existing and potential allies in Europe, Eurasia and Far East. In this sense, its national security policy cannot be anything but global. This involves that the US should always try to keep ahead in advancing and deploying its missile technology system wherever a threat emerges: "to hedge against unexpected developments which may be a reversal of Russian reforms, or transfer of technology from one of the former Soviet Union countries to Iraq or Iran." Or, any apache ghost the American nightmare can conjure up!

These arguments offer a vision of the coming world order which is palpably discriminatory and, therefore, unacceptable to many of those who aspire to be counted as, if not big, influential actors in the international arena. Surprisingly, these nations make their claim not because they have sufficiently strong or sustainable economies (some would collapse without external dole); but because they have gained sufficient military/technological capacity to produce destructive weapons. Some suffer from megalomania; therefore,

incapable to think anything less than big (Iraq and Libya). Some are willing enough to offer their services to the US, as a global policeman, provided they can keep their nuclear options free (Egypt and India). Others appear to act tough in order to snatch any kind of advantage from the BPC (Israel and North Korea).

We should reserve further discussion of these 'hostile' or 'transitional' states to a future occasion; but some features common to all of them may be noted: (a) whatever be their moral stance, the foreign policies of these states are guided by singularly opportunist and mercenary motives; (b) their preoccupation with defence matters (expansion, modernisation and training of the armed forces) tends to militarise politics to the extent of denying a larger section of population its basic human needs (BHN); (c) in advancing a power-status in world affairs, they progressively desert the ranks of poorer, non-aligned, nations, and (d) their concern for third world solidarity sounds as hollow as America's for the preservation of human rights.

A world system based on power hierarchy cannot be very safe because it stresses the primacy of the military over other aspects of international relations. If anything, it can only stretch the 'fault-lines' across and beyond the nuclear-haves and have-nots.

IMBALANCES WITHIN

Besides, a complex interplay of mutual trust and suspicion among the Big Powers cannot be sustained for long. Nor, perhaps, even in the short run. Thus, for instance:

A great power such as Boris Yeltsin's Russia lacks the economic resources to match its military strength. Nor does it appear to have the political will to rise above its level of extreme dependency on external financial assistance. Being economically disadvantaged, Russia may like to flex its muscle on issues which impinge on western security such as NATO's eastward expansion, or Serbian attack on Bosnia, or any US-inspired nuclear missile-regime. The great debate between the pro- and anti-war groups over the sack of Grozny may also unleash a wave of anti-western sentiment in Russia of the late 19th century vintage. The question of whether Russia is a part of the west or leader of a distinct Slavic-Orthodox civilisation may resurface to throw a spanner into the American-inspired scheme of ranking states according to power. For, to paraphrase Huntington, "If, as the Russians stop behaving like Marxists, they reject liberal democracy and begin behaving like Russians but not like westerners.

(Hence) the relations between Russia and the west could again become distant and conflictual."

Second, the design of a united European security remains as yet incomplete. As sovereign states, the signatories of the Maastricht Treaty are in no mood to give up their own individual perceptions of security. France and Britain oppose any immediate move to include east Europeans into NATO's alliance system. Germany, though favouring a collective security policy, cautions that any expansion of the alliance should be accompanied by "intensive partnership with Russia and Ukraine". Waiving such objections, the US is reportedly trying to make a direct deal with Russia.

Europeans also complain that if the US cannot be relied upon to support one alliance policy (such as towards Bosnia), what is to guarantee that it will support others? The latter, in turn, blames the Europeans for not sharing a part of its defence burden and such out-of-area tasks as UN peace-keeping.

In the east, China as a great industrial and military power-house, remains as inscrutable as ever. Although, it has gradually opened its market to outsiders, it remains as determined as ever to resist any interference in its domestic and economic affairs. Beijing, moreover, is unwilling to accept Washington as supreme arbiter of a multi-power world. Twice it has successfully rebuffed US threats of economic sanctions: first, on account of human rights and, second, on intellectual-property protection. As a general rule, unilateral sanctions are a mistake; but having got used to arm-twisting Japan over the years, Washington thought it could as well bend the octogenarian rulers of Beijing to its will. It has been proved wrong: for, whereas China can absorb business losses, its threat to meet US penalty for penalty has sapped the enthusiasm of American businessmen for the administration's line on intellectual property rights. Noted the influential US-China Business Council, "There is an element of feeling that this is more a fight for Hollywood and Silicon Valley and that we are putting in jeopardy the broader commercial relationship for what is important but still narrow and limited segment of US business in China."

AMERICA AND BPC

This leaves us with America which has taken upon itself the responsibility to establish *entente cordiale* among nations. Why? Because it alone has the capability and the zeal – Calvinistic or otherwise – to wage wars on many fronts: whether it be preservation of human rights, security of

market-based democracies, balancing trade losses by slapping tariff on the goods of others, or bailing out American investors by advancing billions of dollars to near-bankrupt Mexico. Obviously, America's economic offensive reflects an acute crisis in the production and management of the nation's own wealth.

At the same time, as a global policeman, the US has to keep its fighting capacity at all-time high. Thus, defending a \$ 262.2 billion budget proposal for defence, president Clinton urged that US military forces must be able to simultaneously fight two wars of the size of the Gulf operation. Hence, "three tactical US defensive programmes – the army's advanced Patriot missile, the navy's Standard/Aegis programme, and the high altitude air defence programme – will enter full-scale development in 1996-97". The budget also proposes \$1.9 billion for the stockpile stewardship programme and another \$1.6 billion for ensuring the safety and reliability of nuclear weapons. The intelligence budget too needs to be kept at the 1995 level to support this effort.

But, even a policeman needs to go about doing his beat with a 'human face'. He must be seen to be forcefully engaged in fighting the forces of violence and oppression. Hence, while asking for a \$ 21 billion foreign-aid budget, Warren Christopher stated that it contains provisions to intensify the campaign against global terrorism and narcotics trafficking. The budget would help strengthen open global and regional trade "that is so vital to American exports and good American jobs". Besides, US peacekeeping operations, explained the US ambassador to the UN, Madeline Albright, "allows to influence events at a cost and risk far less than if we intervened alone".

America would like to believe that it gives top priority to humanitarian causes in its foreign policy concerns. So that the more it careens towards upholding a shaky big power system, the more emphasis it gives to such causes. But this may not last long – already the administration's initial enthusiasm for human rights has taken a dip, particularly in view of the Republican demand for cutting down the size of foreign aid and peace-keeping. Warren Christopher agreed with his Republican critics that America does not look to the UN "to be effective where swift and decisive application of military force is required to defend our vital interests". Nevertheless, under the circumstances, he maintained "peace-keeping can support efforts to mediate dispute, demobilise belligerents, monitor ceasefires, provide humanitarian relief, and create conditions in which new democracies can succeed".

Translated into simple words: the US can lead the UN to places where it decides to intervene (Somalia and Haiti), and leave it then to complete rest of the operation. In the bargain, it gets a good name as well as the credit of having bolstered the world organisation. And the cost? Ever so charmingly low Albright revealed in a brief that direct US participation in peace-keeping over the last two years has been very modest: "The US ranks 26th among nations in the number of troops participating and US cost for peace-keeping is less than one half of 1 per cent of what we spend for national security."

And the return? Demanded Albright as she added, "Should we discount entirely the benefits to American interests and ideals of successful missions in such diverse places as Namibia, Cambodia, El Salvador and Mozambique - where longstanding conflicts were ended and transitions to democracy begun?"

The point is not that America is playing a gigantic hoax, but that it has been caught up in the mesh of its own success in outwitting – and out-lasting – a formidable rival. The end of the cold war saw the rise of an evangelising America bent upon reordering the world. As the sole surviving superpower, it had the power to strike down its enemies, the will to lead its friends, and the mission to promote market-based democracies. In a word, the American Epoch had arrived.

Yet, this globalisation of American concerns has taken a heavy toll on its vast but limited resources. Partly moved by conviction and partly by circumstances, America has gone on taking too many roles to perform all at the same time. Keeping world peace, maintaining big power system and western security, meeting the economic burdens of uncertain allies, and serving the principles of free market and human freedom as well as refuelling its own declining economy – all these taken together can dwarf the *Twelve Labours of Heracles*. In the process, gloomily predicts Paul Kennedy,

The United States now runs the risk, so familiar to historians of the rise and fall of previous Great Powers, of what might roughly be called "imperial overstretch": that is to say, decision-makers in Washington must face the awkward and enduring fact that the sum-total of the United States global interests and obligations is nowadays far larger than the country's power to defend them all simultaneously (*The Rise and Fall of Great Powers*, p 515).

The warning – alas – may have come a decade too late!

CENTRE FOR MANAGEMENT IN AGRICULTURE

INDIAN INSTITUTE OF MANAGEMENT, AHMEDABAD

Announces

A Summer School for college teachers on Management of Common Property Resources to be held during June 1 - 10, 1995. An inter-disciplinary course with special emphasis on Ecological Economics perspective is organized to equip the young teachers in theory and practice of Common Property Resources.

The Course will also deal with special sectoral areas such as forestry, fishery, grazing lands, water, etc., apart from conceptual issues in transactional costs, political theory of institutions, organizational theory, etc.

WHO CAN APPLY:

College teachers with background in economics, sociology, political science, anthropology, agriculture, ecology and related disciplines having strong interest in teaching and research in common properties with post-graduate degree and some evidence of independent work. Preference will be given to teachers from the colleges located in ecologically disadvantaged regions such as hill areas, drought prone areas, flood prone areas, forest regions, social exchange processes, network, etc.

COST:

The selected candidates will be reimbursed second class train fare and will be provided hospitality besides a set of teaching material. There is no other fee. Candidates may apply with a one page note on their plans to pursue research and teaching in this area along with their copy of bio-data and list of publication to the Programme Officer, **Centre for Management in Agriculture**, Indian Institute of Management, Vastrapur, Ahmedabad 380 015, Gujarat, latest by *April 30, 1995*.

March 1995

Agricultural Growth across Crops and Regions: Emerging Trends and Patterns

S D Sawant

• C V Achuthan

Oilseeds Development and Policy: A Review

K N Ninan

Environment and Sustainable Agricultural Development

Conflicts and Contradictions

V Ratna Reddy

Planning Kerala's Irrigation Projects: Technological

Prejudice and Politics of Hope

V Santhakumar

R Rajagopalan

S Ambirajan

Gender and Legal Rights in Agricultural Land in India

Bina Agarwal

REVIEW OF AGRICULTURE

Agricultural Growth across Crops and Regions

Emerging Trends and Patterns

S D Sawant
C V Achuthan

There has been a significant upsurge in the production and productivity growth in Indian agriculture in recent years and it cannot be attributed merely to a favourable weather. On the contrary, it appears that a shift to higher growth path is underway. A far more important role played by yield improvement in inducing higher growth in output demonstrates that the process of growth has been technologically more dynamic too. Another welcome feature of growth has been its wider dispersal across crops and regions, making it more broad-based in the 1980s.

SUSTAINED growth in agricultural production and productivity is essential for overall stability of the Indian economy. But that is not enough. The aggregate growth rate in agriculture has remained fairly stable and unchanged in the first two decades of the post-green revolution period. What is really required at the present stage of development of Indian agriculture is to step up agricultural growth over and above the rate already achieved in the past. An accelerated growth in agricultural production would not only contain widening rural-urban income disparity but also help in achieving a higher reduction in rural poverty. The question therefore is whether it would be possible to improve output growth in the agricultural sector in the years to come. Do past trends in agriculture justify any optimism in this respect?

Gross domestic capital formation in agriculture at constant prices showed a significant decline between 1980-81 and 1987-88, after registering a steep rise in the 1970s.¹ The decline observed in the rate of growth of fixed capital formation was even steeper. Obviously, there was an apprehension that this adverse trend was responsible for near stagnancy in agricultural production between 1983-84 and 1987-88. However, contrary to this pessimistic assessment Rao (1994)² found that there had been some improvement in agricultural growth in 1978-89 as compared to 1967-78. He attributes it to a better utilisation of the existing infrastructure in addition to growing importance and a wider spread of yield-raising technology in the recent period. Yet, there is a widely shared reservation in this context that a period of successively good monsoons may be mainly responsible for the recent steadiness or improvement in agricultural growth.³ That is to say, the observed improvement in growth may just be a weather-induced temporary phase. Therefore, to have a more realistic understanding of the future prospects of agricultural growth, it is necessary to update the assessment of growth by extending the database beyond 1988-89 as also to make it more rigorous through the meticulous

statistical analysis. Additionally, we also need to look into the trends at the disaggregate level, that is, to examine which crops, in which regions/states indicate relatively higher growth potential and which are showing signs of stagnation. It is equally necessary to identify the sources of output growth of different crops so as to verify whether it is the increase in area or increase in yield or both which contributed to growth. This would help us in identifying the regional patterns of growth which lie behind the macro trends.

Of late, there has also been a frequent reference in the agricultural policy discussions to a need to diversify crop production, particularly in the relatively well developed agricultural regions of India. The objective is to accelerate agricultural income growth and simultaneously make it sustainable too, by promoting cultivation of high value non-foodgrain crops. Are there indications of such diversification taking place in the recent years? If so, in favour of which crops and in which regions? Is diversification based mainly on inter-crop area shifts or does it represent a technologically more dynamic situation involving accelerated increases in productivity of more favoured crops? What are its implications for agricultural income growth? These issues too need to be probed through scrutiny of the latest crop data at the national and the state level, in order to provide right orientation to the policy initiatives required to enhance agricultural growth as also to sustain it in future.

Keeping in view the above-mentioned broad objectives we analyse in this paper the crop output growth and the sources of growth, at the national and the state level using the most recent data.

The paper is divided in two parts. Part A includes four sections and focuses mainly on the aggregate level analysis. Section I describes the coverage and nature of analysis, Section II examines growth performance of three crop groups, namely, foodgrains, non-foodgrains and all crops combined at the all-India level, and investigates whether there has been acceleration or deceleration in their growth in recent years. Section III analyses aggregate

performance of agricultural sector across the states while Section IV presents a scrutiny of cropwise growth in Indian agriculture.

Part B discusses at length the results of the state level analysis of output growth in foodgrains and the major non-foodgrain crops in Sections V to VIII and at the end presents the conclusions of the study in Section IX.

Part A

I

Coverage and Nature of Analysis

Evaluation of agricultural growth performance attempted in this paper is limited to the post-green revolution period only, that is to the years from 1967-68 to 1992-93. Its main focus is on the comparison between the two sub-periods, namely, the period I, i.e., the early phase of the green revolution period covering the years up to 1981-82 and the period II, i.e., the latter phase which includes post-1981-82 years. We refer to these periods also as the 1970s and the 1980s respectively. The study uses the official crop statistics drawn mostly from various publications of the government of India.⁴ It includes 15 major states which together account for nearly 97 per cent of India's foodgrain production and NDP generated in agricultural sector. The states are classified in five major regional groups in order to organise and facilitate the discussion of the state level results as also to trace the regional patterns, if any, emerging in the period under study. The organisation of five regions is as follows:

Southern Region : Andhra Pradesh, Karnataka, Kerala and Tamil Nadu

Western Region : Gujarat and Maharashtra

North-western Region : Haryana and Punjab

Central Region : Madhya Pradesh, Rajasthan and Uttar Pradesh

Eastern Region: Assam, Bihar, Orissa and West Bengal.

Performance is evaluated on the basis of estimates of compound annual growth rates in area, crop production and yield per hectare of principal crops at the all-India and the state level. Additionally, the growth rates

are also worked out by using (i) the series of all-India index numbers of area, production and yield per hectare of foodgrains, non-foodgrains and all crops, and (ii) the national and the state level series of net domestic product generated in agriculture specially to infer about aggregate performance of agriculture.

Compound annual growth rates (henceforth CAGRs) have been estimated by fitting a simple trend function (1) to the time series of three-year averages of area, production or yield per hectare.

$\log Y = a + bt \dots$ trend function (1)
where Y's are the triennial averages of Y, the original observations on area, production, etc., and t is the time variable.

CAGRs are separately computed for two sub-periods for all the data sets and additionally for the entire period in respect of all-India crop aggregates. The periods as mentioned in all the statistical tables are (I), 1968-69 to 1981-82 and (II) 1981-82 to 1991-92, where the year refers to the central year of the triennium. All the statistically non-significant CAGRs are treated as zero growth rates.

The use of three-year moving average series of area, production or yield per hectare, instead of the original series is expected to reduce considerably the influence of extreme variations in climatic factors on the associated estimates of CAGRs. However, the alternative weather adjusted estimates of CAGRs too are worked out for comparison at the all-India level by fitting a trend function (2) in which index of rainfall is explicitly included as an independent variable.

$\log Y = a + bt + CR \dots$ trend function (2)
where R is the all-India annual rainfall index constructed by the Indian meteorological department and Y's are original observations on area, etc.

Additionally, for verification of existence of statistically significant acceleration or deceleration in output growth we estimate a quadratic in time variable by fitting a function (3), i.e., $\log Y = a + bt + ct^2$ to the time series of triennial averages of the all-India index numbers of area, production and yield per hectare for foodgrains, non-foodgrains and all crops. The same exercise has been repeated for the state level foodgrains production series to ascertain emergence of acceleration or deceleration in their output growth.

II

Performance of Foodgrains, Non-Foodgrains and All Crops

Table 1 provides CAGRs based on trend function (1) and the time series of triennial averages of all-India index numbers of area, production and yield per hectare separately for foodgrains, non-foodgrains and all crops for the two sub-periods and the entire post-green revolution period. In addition, it also

reproduces alternative estimates of growth rates of output computed by fitting the trend function (2) to the original series of index numbers of production, for comparison with the former.

It is pertinent to note in this context that estimation of trend functions (1) and (2) yielded statistically significant values of 'b' and 'c' for all the three crop groups and the periods with all the corresponding values of R^2 exceeding 0.95. In other words, the alternative procedure based on explicit inclusion of rainfall index in the trend function did not offer any improvement over the estimation based on trend function (1) and thus proved that the estimates of CAGRs based on trend function (1) and the time series of triennial averages of the variable, were almost free from the effect of rainfall variations, which appear to be essentially random in nature. The subsequent analysis of agricultural growth at the all-India and the state level was therefore restricted only to estimation of CAGRs obtained by fitting trend function (1) to the time series of three-year averages of area, production, etc.

Further, the comparison between the two sets of estimates of CAGRs listed in Table 1 for output of foodgrains (column 3), non-foodgrains (column 6) and all crops (column 9) also demonstrates that the difference between them is very negligible for all the crops groups and each of the three periods. For example, two alternative estimates of CAGRs for foodgrains output are 2.21 per cent and 2.17 per cent for period I, 2.92 per cent and 2.80 per cent for period II and 2.65 per cent and 2.67 per cent for the entire post-green revolution period. The corresponding two sets of estimates of CAGRs for non-foodgrains output are 2.41 per cent and 2.44 per cent (period I), 4.30 per cent and 4.06 per cent (period II) and 3.02 per cent and 3.07 per cent for the entire period. Similarly, alternative estimates of growth rates for output of all crops are 2.29 per cent and 2.28 per cent (period I), 3.43 per cent and 3.26 per cent (period II) and finally 2.7 per cent and 2.82 per cent for the entire period.

The most striking feature of India's agricultural growth in the recent period as revealed by Table 1 is that of decisively superior performance of non-foodgrains *vis-a-vis* foodgrains. Indeed, CAGR of non-foodgrains output realised during 1981-92, i.e., 4.3 per cent exceeded significantly that of foodgrains, namely, 2.92 per cent during the same period. The reason was, non-foodgrains as a group benefited from significant expansion in both the components of production, i.e., at the rate of 1.71 per cent in area under them and of 2.55 per cent in their yield per hectare in period II. In contrast, area under foodgrains actually declined in the 1980s (CAGR = -0.26 per cent). Yet, it is important to recognise that foodgrains output continued to grow at the rate of 2.92 per cent as the growth in yield per hectare of foodgrains exceeded 3 per cent (CAGR = 3.19 per cent) outpacing the negative growth rate in area to a far greater extent.

An emergence of significant negative trend in growth of area under foodgrains (-0.26 per cent) *vis-a-vis* relatively high positive growth in area under non-foodgrains (1.71 per cent) at the aggregate level, mentioned above, implies that in recent years there must have been an increasing shift of land from foodgrains to non-foodgrains. Whether, this phenomenon was almost universal across the states or was restricted to only a few states/regions of the country would be an interesting issue for investigation. But we would examine it in part B while analysing agricultural growth at the state level.

The preceding discussion makes it clear that the non-foodgrains acquired a distinct lead over foodgrains in India's agricultural growth during the 1980s, i.e., the latter phase of the green revolution. Further, between the two sources of output growth dominance of yield over the area component was clearly established in respect of both, the foodgrains and non-foodgrains. Naturally, at the aggregate level too, a far greater contribution to growth in production of all crops which was at the rate of 3.43 per cent came from the yield component (CAGR = 2.93 per

TABLE 1: COMPOUND ANNUAL RATES OF GROWTH (CAGRs) IN INDEX NUMBERS OF AREA, PRODUCTION AND YIELD PER HECTARE

Period	(Per cent)								
	Foodgrains			Non-foodgrains			All Crops		
	Area	Production	Yield	Area	Production	Yield	Area	Production	Yield
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
I 1968-69 to 1981-82	0.37	2.21 (2.17)	1.85	1.06	2.41 (2.44)	1.34	0.54	2.29 (2.28)	1.74
II 1981-82 to 1991-92	-0.26	2.92 (2.80)	3.19	1.71	4.30 (4.06)	2.55	0.49	3.43 (3.26)	2.93
III 1968-69 to 1991-92	0.13	2.65 (2.67)	2.51	1.17	3.02 (3.07)	1.83	0.48	2.79 (2.82)	2.30

Notes: (1) All the growth rates are statistically significant at 5 per cent level.

(2) Values in parentheses are CAGRs obtained by fitting a trend function (2), i.e., $\log Y = a + bt + cRt$ where Y's are original index numbers and R's are the all-India rainfall index numbers constructed by Indian Meteorological Department.

cent) than from the area component, the corresponding CAGR being 0.49 per cent only. This is not surprising in view of the fact that area has long ceased to be an important sources of growth in Indian agriculture.

Again changes which have occurred in the pace and sources of growth in agriculture between period I and period II may provide some indication about the future course of growth. It would, therefore, be interesting to look into the changes in behaviour of area and yield components over the two phases of the post-green revolution period and their impact on the pace of output growth.

CAGR for foodgrains output moved up significantly from 2.21 per cent in period I to 2.92 per cent in period II. Acceleration in output growth rate of non-foodgrains in the 1980s was even more rapid as their growth rate increased steeply from 2.41 per cent in period I to 4.3 per cent in period II. Consequently, growth in output of all crops too accelerated in the 1980s reaching the level of 3.43 per cent from its earlier level of 2.29 per cent realised in the 1970s. Again, the statistical evidence presented in the beginning of this section demonstrates that the output growth rates are free from any systematic variations in rainfall. Thus, recent upsurge in growth appears to be more enduring rather than just a short-lived weather-induced phase.

Changes in relative contribution of area and yield components to foodgrains output growth were also noteworthy. In the 1970s area under foodgrains expanded gradually at the rate of 0.37 per cent but this positive trend was replaced by a negative growth rate of -0.26 per cent in the 1980s. However, much faster acceleration in the growth rate of yield per hectare, i.e., from 1.85 per cent in period I to 3.19 per cent in period II, more than compensated for declining trend in area and pushed up output growth above the level achieved in the 1970s. In contrast, non-foodgrains experienced accelerated expansion both in area, i.e., from 1.06 per cent to 1.71 per cent and yield per hectare, i.e., from 1.34 per cent to 2.55 per cent between the two sub-periods. Indeed, it is remarkable that the pace of growth in yield per hectare of non-foodgrains nearly doubled from the 1970s to the 1980s. Obviously, growth rate of yield per hectare of all crops combined, too moved up from 1.74 per cent in period I to 2.93 per cent in period II. It was this rapid momentum in yield growth across the crops which was responsible, for improved performance of Indian agriculture in the 1980s.

Three conclusions clearly emerge from the preceding analysis. One, at the aggregate level there has been a marked upward movement in the pace of growth. Secondly, the major driving force behind it is the expansion in productivity. Thirdly, and more importantly, the emergence of acceleration

is unlikely to be merely a weather induced phenomenon and appears to be more enduring one. In order to reinforce our third conclusion we investigated further statistical significance of the process of acceleration.

To examine the hypothesis of acceleration in growth over the entire post-green revolution period we fitted the trend function (3), i.e., $\log y = a + bt + ct^2$ to the triennial averages of index numbers of area, production and yield per hectare, separately for foodgrains, non-foodgrains and all crops. The results of this second exercise are listed in Table 2.

In all the regressions for production and yield per hectare, the coefficients of t and t^2 , i.e., 'b' and 'c' both, were found to be positive and statistically significant, establishing significant acceleration in production and productivity growth at the all-India level (columns 3 and 4). But in regression for area, the coefficient 'c' turns out to be negative and significant for foodgrains and positive and significant for non-foodgrains. This implies deceleration in area growth for foodgrains and acceleration for non-foodgrains in the recent period. Aggregate area under all crops naturally shows absence of either deceleration or acceleration in the rate of its expansion ('c' being statistically non-significant and hence zero). That is to say, inter-crop shifts favoured non-foodgrain crops at the cost of foodgrains particularly in the latter part of the green revolution while very slow expansion in aggregate cropped area continued ('b' positive and significant) without any perceptible change in its growth rate.⁵

Thus, our analysis supported an emergence of significant acceleration in aggregate production and productivity growth in Indian agriculture in the recent years. Our next task is to analyse growth trends at the disaggregate, i.e., at the state level to investigate whether all the states or only a few participated in this process by pushing up aggregate growth rates in agriculture in the 1980s.

III Aggregate Performance of Agriculture at State Level

To examine aggregate growth performance of the states in crop production sector we required the state level time series of index numbers of area, production and yield per hectare of all crops combined. In the absence of availability of these data for all the states, we preferred to analyse aggregate growth performance of agriculture across the states on the basis of data on state domestic product originating in agriculture, though the two sets of data are not strictly comparable.⁶ CAGRs computed for this purpose on the

TABLE 3: COMPOUND ANNUAL GROWTH RATES (CAGRs) OF STATE DOMESTIC PRODUCT GENERATED IN AGRICULTURE (Based on the Time Series of Triennial Averages)

Region/ States	1968-69 to 1981-82	1981-82 to 1990-91
<i>Southern</i>		
Andhra Pradesh	2.48* (0.88)	1.81* (0.38)
Karnataka	2.47* (0.93)	3.21* (0.96)
Kerala	0.17 (0.24)	2.75* (0.85)
Tamil Nadu	0.27 (0.02)	3.66* (0.85)
<i>Western</i>		
Gujarat	3.23* (0.60)	1.49 (0.05)
Maharashtra	4.48* (0.83)	2.24* (0.43)
<i>North Western</i>		
Haryana	2.93* (0.86)	4.77* (0.90)
Punjab	3.47* (0.97)	4.79* (0.99)
<i>Central</i>		
Madhya Pradesh	0.67 (0.25)	2.51* (0.89)
Rajasthan	3.11* (0.72)	4.91* (0.63)
Uttar Pradesh	2.14* (0.84)	3.34* (0.96)
<i>Eastern</i>		
Assam	1.72* (0.84)	2.00* (0.97)
Bihar	1.39* (0.70)	2.34* (0.69)
Orissa	2.57* (0.87)	3.40* (0.90)
West Bengal	2.46* (0.88)	6.88* (0.97)
All India (NDP)	2.15* (0.94)	3.34* (0.94)
All India (GDP)	2.16* (0.96)	3.28* (0.95)

Notes: Figures in parentheses are the corresponding R^2 values

* Statistically significant at 5 per cent level.

TABLE 2: ESTIMATES OF QUADRATIC IN TIME VARIABLE FITTED TO TRIENNIAL AVERAGES OF AREA, PRODUCTION AND YIELD: ALL INDIA (Period: 1968-69 - 1991-92)

Specification of Independent Variable (1)	Constant (2)	Regression Coefficients of			R^2 (5)
		t (3)	t^2 (4)		
Foodgrains:					
Area	1.9758	0.0032*	-0.0001*		0.72
Production	1.8901	0.0078*	0.0001*		0.98
Yield	1.9142	0.0043*	0.0002*		0.98
Non-foodgrains					
Area	1.9519	0.0018	0.0001*		0.94
Production	1.8880	0.0049*	0.0003*		0.98
Yield	1.9361	0.0031*	0.0002*		0.98
All crops					
Area	1.9727	0.0021*	0.0000@		0.89
Production	1.8893	0.0067*	0.0002*		0.98
Yield	1.9166	0.0046*	0.0002*		0.99

Significant at 5 per cent level @ Negligible value.

basis of the series of triennial averages of the SDP separately for the two sub-periods are reproduced in Table 3. For comparison, as also to confirm acceleration in growth of aggregate GDP and NDP originated in agriculture, all-India level growth rates are also provided in the same table.

At the all-India level GDP and NDP generated in agricultural sector increased at the rates of 2.16 per cent and 2.15 per cent in period I and 3.28 per cent and 3.34 per cent for the period II. As the data on the all-India level were available for the entire post-green revolution period at constant (i.e. at 80-81) prices a Chow test for structural break was carried out. This too supported the hypothesis of significant structural break at the aggregate level between 1968-81 and 1981-91, reinforcing our earlier conclusions.

Two immediate conclusions emerge from the scrutiny of the statewise results of the agricultural SDP analysis presented in Table 3. One, for majority of the states CAGR values for the periods I and II are statistically significant and the associated R^2 values are fairly high. Secondly, for all but three states (namely, Andhra Pradesh, Gujarat and Maharashtra) CAGR values in period II are higher than the corresponding estimates in period I. In other words, majority of the states contributed to acceleration in agricultural growth, though at differential rates.

Southern Region: There was a far greater improvement in the growth performance of Kerala and Tamil Nadu where zero growth rates in period I were replaced by 2.75 per cent and 3.66 per cent respectively in period II. Improvement in Karnataka was marginal (from 2.47 per cent to 3.21 per cent) while Andhra Pradesh showed decline in growth rate from 2.48 per cent to 1.81 per cent with much steeper fall in the associated R^2 value.

Western Region: Deterioration in the performance of the western region was serious with a far greater decline between the two sub-periods in the growth rates of SDP from agriculture, i.e. from 3.23 per cent to 0 per cent for Gujarat and from 4.48 per cent to 2.24 per cent for Maharashtra. Again very low values of R^2 for Gujarat (0.05) and Maharashtra (0.43) obtained for period II as compared to period I, i.e. 0.60 and 0.83 respectively, demonstrate relatively higher degree of weather-induced instability in agriculture in the region, particularly during the 1980s.

North-Western, Central and Eastern Regions: In all the states from the remaining three regions SDP growth rates moved up from the early to the latter phase of the green revolution. Improvement was exceptionally high in West Bengal (from 2.66 per cent to 6.88 per cent) followed by Haryana, Punjab, Rajasthan and Madhya Pradesh. In the former three agricultural SDP expanded at the rate of about 4.8 per cent while in the latter,

i.e. Madhya Pradesh, growth was at the rate of 2.51 per cent only in period II.

In sum, if we leave aside deterioration in agricultural growth in the western region and in Andhra Pradesh from the southern region the process of acceleration was almost universal across the states in the 1980s. All the states whether growing mainly foodgrains or non-foodgrains or both improved their performance. Naturally, the inter-crop dispersal of growth must have been wider in the 1980s than before. In order to reinforce this conclusion we would now shift the focus of our analysis first to cropwise growth performance at the all-India level and then at the state level in the sections that follow.

IV

Production Growth across Crops

Table 4 provides CAGRs for major crops or crop groups separately for 1968-81 and 1981-91. In the second period rice occupied a leading position among all the cereals with highest growth in output at the rate of 3.87 per cent. Wheat and maize followed it with the CAGRs in output of 3.33 per cent and 2.62 per cent respectively. Performance of the two inferior cereals, namely, jowar and bajra was very poor with non-significant

growth indicating stagnation in their output. Finally, at the aggregate level production of cereals recorded growth at the rate of 2.97 per cent in the 1980s.

The remarkable feature of the growth in output of cereals in the recent decade was that increases in yield were almost solely responsible for it. Contribution of area was either non-significant (as in case of maize and wheat) or significant but negative (e.g. jowar and bajra). The single most exception to this was of rice crop which benefited marginally from area expansion (CAGR = 0.65 percent) in addition to growth in productivity at the rate of 3.25 per cent. In the aggregate, however, cereals lost area at the rate of -0.32 per cent between 1981-91.

Pulses as a group registered low but statistically significant growth in output at the rate of 1.26 per cent in the 1980s. Almost total, contribution to this growth was from pulses other than gram and tur. Output of the latter two major pulses grown in India remained stagnant throughout the second period due to opposite trends in area and yield growth for both of them. Gram experienced decline in area (CAGR = -1.4 per cent) but small positive growth in yield per hectare (CAGR = 0.7 per cent), while tur gained in area rapidly at the rate of 2.28

TABLE 4: COMPOUND ANNUAL GROWTH RATES (CAGRs) FOR AREA, PRODUCTION AND YIELD OF CROPS: ALL INDIA

Crops/Crop Groups (1)	CAGRs for 1968-69 to 1981-82			CAGRs for 1981-82 to 1991-92		
	Area	Production	Yield	Area	Production	Yield
	(2)	(3)	(4)	(5)	(6)	(7)
Rice	0.69*	2.16*	1.45*	0.62*	3.87*	3.25*
Jowar	-0.84*	2.61*	3.50*	-1.96*	-0.10	1.83*
Bajra	-1.03*	0.78	0.33	-0.90*	1.49	2.33
Maize	0.10	0.59*	0.49	0.11	2.62*	2.46*
Wheat	2.60*	5.21*	2.55*	0.28	3.33*	3.06*
Total cereals	0.36*	2.61*	2.25*	-0.32*	2.97*	3.30*
Gram	-0.37	-0.73	-0.35	-1.40*	-0.72	0.67*
Tur	0.86*	0.85*	-0.01	2.28*	1.19	-1.07
Other pulses	0.90*	-0.004	-0.90*	0.38*	3.12*	2.74*
Total pulses	0.47*	-0.17	-0.65	0.10	1.26*	1.13*
Kharif foodgrains	0.15*	1.71*	1.55*	-0.39*	2.52*	2.91*
Rabi foodgrains	0.81*	3.30*	2.47*	-0.01	3.23*	3.26*
Total foodgrains	0.38*	2.33*	1.94*	-0.24*	2.83*	3.08*
Groundnut	-0.12	0.96*	1.07*	1.94*	3.36*	1.38*
Sesamum	0.08	0.40	0.33	0.63	4.00*	3.35*
Rapeseeds and mustard	1.61*	1.88*	0.21	4.59	9.32*	4.55*
Coconuts	0.43*	-0.26	-0.69*	3.65*	5.83*	2.10*
Soyabean	38.56*	38.96*	0.28	16.48*	19.25*	2.38*
Sunflower	1.02	-1.88	-2.88*	18.42*	17.59*	-0.70
Total oilseeds	1.15*	1.91*	0.75*	3.46*	6.30*	2.76*
Cotton	0.27	2.78*	2.51*	-0.57	3.73*	4.29*
Jute	1.45*	2.13*	0.81*	-0.75	1.81	2.94*
Sugarcane	1.57*	2.65*	1.07*	1.61*	3.48*	1.80*
Potatoes	3.90*	7.77*	3.72*	2.93*	4.71*	1.74*
Tobacco	0.68	2.72*	2.64*	-2.22*	-0.13	1.88*
Tea	0.65*	3.02*	2.39*	0.90*	2.75*	1.85*
Coffee	2.57*	4.38*	1.97*	1.60*	3.86*	2.19*
Natural Rubber	3.14*	5.66*	2.51*	1.49*	8.90*	7.06*

Notes: (a) For soyabean and sunflower the period is from 1971-72 to 1981-82.

(b) For sesamum, coconut, soyabean and sunflower the period is from 1981-82 to 1990-91.

(c) For sesamum and coconut period is: 1968-69 to 1990-91

For soyabean and sunflower period is: 1971-72 to 1990-91

* Statistically significant at 5 per cent level.

per cent but its productivity remained unstable and showed negative but non-significant trend. In contrast, rise in yield per hectare of 'other pulses' at the rate of 2.74 per cent was mainly responsible for satisfactory growth in their output at the rate 3.12 per cent. It appears that cultivation of tur has picked up in the states with relatively lower levels of yield but higher degree of weather-induced fluctuations.

Thus, performance of pulses was uneven and unsatisfactory compared to that of major cereals such as rice and wheat during the 1980s. Nevertheless, it was certainly an improvement over the chronic state of stagnation in their output and yield per hectare which prevailed during the early decade of the green revolution.

The above mentioned differential performance of major cereals and pulses notwithstanding, output of all foodgrains expanded at the rate of 2.83 per cent solely due to rise in their productivity at the CAGR of 3.08 per cent. Between the kharif and rabi foodgrains the latter registered a much higher rate of growth in output, viz, 3.23 per cent with no loss of area to other crops. Whereas output of kharif foodgrains increased at the moderate rate of 2.52 per cent despite loss of area at the rate of -0.39 per cent. Decline in area under kharif foodgrains must be a reflection of significant decline in area under coarse cereals such as jowar and bajra while significant yield growth (i.e., 2.91 per cent) must be the consequence of impressive gain in productivity of rice and maize mainly the kharif crops.

Again, a comparison of performance of foodgrains between the two periods clearly shows that for rice, maize and pulses but particularly for the former two, growth rates moved up significantly in the second period. In contrast, growth in output of wheat decelerated remarkably from 5.21 per cent in period I to 3.33 per cent in the second period and that of jowar from 2.61 per cent to 0 per cent. The only encouraging aspect of this otherwise pessimistic phenomenon has been that the fall in growth rate of wheat production was the result of greatly reduced expansion in area (i.e., from 2.6 per cent in 1970s to 0 per cent in 1980s) and not due to decline in the pace of growth in yield per hectare of wheat which, in fact, improved marginally from 2.55 per cent in period I to 3.06 in period II. It is but natural that the overwhelming advantage of area expansion which wheat enjoyed in the early phase of the green revolution, due to its decisive lead in technological progress, is unlikely to continue at the same pace as the other crops begin to benefit increasingly from the technological advances and its wider diffusion. A jump in productivity growth of rice from 1.45 per cent in period I to 3.25 per cent in period II and of maize 0 per cent to 2.46 per cent is a reflection of this phenomenon.

Inferior cereals, however, displayed retardation in growth over the period with a transition from positive to zero growth in jowar output and continued stagnation in output of bajra. Among the pulses only the 'other pulses' improved their growth performance attaining the growth level of 3.12 per cent in period II from 0 growth in output in the early period. But there has not been any perceptible change in the state of stagnation in the output of gram and tur that prevailed throughout the post-green revolution period. At the aggregate level, therefore, pulses as a group registered much less impressive improvement, i.e., from 0 growth in 1970s to just 1.26 per cent in 1980s.

Varying performance of major cereals and pulses apart, growth rate of their aggregate output moved up from 2.33 per cent to 2.83 per cent between the two periods. It was the result of upturn in their yield growth, i.e., from 1.94 per cent to 3.08 per cent. More importantly, between the kharif and the rabi foodgrains, acceleration in output and yield growth in the 1980s was much sharper for

the kharif foodgrains while in the case of the latter output growth rate continued almost unchanged at the pre-1981 level. Thus, near doubling of growth rate in yield per hectare of kharif foodgrains (i.e., from 1.55 per cent to 2.91 per cent) helped in reducing considerably the large disparity in output growth between the kharif and rabi crops that emerged in the early phase of the green revolution. In other words, the period of the 1980s represent an important departure from the early phase of the green revolution, in terms of greater pace of diffusion of technology to the kharif foodgrains.

Oilseeds: All the edible oilseeds registered a high growth in production in the 1980s with CAGRs in their output ranging from 3.36 per cent for groundnut to 19.25 per cent for soyabean. Expansion in both area and yield per hectare contributed to growth. But yield growth played more or almost equally important role in respect of traditional oilseeds such as sesamum (3.3 per cent) and rapeseeds and mustard (4.55 per cent) while area expansion contributed overwhelmingly

TABLE 5: STATEWISE COMPOUND ANNUAL GROWTH RATES FOR FOODGRAINS

Region/State	CAGRs for 1968-69 to 1981-82			CAGRs for 1981-82 to 1991-92			Percentage Share in Foodgrains Production for 1987-88 to 1991-92
	Area	Production	Yield	Area	Production	Yield	
	(2)	(3)	(4)	(5)	(6)	(7)	
Southern Region							
Andhra Pradesh	-0.26	3.44*	3.57*	-1.76*	1.32*	3.13*	7.2
Karnataka	0.15	1.99*	2.14*	-0.54	0.79	1.34*	4.7
Kerala	-0.86*	0.03	0.89*	-3.79*	-2.29*	1.56*	0.7
Tamil Nadu	-0.80*	0.54	1.24*	-0.81*	3.26*	4.11*	4.6
Western Region							
Gujarat	-0.69*	2.92*	3.63*	-1.13	-1.18*	-0.06	2.0
Maharashtra	0.99*	5.66*	4.63*	-0.01	2.10*	2.11*	5.0
North-Western Region							
Haryana	0.69*	3.60*	2.90*	-0.55	4.52*	5.10*	5.4
Punjab	2.34*	5.74*	3.33*	1.23*	3.80*	2.54*	11.8
Central Region							
Madhya Pradesh	0.57*	0.88*	0.31	-0.58*	2.37*	2.96*	9.1
Rajasthan	0.21	1.59*	1.38*	-0.82	1.95	2.94*	4.8
Uttar Pradesh	0.26*	2.53*	2.26*	-0.01	3.37*	3.37*	21.1
Eastern Region							
Assam	1.01*	1.30*	0.29	0.60*	2.26*	1.65*	2.0
Bihar	-0.13	0.55	0.68	-0.04	3.10*	3.14*	6.1
Orissa	1.43*	0.49	-0.92*	0.73*	3.43*	2.68*	5.0
West Bengal	0.05	0.48	0.43	0.99*	6.10*	5.05*	7.6
All India	0.38*	2.33*	1.94*	-0.24*	2.83*	3.08*	(97.1)@

Notes: @ Aggregate percentage share of 15 states * Statistically significant at 5 per cent level.

TABLE 6: REGIONWISE CHANGES IN IRRIGATION

Region	Net Irrigated Area			
	Per Cent Change between 1970-71 and 1980-81		Per Cent Share in All India Increase between 1970-71 and 1980-81	
	1970-71	1980-81	1970-71	1980-81
Southern	2.1	19.5	2.2	16.0
Western	49.1	15.2	18.3	6.4
North-western	24.8	18.0	15.5	10.7
Central	36.7	27.0	56.1	42.9
Eastern	3.0	40.4	2.2	24.0
All-India	23.0	24.9	100.0	100.0

to growth in production of soyabean (CAGR for area 16.48 per cent) and sunflower (CAGR for area 18.42 per cent). In the aggregate, therefore, production of all nine edible oilseeds expanded at the rate of 6.3 per cent in the 1980s. Indeed, this represents a remarkable improvement over the low growth in their output (at the rate of 1.91 per cent) realised in the early period of the green revolution. The associated CAGRs for area and yield per hectare were at the low levels of 1.15 per cent and 0.75 per cent respectively in the 1970s as against they being 3.46 per cent and 2.76 per cent in the 1980s. This transition from low to very high growth in the oilseeds sector demonstrates the success of special efforts made in terms of development of technology and provision of assured and higher market support to the oilseeds, since the late 1970s and underscores the need to continue this strategy in future too.

Fibre Crops: Production of cotton, the major fibre crop, registered relatively high growth (CAGR = 3.73 per cent) in 1980s *vis-a-vis* moderate rate of 2.78 per cent in the 1970s. Impressive gain in its productivity growth, i.e. from 2.51 per cent in period I to 4.29 per cent in period II was solely responsible for its better performance in recent years.

Performance of jute was unsatisfactory in the 1980s, despite remarkable improvement in its yield growth from 0.81 per cent in the 1970s to nearly 3 per cent in the 1980s. Statistically non-significant growth in jute production in period II appears to be the result of greatly fluctuating yet gradually declining area under jute.

Sugarcane, Potato and Tobacco: Sugarcane is yet another major commercial crop like cotton which has improved its performance consistently throughout the green revolution period, with the CAGR of its production moving from 2.65 per cent in period I to 3.48 per cent in period II. Growth in area under sugarcane continued at the rate of 1.6 per cent through the entire period while yield growth accelerated between the two sub-periods from 1 per cent to 1.8 per cent.

Production of potato expanded rapidly at the rate of 4.71 per cent in the 1980s both due to expansion in area and yield per hectare but much more so because of the former. Yet, it represents deterioration in its impressive growth record in the early phase of the green revolution when output increased at the rate of 7.77 per cent to which again area and yield growth contributed equally.

Growth performance of tobacco was worst in period II with absence of any rise in its output. Among all the non-foodgrains, tobacco is the only crop which suffered from significant loss of area at the rate of -2.22 per cent which neutralised completely positive growth (at the rate of 1.88 per cent) in its yield per hectare. It is possible that with restrictions imposed on area under tobacco,

low productivity lands have been withdrawn from cultivation by tobacco producers. In consequence, the state of moderate output growth in the 1970s was replaced by that of stagnation in output in the 1980s.

Plantation Crops: Tea, the major plantation crop in India revealed consistently stable though moderate growth at about 3 per cent all through the post-green revolution period. Both area and yield contributed to production increase though rise in yield was the dominant source of growth. Marginal decline in growth rate in 1980s over the 1970s, i.e. from 3.02 per cent to 2.75 per cent was mainly due to deceleration in its yield growth from 2.39 per cent to 1.85 per cent. Tea being the major exportable crop of India, it is very disappointing that growth in its productivity could not be accelerated in the 1980s.

Coffee production expanded at the high rate of 3.86 per cent in the 1980s. Both area and yield components contributed almost equally to output growth. Yet, it represented decline in output growth from the pre-1981 level of 4.38 per cent, mainly due to slowing down of expansion in area and not in yield per hectare.

In contrast to moderate and marginally decelerated performance of tea and coffee, natural rubber registered greatly accelerated and high growth in its output at the rate of 8.9 per cent in the 1980s and that too due to unprecedented improvement in its yield growth from 2.51 per cent in period I to 7.06 per cent in period II.

Four important conclusions emerge from the preceding analytical review of cropwise trends in output and yield growth. One, all the major crops excluding coarse cereals, gram, tur, jute and tobacco experienced high growth rates (i.e. about 3 per cent or more) in their output in recent years. Secondly, for

majority of them not only pace of production growth enhanced between the two sub-periods but there was across the board acceleration in the 1980s in productivity growth rates too. Indeed, from among the 22 principal crops, absence of improvement in yield growth was observed only in respect of jowar, tur, tobacco and tea. Thirdly, there was dramatic transition from low to very high growth accompanied by improvement in productivity growth, in the oilseeds sector. Fourthly, sharp upturn in yield growth for kharif foodgrains was also a noteworthy feature of the cropwise growth in the 1980s. Our conclusions, therefore, provide an evidence in support of a wider, greater diffusion of technology in recent years to large number of crops not benefited in the early phase of the green revolution period.

Part B

V

Performance of Foodgrains at State/Regional Level

At the all-India level CAGR of foodgrains output moved up from 2.33 per cent in period I to 2.83 per cent in period II. The upturn in output growth occurred mainly due to significant acceleration in productivity growth, i.e. from 1.94 per cent before 1981-82 to 3.08 per cent in the period subsequent to 1981-82. It neutralised completely the negative effect of reversal of trend in area growth for foodgrains from 0.38 per cent in period I to 0.24 per cent in the latter period.

It is possible that the pattern of changes in growth rates of area, production and yield per hectare of foodgrains between the periods, obtained at the aggregate level is the result of similar changes in all the states or it may

TABLE 7: STATEWISE ESTIMATES OF QUADRATIC IN TIME VARIABLE FITTED TO TRIENNIAL AVERAGES OF FOODGRAIN PRODUCTION (PERIOD 1968-69 TO 1991-92)

States (1)	Constant (2)	Regression Coefficients of		
		t (3)	t ² (4)	R ² (5)
Southern Region				
Andhra Pradesh	3.8194	0.0175*	-0.0003*	0.89
Karnataka	3.7222	0.0117*	-0.0003*	0.69
Kerala	3.1056	0.0054*	-0.0004*	0.81
Tamil Nadu	3.8297	-0.0037	0.0003	0.34
Western Region				
Gujarat	3.4799	0.0168+	-0.0005	0.21
Maharashtra	3.7089	0.0283*	-0.0006+	0.68
North-Western Region				
Haryana	3.5747	0.0115*	0.0003+	0.95
Punjab	3.7585	0.0287*	-0.0002*	0.99
Central Region				
Madhya Pradesh	4.0062	0.0011	0.0004*	0.91
Rajasthan	3.7579	0.0066	0.0001	0.66
Uttar Pradesh	4.2076	0.0080*	0.0003*	0.95
Eastern Region				
Assam	3.3228	0.0019	0.0003*	0.95
Bihar	3.9242	-0.0008	0.0003*	0.78
Orissa	3.6975	-0.0056*	0.0006*	0.94
West Bengal	3.8830	-0.0078*	0.0007*	0.85

Notes: * Significant at 5 per cent level, + significant at 10 per cent level.

also be the net effect of contrasting patterns across the states. What is, therefore, necessary is to examine trends in foodgrains output growth and the relative importance of sources of growth at the disaggregated level. For this purpose, we analyse the state-level CAGRs for foodgrains in the 15 major states of India (Table 5).

Southern Region: In the 1980s (column 6, Table 5) foodgrains output expanded at the low rate of 1.32 per cent in Andhra Pradesh, remained stagnant with non-significant growth in Karnataka, declined significantly at the rate of -2.29 per cent in Kerala, and increased at a relatively high rate of 3.26 per cent in Tamil Nadu. However, by and large, growth in yield per hectare was not unsatisfactory during this period in all the states with the growth rates ranging from 1.56 per cent in Kerala to 4.11 per cent in Tamil Nadu.⁷ In contrast, growth in area under foodgrains received a severe setback with the negative trend emerging in all the states. The rate of decline in area was highest in Kerala (-3.79 per cent) followed by Andhra Pradesh (-1.76 per cent), Tamil Nadu (-0.81 per cent) and Karnataka (negative but non-significant trend). Thus, during the latter phase of the green revolution, southern region experienced significant absolute decline in area under foodgrains leading to depressed or negative growth in output of foodgrains.

Again, comparison of growth performance between the two sub-periods clearly reveals deterioration in the foodgrain economy of the southern region. Output growth declined steeply from 3.44 per cent in the 1970s to 1.32 per cent in the 1980s in Andhra Pradesh, the leading foodgrain producing state of the region. In Karnataka positive growth rate of 1.99 per cent in period I was replaced by zero growth rate in period II while in Kerala too deterioration was more than evident with a transition from stagnation in the early phase to significant negative growth in output in the latter. Contrary to this, growth performance improved in Tamil Nadu remarkably with a shift from stagnation in production in period I to growth at the rate 3.6 per cent in period II.

As Tamil Nadu represented an exceptional situation of dramatic revival of growth in the foodgrains sector we examined the scatter diagram of the state's foodgrain output. It revealed that high growth rate obtained for the 1980s was a statistical illusion. Successive troughs in the state's foodgrain output in the early 1980s were followed by the process of slow recovery which continued throughout the 1980s, with restoration to pre-1981 level of output coming only at the end of the 1980s. As such, there is no indication of a decisive break in growth environment away from the state of stagnation. A few more observations from the 1990s would be required to ascertain existence of significant revival if any, in Tamil Nadu's foodgrain economy.

Nevertheless, persistence of a negative trend in area under foodgrains in the region as a whole, significant fall in output growth rates in three states and an absence of sustained positive growth in the fourth one (i.e. Tamil Nadu) hints at accelerated deterioration in the foodgrain economy of the southern region in the years to come.

Western Region: Performance of foodgrains in the western region too was characterised by worsening of growth environment from the 1970s to the 1980s.

CAGRs of foodgrain output declined from 5.66 per cent to 2.1 per cent in Maharashtra and from 2.92 per cent to -1.18 per cent in Gujarat. Associated fall in yield growth was equally steeper.

Very high growth close to 6 per cent realised in the 1970s in Maharashtra was partly a reflection of recovery to normal level after severe depression in output between 1970-71 and 1973-74, the successive years of acute drought. Yet, the recovery was quick and was followed by rapid and

TABLE 8: STATEWISE COMPOUND ANNUAL GROWTH RATES (CAGRs) FOR MAJOR NON-FOODGRAINS

Crops/States	CAGRs for 1968-69 to 1981-82			CAGRs for 1981-82 to 1991-92			Per Cent Share in All-India Production (1987-88 to 1991-92)
	Area	Production	Yield	Area	Production	Yield	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Groundnuts							
Andhra Pradesh	-0.63	-0.05	0.59	5.82*	6.97*	1.11	27.9
Gujarat	1.65*	4.53*	2.83	-1.90	-1.82	0.08	16.9
Tamil Nadu	-0.66	0.04	0.71*	1.52*	5.18*	3.59*	16.4
Karnataka	0.06	-0.09	-0.15	5.54*	-5.52*	-0.02	12.6
Maharashtra	-0.87	0.83	1.71*	0.69	3.41	2.69*	10.8
Orissa	8.68*	7.85*	-0.75	5.70*	5.18*	-0.49	6.8
Rapeseeds and Mustard							
Rajasthan	5.88*	7.28*	1.32	14.22*	16.64*	2.12*	33.8
Uttar Pradesh	0.04	-0.47	-0.51	-5.16*	1.10	6.60*	20.5
Haryana	2.68*	3.63*	0.92	10.76*	17.01*	5.72*	11.0
Madhya Pradesh	2.23*	4.59*	2.31	8.05*	12.99*	4.57*	9.0
Gujarat	14.58*	16.38*	1.56	9.64*	11.67*	1.89	7.6
West Bengal	1.01	5.91*	4.85*	10.64*	15.85*	4.70*	7.2
Coconuts							
Kerala	0.63*	-2.40*	-1.78*	2.93*	4.54*	1.56*	47.2
Tamil Nadu	1.83*	2.56*	0.72*	7.62*	6.59*	-0.96	23.4
Karnataka	3.02*	3.86*	0.82*	3.04*	2.91*	-0.12*	13.2
Andhra Pradesh	1.27*	-0.33	1.58*	3.08*	18.44*	14.91*	6.8
Cotton							
Punjab	4.33*	3.25*	-1.03	1.12	9.14*	7.93*	23.1
Maharashtra	-0.42	2.45*	2.89*	-0.15	2.71*	2.89*	17.5
Gujarat	-0.21	1.12	1.33*	-4.32*	-3.03	1.39	13.0
Haryana	3.71*	5.10*	1.35*	4.23*	6.89*	0.56*	11.3
Andhra Pradesh	2.58*	15.21*	12.29*	4.61*	3.12	-1.41	9.6
Karnataka	0.17	4.12*	4.34*	-5.20	3.93*	9.63*	8.5
Rajasthan	4.15*	7.32*	3.04*	1.53	7.08*	5.46*	7.7
Jute							
West Bengal	2.69*	3.54*	0.82*	-0.73	2.66*	3.42*	68.9
Bihar	1.18*	2.25*	1.05*	-0.20	2.43*	2.65*	14.1
Assam	-1.57*	-0.17*	1.42*	-1.84*	-1.07	0.83*	11.5
Tobacco							
Andhra Pradesh	-1.20	1.35	2.59*	-2.20	-0.04	2.18*	36.7
Gujarat	2.19*	5.64*	3.38*	-1.39*	1.53	-0.15	31.5
Karnataka	1.99*	5.58*	3.51*	0.07	2.23*	2.16*	7.2
Chillies							
Andhra Pradesh	1.87*	3.15*	5.12*	3.60*	7.43*	3.71*	46.6
Orissa	9.05*	9.85*	0.74	3.43*	3.46*	0.02	10.6
Maharashtra	-0.27	-0.97*	-0.70*	-1.60*	-1.24*	0.43	9.9
Rajasthan	3.25*	0.12	-3.03*	0.84	9.21*	8.31*	6.1
Karnataka	3.99*	4.08*	0.10	-1.19*	-4.84	-3.68	5.6
Sugarcane							
Uttar Pradesh	1.77*	2.23*	0.45	1.52*	3.86*	2.31*	44.0
Maharashtra	3.15*	6.59*	3.33*	4.00*	2.49	-1.45*	14.3
Tamil Nadu	2.01*	4.27*	2.21*	3.51*	4.57*	1.02*	10.3
Karnataka	5.07*	3.81*	-1.21*	5.42*	5.78*	0.33	9.0
Potato							
Uttar Pradesh	4.43*	10.08*	5.41*	2.54*	3.95*	1.37*	42.2
West Bengal	5.40*	10.37*	4.71*	6.22*	8.29*	1.95*	29.0
Bihar	2.98*	2.11*	-0.84*	2.30*	2.53*	0.22	10.0

Statistically significance at 5 per cent level.

sustained expansion in output thereafter. In the 1980s, however, there was absence of similar momentum in the foodgrains output growth in Maharashtra.

In Gujarat, moderate growth in the early period (2.92 per cent) was replaced by a long phase of high fluctuations in output in the 1980s. Indeed, after reaching a peak level of output in 1983-84 the foodgrains output in Gujarat remained greatly depressed and below its 1983-84 level right up to 1992-93. Lack of momentum in growth in the western region can partly be explained with reference to negligible expansion in irrigation in the 1980s accompanied by increased frequency and severity of monsoon failures.⁴

North-Western Region: In contrast to the discouraging performance of the southern and the western regions, the north-western region which spearheaded India's green revolution continued to be the high growth region even in the latter phase of the green revolution. But between the two states, it was Haryana which established a clear lead over Punjab through rapid acceleration in foodgrains production and productivity growth rates, thereby relegating Punjab to the second position.

Foodgrains output increased at a high rate of 4.52 per cent in period II in Haryana while growth rate in Punjab was relatively lower at 3.80 per cent only. Haryana's impressive growth in output even in total absence of supporting expansion in area under foodgrains was due to very high growth in yield per hectare at the rate of 5.1 per cent, double the level achieved in Punjab, i.e. 2.54 per cent. No other state except West Bengal could exceed growth rate of 5 per cent in foodgrains yield per hectare like Haryana in period II.

Comparative performance of Punjab and Haryana between the two sub-periods reveals opposite changes in momentum of growth. Output growth decelerated in Punjab steeply from 5.74 per cent in the early phase to 3.80 per cent in the latter phase of the green revolution. Haryana surpassed Punjab in the latter phase by accelerating output growth rate to 4.52 per cent from its earlier level of 3.6 per cent. The noticeable and most encouraging aspect of this transformation in the north-western region has been that the contribution to accelerated output growth in Haryana was entirely from increases in yield while deceleration in output growth in Punjab was mainly due to decrease in area growth rate (i.e. from 2.34 per cent in period I to 1.23 per cent in period II). Nevertheless, it is necessary to take note of the fact that growth in foodgrains productivity decelerated in Punjab, though marginally, from 3.33 per cent to 2.54 per cent, between the two sub-periods.

Central and Eastern Region: Uttar Pradesh and Madhya Pradesh from the central region are the two major states growing foodgrains. They together claim more than 30 per cent

share in all-India foodgrains production. From among the four eastern states, West Bengal, Bihar and Orissa are the important producers of foodgrains, accounting for a combined share of 18.7 per cent in all-India production with their individual shares being 7.6 per cent, 6.1 per cent and 5 per cent (column 8, Table 5).

In the 1980s West Bengal surpassed all the other states of India in foodgrains output growth with the CAGR of 6.1 per cent. Uttar Pradesh, Orissa and Bihar followed it with CAGR values exceeding 3 per cent whereas in Madhya Pradesh and Assam foodgrains output expanded at the moderate rate of about 2.3 per cent. Rajasthan alone was an exception with almost stagnant and highly unstable foodgrain output in the second period.

The most remarkable feature of the output growth in these parts of India was overwhelmingly dominant contribution of yield increases in expanding output and the

negligible role of expansion in area under foodgrains.

In fact, in the central region trend in area under foodgrains was negative (-0.58 per cent) in Madhya Pradesh and non-significant in the other two states. In the eastern region though trend in area was positive, it remained below 1 per cent in the three states and non-significant in the fourth one, i.e. Bihar. In contrast, growth in yield per hectare of foodgrains was either close to 3 per cent or exceeded it in all the states excepting Assam, it being as high as 5.05 per cent in West Bengal.

Comparison of the growth performance between the early and latter phases of the post-green revolution period reveals a universal trend of acceleration in growth in all the central and eastern states excepting Rajasthan. In Madhya Pradesh, output growth rate moved up steeply from 0.88 per cent in period I to 2.37 per cent in period II despite a significant reversal in the trend in

TABLE 9: COMPOUND ANNUAL GROWTH RATES OF SDP FROM AGRICULTURE, OUTPUT OF FOODGRAINS AND MAJOR NON-FOODGRAINS FOR SELECTED STATES

(Per cent)

State/Crops	CAGRs of Output for		Percentage Share in State's Cropped Area 1990-93 (4)	Percentage Share in All-India Production 1987-91 (5)
	1968-69 to 1981-82 (2)	1981-82 to 1991-92 (3)		
(1)	(2)	(3)	(4)	(5)
Kerala				
SDP from agriculture	0.17	2.75*	-	2.9
Foodgrains	0.03	-2.29*	24.10	0.7
Coconuts	-2.4*	4.54*	36.42	47.2
Natural rubber	5.69@	3.01@	14.52	97.4
Pepper	0.97	9.07*	7.29	97.4
Andhra Pradesh				
SDP from agriculture	2.48*	1.81*	-	7.9
Foodgrains	3.44*	1.32*	60.47	7.2
Groundnuts	-0.05	6.97*	19.79	27.9
Chillies	3.15*	7.43*	1.83	46.6
Coconuts	-0.33	18.44*	0.53	6.8
Cotton	15.21*	3.12	5.89	9.6
Tobacco	1.35*	-0.04	1.48	36.7
West Bengal				
SDP from agriculture	2.46*	6.88*	-	7.6
Foodgrains	0.48*	6.10	80.54	7.6
Jute	3.54*	2.66*	6.56	68.9
Rapeseeds	5.91*	15.85*	4.96	7.2
Potato	10.37*	8.29*	2.70	29.0
Rajasthan				
SDP from agriculture	3.11*	4.91*	-	6.5
Foodgrains	1.59*	1.95*	68.19	4.8
Rapeseeds	7.28*	16.64*	12.56	33.8
All nine oilseeds	2.99@	13.62*	18.53	10.22
Cotton	7.32*	7.08*	2.60	7.7
Chillies	0.12	9.21*	0.23	6.1
Haryana				
SDP from agriculture	2.93*	4.77*	-	4.4
Foodgrains	3.60*	4.52*	72.33	5.4
Rapeseeds	3.63*	17.01*	10.44	11.0
Cotton	5.10*	6.89*	10.01	11.3
Sugarcane	-1.35	3.90*	2.76	3.6
Punjab				
SDP from agriculture	3.47*	4.77*	-	6.6
Foodgrains	5.94*	3.80*	84.54	11.8
Cotton	3.25*	9.14*	10.19	23.1

Notes: * Statistically significant at 5 per cent level, @ Based on triennial averages of the terminal years of the period.

area growth from 0.57 per cent to -0.58 per cent. Rise in output growth rate however was marginal in Uttar Pradesh, i.e., from 2.55 per cent to 3.37 per cent. Yet, this improvement is crucial because the share of Uttar Pradesh in the all-India foodgrains production is not only maximum (21.1 per cent) but exceeds the combined share of Haryana and Punjab, i.e., 17.2 per cent. Moreover, unlike Punjab contribution of area component to expansion in foodgrains output remained negligible throughout the post-green revolution period in Uttar Pradesh.

Change in the growth performance of the eastern region between the two periods was not only much faster but more dramatic too. Absolute stagnation in production and productivity of foodgrains in the early period was replaced by growth rates close to or higher than 3 per cent in all the three important foodgrains producing states of the region, namely, West Bengal, Bihar and Orissa. In Assam growth continued without break with marginal acceleration between the two periods, i.e., from 1.3 per cent to 2.26 per cent. Thus, it is evident that all the major states growing foodgrains from the central and eastern parts of India experienced rapid momentum in foodgrains output growth.

How does one explain this sharp transition in growth environment in the eastern region and upturn in growth in the central region of India? Certainly many factors associated with the wider adoption of new technology such as expansion in irrigation and extension services, development of infrastructure required for distribution of seeds, fertilisers, credit, etc., must have contributed to bring about significant change in the growth environment in these areas.¹⁰ Their elaborate and up-to-date analysis is out of the scope of the present paper. However, we prefer to make a brief reference to irrigation development in this context (Table 6).

Expansion in net irrigated area in the eastern region was just 3 per cent between 1970-81 as against 40 per cent in 1980-91. Share of the region in all-India increase in irrigation therefore jumped from 2 per cent in the 1970s to 24 per cent in the recent decade. This significant gain in irrigation benefits of the region certainly must have played a crucial role in improving growth environment in addition to increased spread of new technology.

In the central region, net irrigated area expanded significantly through the 1970s (by 37 per cent) and the 1980s (by 27 per cent). Though the pace of expansion reduced in the latter decade, the region continued to have significant share in the all-India increase in irrigation which was 56 per cent in 1970-81 and 43 per cent in 1980-91 as against its share in aggregate net sown area being only 36.5 per cent. More importantly, the intra-regional dispersal of irrigation benefits was much better in 1980-91, as compared to 1970-81. In the former period,

Uttar Pradesh was the major beneficiary with 60 per cent share in expansion of irrigation while in the 1980s Madhya Pradesh alone accounted for 50 per cent of the total irrigation expansion in the region and the share of Uttar Pradesh was reduced to 27 per cent. This explains rapid acceleration in growth in period II in Madhya Pradesh and significant growth in the early period followed by further improvement in growth in period II in Uttar Pradesh.

Finally, it is evident from the preceding discussion that behind the relatively less impressive improvement in foodgrains output growth at the all-India level (i.e., from 2.33 per cent to 2.83 per cent) between the two phases of the post-green revolution period, lies a diverse pattern of trends in growth across the regions. At the one end there was significant deterioration in the foodgrain sectors of the southern and western regions while the eastern region underwent remarkable transition from stagnation to high positive growth. Simultaneously, momentum of growth accelerated in the central region and high growth continued in the north-western region.

VI

Pattern of Acceleration in Foodgrains Output: States and Regions

We have concluded in the preceding discussion that the regional pattern of foodgrains output growth has undergone a significant change in the latter phase of the green revolution period. In order to strengthen our inferences further regarding accelerating or deceleration in output growth at the state-level we repeated the statistical exercise of fitting a quadratic in time variable, i.e., $\log y = a + bt + bt^2$ to the time series of triennial average of foodgrains output for all the states for the entire post-green revolution period. The results obtained are reproduced in Table 7.

Statistically significant positive values of 'b' but negative values of 'c' confirm significant deceleration in output growth in Andhra Pradesh, Karnataka and Kerala. Low value of R^2 (i.e., 0.34) along with non-significance of both the regression coefficients establishes existence of high degree of instability and absence of sustained increase or decline in growth in the entire period for Tamil Nadu and support our reservations expressed earlier regarding the possibility of significant revival in its foodgrain sector.

Significant and high positive value of 'b' but significant and negative 'c' establish deceleration in output growth in Maharashtra from high positive growth rate in the early period. In Gujarat, positive but relatively moderate growth in the early phase appears to have been replaced by high fluctuations in output in the second period. Indeed a very poor fit of quadratic and the lower value of

R^2 ($R^2 = 0.21$) for Gujarat confirms again high vulnerability of its agriculture to vagaries of monsoon. Similarly, a relatively lower value of R^2 (i.e., 0.68) shows that agriculture in Maharashtra too must have suffered, though to a lesser extent, from the weather-induced instability in the 1980s.

The estimates of quadratic function obtained for Punjab and Haryana are very instructive. Highest value of 'b' (i.e., 0.0287) among all the states and negative value of 'c' for Punjab confirm its leading position in the early phase of the green revolution and subsequent slowing down of foodgrain output growth in the latter period. In contrast, foodgrains sector in Haryana improved its performance in the latter phase (positive and significant estimate of 'c') over and above the moderate growth ($b = 0.0115$) achieved in the early period. Again, highest value of R^2 obtained for Punjab (i.e., $R^2 = 0.99$) not only indicates extremely good fit of the quadratic function but more importantly displays high stability of Punjab's irrigated agriculture.

The results obtained for the central and the eastern regions too reinforce our inferences based on the states' comparative performance in foodgrains output growth between the two sub-periods. With an exception of Rajasthan coefficient of 'c', i.e., 'c' turned out to be positive and statistically significant for all the central and eastern states establishing emergence of acceleration in output growth. Highest magnitude of 'c' (i.e., 0.0007) demonstrates a far greater improvement in foodgrains output growth in West Bengal than in any other state. Again estimates of 'b' are either statistically non-significant (as in case of Madhya Pradesh, Assam and Bihar) or significant but negative (as for West Bengal and Orissa). They imply stagnation with fluctuations in output in period I in the former three states and fluctuations accompanied by significant depression or negative trend in output in the latter two, i.e., West Bengal and Orissa.

Lastly, non-significance of both 'b' and 'c' together with relatively lower value of R^2 (i.e., 0.66) for Rajasthan implies absence of sustained positive growth in foodgrains output in the entire period along with a high degree of weather-induced instability in the foodgrains sector of Rajasthan.

VII

State Level Performance of Non-Foodgrains

It is not enough to examine performance of foodgrains alone. Growth in output of non-foodgrains too is crucial in determining aggregate performance of agriculture, depending upon their relative share in crop pattern. Furthermore, to the extent that the demand for non-foodgrains is more income elastic and they enjoy relatively higher price advantage over the foodgrains their relative

weightage in aggregate production index may be even greater than their share in crop pattern. That is why, deceleration in performance of foodgrains in any region by itself need not be a cause for concern so long as accelerated growth in production of non-foodgrains neutralises the depressing effect of the former and leads to non-decelerated or even accelerated growth in aggregate index of production. Likewise, accelerated growth performance of foodgrains if achieved at the cost of considerable setback to growth in output of non-foodgrains may lead to deterioration in the overall performance of crop production sector. Therefore, we need to analyse more carefully the performance of non-foodgrains at the state level.

Large number of non-foodgrain crops such as oilseeds, fibre crops, condiments, and spices, vegetables and fruits, plantation crops, etc. are grown in different parts of the country depending upon their adaptability to local agro-climatic conditions and their relative profitability *vis-a-vis* foodgrains. Types of crops grown and their relative weightage in the crop pattern vary considerably over the states. Hence, it would have been ideal if we had state level aggregate index numbers of area, production and productivity of all non-foodgrains combined for judging the relative performance of states in respect of non-foodgrain crops. But such comprehensive statistics for all the years and the states are not available. Therefore, we have tried to evaluate performance of states with the help of two types of analytical exercises.

The first one involves scrutiny of the CAGRs of area, production and yield per hectare for the major non-foodgrain crops in all the major states growing them. It is supplemented by the second exercise which is restricted to a few selected states, where we compare growth in SDP generated in agriculture with that in the state's foodgrain output and output of its major non-foodgrains.

To keep the present paper within the manageable limit in the discussion that follows we present initially the broad overview of the state-level performance of the major non-foodgrains based on the statewise and cropwise CAGRs listed in Table 8. This is followed by our final assessment regarding relative performance of states in increasing the output of non-foodgrains with the help of the second illustrative exercise. Incidentally, it also demonstrates the role played by non-foodgrains in the selected states in improving overall agricultural performance in the recent years.

Production of majority of non-foodgrain crops expanded at moderate to high rates of growth in many states in period II (Table 8). Noticeable deviations from this trend were only of jute in the eastern region and tobacco in the southern region. Again,

for many states growth performance in the 1980s represented a far greater improvement over that in the 1970s. The most distinct and important feature of growth was that in all the regions other than the southern, unlike the past, growth relied dominantly on yield increase, though in a few instances expansion in area too complemented it, leading to very high growth rates.

In the southern region, which experienced pronounced shift in area from foodgrains to non-foodgrains, performance of almost all the non-foodgrains in all the four states in period II was satisfactory and far better than that of foodgrains as a whole, as also better than their own performance in period I. Exceptions were only of cotton and tobacco in Andhra Pradesh and groundnut in Karnataka in which case output growth was non-significant in the 1980s. Area expansion contributed heavily to growth in output of all the major non-foodgrains in this region, the remarkable exception being of cotton in Karnataka. Yield per hectare of cotton in Karnataka increased at the rate of 9.63 per cent in period II, a rate higher than that realised even in a progressive state like Punjab (7.93 per cent). Thus, there is a reason to believe that by and large superior performance of non-foodgrains must have compensated more than adequately poor growth performance of foodgrains in the southern region. Among the four states, however, Andhra Pradesh seems to be the only state where unsatisfactory performance of cotton and tobacco might have overshadowed impressive growth in output of groundnut (CAGR = 6.97 per cent) and chillies (CAGR = 7.43 per cent) thereby depressing overall performance of non-foodgrains in the 1980s.

In contrast to satisfactory performance of non-foodgrains in the southern region, their output growth more or less remained depressed in the western region. Exceptions were of cotton in Maharashtra and rapeseeds in Gujarat. Output of cotton, the major non-foodgrain crop of Maharashtra (accounting for nearly 13 per cent share of total cropped area) expanded at the moderate rate of 2.5 per cent throughout the post-green revolution period. But the production of three other crops, namely, groundnut, sugarcane and chillies did not register significant growth in the 1980s. This represented a contrast to a far higher rate of growth in the sugarcane production of Maharashtra (i.e. 6.59 per cent) registered in period I. On the whole therefore, the performance of the non-foodgrain sector in Maharashtra was less satisfactory in the 1980s, as compared to the early period of the green revolution.

Among all the states, Gujarat with nearly 50 per cent of its cropped area under non-foodgrains performed worse with regard to growth in their output in the 1980s with the unique exception of rapeseeds. Performance

of both groundnut and cotton, Gujarat's two major non-foodgrain crops was disastrous during this period. It may be a reflection of the recurrence of bad-weather years in succession since the mid-1980s in the state and thus underscores the need for a rigorous specification of weather variable to evaluate its performance, more accurately.

By and large all the states from the north-western, central and the eastern regions of India, the regions which performed exceedingly well in respect of growth in foodgrains output did equally well with regard to their major non-foodgrains too, particularly the oilseeds, cotton and sugarcane. In these states growth in output was moderate to high in respect of many non-foodgrains. From among them the performance of West Bengal, Punjab, Haryana and Rajasthan was much more impressive than that of others.

VIII

Non-Foodgrains in Agricultural Economy of States

In order to reinforce conclusions reached in the last section as also to demonstrate the crucial influence of non-foodgrains over the state's aggregate performance in agriculture, we compare growth in SDP from agriculture with the state's growth rates of foodgrains and non-foodgrains output for the two sub-periods (columns 2 and 3 in Table 9). Relative importance of foodgrains and non-foodgrains in the state's agricultural economy and in the aggregate national production is also indicated by their shares in the state's cropped area and in the all-India production under columns 4 and 5 respectively, in the same table. This illustrative exercise was restricted to only six states, two from the southern region and the other four from the remaining regions.

Our choice of the states was guided by the special features of the non-foodgrains output growth displayed by these states in the 1980s. The two southern states, namely, Kerala and Andhra Pradesh topped in diversion of area from foodgrains to non-foodgrains. Area under foodgrains declined in these states at the CAGR of -3.79 per cent (Kerala) and -1.76 per cent (Andhra Pradesh) in the 1980s. The other four, namely, West Bengal, Rajasthan, Haryana and Punjab showed exceptionally good performance in increasing the non-foodgrains output without significant diversion of area away from foodgrains. In fact, two of them, i.e. Punjab and West Bengal represent the other extreme. They have surpassed every other state in expanding the area under foodgrains in the recent years at the rate of 1.23 per cent and 0.99 per cent respectively (column 5, Table 5).

Non-foodgrains dominate the agricultural economy of Kerala. Their share in the state's

cropped area has reached the level of 76 per cent in the recent years with the share of foodgrains dropping to just 24 per cent. Kerala enjoys monopoly in production of rubber and pepper while its share in the country's coconut production is nearly 50 per cent. Its agricultural performance in period I was very poor with stagnation in SDP generated in agriculture to which poor performance of both the foodgrains and non-foodgrains must have contributed equally. But there was marked revival in SDP growth from agriculture (CAGR = 2.75 per cent) in period II, despite significant absolute decline in the foodgrains output at the rate of -2.29 per cent during the same period. It was the result of rapid expansion in output of its major commercial crops with their rates of growth ranging from 3 per cent (rubber) to 9 per cent (pepper) in the 1980s (column 3, Table 9).

In Andhra Pradesh, mainly a foodgrains growing state, even in the 1980s, performance of agriculture in period I was relatively satisfactory with the CAGR of SDP from agriculture being 2.48 per cent. It reflected a much better performance of foodgrains (CAGR = 3.44 per cent) in addition to very high growth (15.21 per cent) in the cotton output, but poor performance of groundnut, its major non-foodgrain crop, as also of the other minor non-foodgrain crops. In the 1980s, however, growth in agricultural SDP decelerated to 1.81 per cent due to much steeper reduction in foodgrains output growth (i.e. from 3.44 per cent to 1.32 per cent) and stagnation in output of cotton and tobacco. High growth in production of groundnut and chillies (at about 7 per cent) could not improve the state's overall growth performance.

In sum, significant revival in the non-foodgrains sector in the 1980s had crucial impact on agriculture's aggregate performance in Kerala but mixed performance of major non-foodgrains was not adequate enough to compensate for significant deceleration in the foodgrains economy of Andhra Pradesh.

Foodgrains dominate the agricultural economy of the other four selected states with their share in gross cropped area ranging from 68 per cent in Rajasthan to 85 per cent in Punjab (column 4 in Table 9). Among them West Bengal revealed exemplary performance in increasing its foodgrains and non-foodgrains output (particularly of rapeseeds and potato) in the 1980s. Naturally, it was reflected in its very high growth in SDP from agriculture (CAGR = 6.88 per cent) between 1981-91, higher than any other states. Rajasthan, Haryana and Punjab followed West Bengal with rise in their SDP from agriculture at the rate of 4.91 per cent, 4.77 per cent and 4.77 per cent respectively.

Rajasthan registered second highest growth rate in respect of SDP from agriculture in period II, stagnation in its foodgrains notwithstanding. It was the result of

unprecedented high growth in the state's output of almost all the non-foodgrains such as oilseeds, cotton, chillies, coriander, onions, guarseeds etc. Their output growth rates ranged from 7.08 per cent to 16.64 per cent. More importantly, growth depended, to a large extent, on improvement in productivity and not on diversion of area away from foodgrains. Indeed, in the absence of significant growth in foodgrains output and with only 32 per cent share of non-foodgrains in the state's cropped area (in 1990-93) the rise in agricultural SDP at the rate of nearly 5 per cent is the most creditable achievement for the state like Rajasthan.

Similar to what happened in West Bengal, in Haryana too production of both foodgrains and non-foodgrains expanded rapidly in period II. Output of rapeseeds and cotton, the two major non-foodgrains, which claims more than 20 per cent share in Haryana's crop pattern, increased at unprecedented rates of 17 per cent and 6.89 per cent respectively. Indeed, there was across the board acceleration in growth rates between the two sub-periods for all the major crops in Haryana. But it was much steeper for non-foodgrains as compared to foodgrains. This explains rise in SDP growth rate for Haryana from 2.93 per cent in period I to 4.77 per cent in period II.

With 85 per cent share in the state's cropped area, foodgrains dominate overwhelmingly the agricultural economy of Punjab. The only non-foodgrain crop, worth the name, grown in the state is cotton. It occupies 10 per cent of the state's cropped area and claims 23 per cent share, the highest among all the states in the all-India cotton production. Though foodgrains output growth decelerated in Punjab from about 6 per cent in period I to 4 per cent in period II, there was steep rise in output growth rate for cotton from 3.25 per cent to 9.14 per cent and in its yield per hectare from 0 per cent to nearly 8 per cent. As a consequence growth in agricultural SDP moved up in Punjab from 3.47 per cent in the early phase of the green revolution to 4.77 per cent in its latter phase.

Thus, it is important to recognise that both in Punjab and Haryana accelerated growth in productivity of non-foodgrains played a very crucial role in pushing the growth of agriculture's SDP close to 5 per cent in the latter phase of the green revolution.

Punjab being mainly responsible for India's success in the early phase of the green revolution, its subsequent growth record is crucial for understanding the future course of output growth in Haryana as also the other states of India where foodgrains dominate the crop pattern. Hence, a few additional comments on the nature of its performance would be helpful.

There has been apprehension that it would be difficult to accelerate further productivity growth in Punjab and therefore a shift of area

away from rice and wheat to high value non-foodgrain crops particularly the horticultural crops with an accent on their processing is necessary to sustain growth in agricultural incomes. But the analysis of crop statistics presented in this paper clearly shows that as yet there is no distinct indication of an emergence of such shift in Punjab. On the contrary, positive expansion in area under foodgrains (i.e. rice and wheat) continues though naturally at a rate fairly lower than that in the 1970s. By now, all the other traditional cereals and crops like gram and groundnut have been almost totally wiped out from the state thereby exposing agriculture to hazards of intensive irrigation combined with monoculture thereby threatening its long-term sustainability. Certainly, the absence of decisively superior technology and price incentives as also of the assured market support to crops other than rice and wheat must be responsible for this phenomenon.

Nevertheless, it is evident that the farmers in Punjab have utilised to a maximum extent the opportunities provided by the recent technological advances in production of cotton to push up growth in agricultural incomes. The lesson is, far greater improvement in technological, infrastructural and price support would be needed in persuading the farmers to shift from foodgrains to non-foodgrains especially in the regions where traditionally foodgrains dominate the crop pattern.

IX Concluding Remarks

Our analysis of India's agricultural growth across crops and regions in the post-green revolution period unfolds interesting dimensions of the new trends and patterns emerged in the 1980s. One thing is clear that there must be an upsurge, a significant one, in the growth of aggregate production and productivity in Indian agriculture and it cannot be attributed merely to a favourable weather. The fact that the role played by yield improvement in inducing higher output growth has been far more important than that of expansion in area indicates that the process of growth has been technologically more dynamic too.

While acceleration in yield growth in recent years has been significant for crops like rice, maize, other pulses, rapeseeds, musamum, soyabean, rubber and cotton, for many other crops yields continued to expand at the rates close to their pre-1981 levels. Again, unlike the past, enhancement in yield growth had been more impressive for non-foodgrains as compared to foodgrains and among the foodgrains for kharif foodgrains *vis-a-vis* the rabi foodgrains. This is an indication of a much wider diffusion of technology across the crops than in the past.

Yet another distinguishing character of agricultural growth in the 1980s has been its wider dispersal over the regions. This is evident from the fact that the foodgrains output growth picked up in many less developed areas from the central and the eastern regions where growth had been sluggish in the early phase of the green revolution. Moreover, with fairly rapid expansion in productivity of non-foodgrains, growth in agricultural incomes too accelerated in majority of the states in the 1980s. In sum, with the wider dispersal of growth across crops and regions, agricultural growth has become more broad-based in recent years.

What do the regional trends and patterns tell us about future course of agricultural growth in different regions of India? The performance of the western region has been most unsatisfactory in the 1980s among all the regions of India, as also compared to its own performance in the 1970s. This may be interpreted as an indication of increasing preference to non-agricultural sectors involving a shift of resources away from agriculture in this predominantly dry farming region.¹² Nevertheless, the role played by adverse weather conditions and the greatly reduced pace of expansion in irrigation in depressing production growth in the 1980s in this region cannot be ignored. Hence, we believe that for ascertaining direction of future change in agriculture in the western region it is necessary to undertake a more careful evaluation of the growth performance by including rigorous specification of weather variable in the trend function and covering a few more years, from the 1990s.

From among the remaining four regions, the southern region shows a distinct downturn in the foodgrains output growth. The trend is mainly caused by a shift of area away from foodgrains and is accompanied by a more than compensatory growth in the output of non-foodgrains. This new trend towards non-foodgrains is unlikely to get reversed in future. On the contrary, it may get further consolidated with the increasingly promising opportunities for the agricultural and agro-based exports emerging due to liberalisation of the Indian economy. Is the southern region then expected to move towards specialisation in non-foodgrains? This would very much depend upon the pace of development of the agro-processing industry and infrastructure for farm exports as also the extent of efficient mobilisation of foodgrain surpluses from the other regions to the southern region.

In the north-western region, though high growth in foodgrains output at the rate of about 4 per cent continued in the 1980s, the growth experience of Punjab demonstrates that sustenance of high growth in agriculture within current techno-economic environment would be increasingly difficult in future.¹³ Crop diversification, howsoever desirable

for sustaining high growth, would not be viable momentum, unless economically more attractive and decisively competitive options to rice and wheat crops come forth.

Keeping in view the likely deterioration of the foodgrain economy in the western and southern parts of India and the declining prospects of high growth in foodgrains output and yield in the north-western states, it appears inevitable that the central and the eastern regions have to share increasingly the burden of India's food security in the years to come. Fortunately, not only the potential to achieve this goal has been promising in these two regions, but they also have demonstrated the ability to do so by responding positively to the special policy initiatives provided in the 1980s and moving away from the early scenario of sluggish growth. A greater thrust on these policies and a commitment of adequate resources for their implementation would therefore be needed to step up further the tempo of growth in this region.

Thus in our judgment, past trends justify the hope for a better future. What is required for its realisation is to strengthen the policies and programmes for broadening further the base of agricultural growth and making it more sustainable. In this context, the role of increased public investment in technological and infrastructural development for agriculture hardly needs to be underscored. A real task lies in achieving increasingly higher inter-crop and inter-regional dispersal of investment and its improved utilisation.

Notes

[The authors are grateful to M. I. Dantwala for suggesting this topic for the study and also for his comments on the earlier draft of the paper. However, they are solely responsible for errors and omission in the present paper.]

- 1 Shetty S. L. (1990): 'Investment in Agriculture: Brief Review of Recent Trends', *Economic and Political Weekly*, Vol XXV, Nos 7 and 8, February 17-24.
- 2 Rath N. (1989): 'Agricultural Growth and Investment in India', *Journal of the Indian School of Political Economy*, Vol I, No 1, January-June, 64-83.
- 3 Rao C. H. H. (1994): *Agricultural Growth, Rural Poverty and Environmental Degradation*, Oxford University Press.
- 4 For example refer M. V. Nadkarni, 'Agriculture and Environment' *Economic and Political Weekly*, Vol XXIX, No 28, July 9, 1994, 1021-22.
- 5 Additionally we also used the following two publications of the Centre for Monitoring Indian Economy, Bombay for obtaining crop statistics for the years 1990-91 to 1992-93. (i) *Performance of Agriculture in Major States*, 1967-68 to 1991-92, July 1993. (ii) *Performance of Agriculture*, 1980-81 to 1992-93, May 1994.
- 6 Aggregate cropped area may increase gradually due to rise in cropping intensity or

additions to net sown area depending upon irrigation and technology.

- 6 (i) Index numbers of production of all crops are the weighted aggregates of production indices of various crops, weights being the base year value coefficients of crops adopted from the CSO's national income returns, while the CSO's state domestic product (SDP) series provide value of output in agriculture net of all costs and consumption of fixed capital used in production. (ii) SDP series used for computation of CAGRs for the period I, i.e., 1968-69 to 1981-82 are at 1970-71 prices while those used for period II, i.e., 1981-82 to 1990-91 are at 1980-81 prices.
- 7 Growth in foodgrains productivity both in period I and II at the rate higher than 3 per cent in Andhra Pradesh can be explained with reference to continued expansion in the net irrigated area throughout the post-green revolution period in the state. Again, for marginal decline in foodgrains productivity growth in period II in Karnataka and marginal improvement in Kerala similar changes in the rate of expansion in irrigated area under foodgrains must be partially responsible. However, net irrigated area remained almost unchanged in Tamil Nadu between 1970-71 and 1990-91. This appears to be inconsistent with the estimate of high growth rate in foodgrains productivity (4.1 per cent) and hence requires careful scrutiny of the crop statistics for Tamil Nadu.
- 8 In addition to adverse weather conditions negligible expansion in irrigation in the 1980s, i.e., only 5 per cent as against 35 per cent rise in net irrigated area in the 1970s must be responsible for decline in foodgrains output growth rate in Maharashtra. In respect of Gujarat, however, higher frequency of monsoon failures must be mainly responsible for acute stagnation in foodgrains output, though expansion in irrigated area too slowed down from 66 per cent in 1970s to 25 per cent in 1980s in the state.
- 9 A view has been expressed that the reliability of the basic crop data of West Bengal for the 1980s is doubtful (Ray S. Datta, *Economic and Political Weekly*, July 6, 1994; 1883-84). However, in absence of any authoritative judgment on this controversy, we prefer to ignore it, in the context of the present study.
- 10 Rao C. H. H. (1994); op cit, pp 6 and 12.
- 11 Nearly 75 per cent area under rapeseeds is irrigated in Gujarat.
- 12 Ahluwalia Deepak, 'Growth Performance in Indian Agriculture', *Journal of Indian School of Political Economy*, Vol 3, No 4, October-December 1991.
- 13 Growth in area under foodgrains in Punjab has been reduced to half in the second period (i.e., from 2.34 per cent in period I to 1.23 per cent in period II) and there is almost no scope for further expansion in area. Productivity growth for foodgrains too decelerated from 3.33 per cent in period I to 2.54 per cent in period II (Table 5). With the current level of irrigation in the state being 95 per cent and area under rice and wheat accounting for 94 per cent of the cropped area under foodgrains sustenance of high growth in foodgrains output would be increasingly difficult in the north western region.

Oilseeds Development and Policy

A Review

K N Ninan

This article attempts to review the past performance of the Indian oilseeds sector and assesses the emerging scenario and various policy options for the sustained growth of this sector.

INDIA's oilseeds sector has witnessed a dramatic turnaround in its fortunes recently. Owing to the changed policy environment, various incentives and institutional support given for the development of the oilseeds sector, following the constitution of the technology mission on oilseeds (TMO), India's oilseeds output has crossed 21 million t during 1992-93, which surpasses the target of 18 million t fixed for being attained by the end of the Seventh Five-Year Plan. This implies that our oilseeds output has been increasing at over 6 per cent per annum, or even more in the last five years or so. This seems to have largely come about through a rapid rise in the production of rabi oilseeds like rapeseed-mustard, rabi groundnut and non-traditional oilseeds like soyabean, sunflower, etc. If this momentum is maintained it should not be difficult for India to attain, and even surpass the target of 26 million t of oilseeds production set by our planners for being realised by the year 2000.

An attempt is made here to review the past performance of the Indian oilseeds sector and assess the emerging scenario and various policy options for the sustained growth of this important sector of the Indian economy. Owing to rising incomes, population, urbanisation, industrialisation and other factors, the demand for vegetable oils and fats has been rising rapidly, at over 4 per cent per annum. Demand projections made by the National Commission on Agriculture, 1976 (NCA) and others indicate that the demand for vegetable oils by the year 2000 will range between 8 to 10 million t or even more (*vide* Ninan 1989). Projections made by the Planning Commission too envisage the demand for vegetable oils to increase to about 8 million t by the year 2000, which is equivalent to about 26 million t of oilseeds. Supply projections made by the NCA indicate that if the required investment takes place, if the average yields of oilseeds were to increase to over one tonne per ha as against the present level of about 0.7 tonne per ha (now nearing or around 0.8 tonne per ha or so), and if the area under irrigated oilseeds were to increase to over 5 million ha as against the present level of 2 to 3 million ha, then supply of vegetable oils may go up to about 9.7 million t by the year 2000. Other studies indicate that not only is the projected

supply likely to be at a lower level, but also the deficit would be of the order of 2.8 to 4.5 million t by the year 2000 [Meenakshi *et al* 1986]. When these gloomy forecasts were made, India's oilseeds production was stagnating at the level of 11 to 13 million t during the early 1980s. It was also not responding to the various price and other incentives due to economic, institutional and technical constraints. Imports of edible oils averaged about Rs 1,000 crore per annum during the early 1980s which ranked the highest in our import bill after petroleum and fertilisers. This scenario no longer exists with imports dwindling to a negligible amount. In fact from a net importer of oilseed products, India has become a net exporter.

In reviewing the past performance of the oilseeds sector in India, one cannot ignore the fact that area has continued to be the major source of output growth of oilseeds. Land being a limiting factor in Indian agriculture, the prospects for increasing oilseeds production further or for that matter of any other crop, through expansion of area is diminishing fast. With environmental concerns and movements picking up in the recent years, the possibilities of converting forest lands to crop production are also extremely limited, if not impossible. Here, however, we may note that there are several tree crops of forest origin such as mahua, sal, karanja, kusum, neem, etc, which if properly exploited could meet a significant part of our vegetable oil requirements. However, some experts have warned that this could accelerate the denudation of our forests. This apart, the only alternative to increase area under oilseeds is to displace other crops or utilise fallow lands. There are, in fact, evidences to show that some of the expansion in oilseeds area in the recent past has been at the cost of area under coarse cereals and pulses [Acharya 1993]. Whether this is desirable or not is open to debate. Coarse cereals and pulses being the main source of calories and proteins for the low income groups, or vegetarian diets in India, the rationale behind increasing oilseeds area as observed after the advent of the TMO, at the expense of coarse cereals and pulses area could be questioned. However, by improving productivity of coarse cereals for which viable technology exists, it is possible to reduce the area under low value

crops like coarse cereals and use the area so saved for cultivation of more remunerative and high value crops like oilseeds, superior cereals, horticultural crops, etc. So also scope exists for diverting some unirrigated wheat or rainfed rice area to grow oilseeds and more remunerative crops in a number of states. This will help in rational and optimum use of a scarce resource like land. The strategy of increasing oilseeds production should constitute an integral component of the country's overall strategy to promote sustained and balanced growth of the agricultural sector so as to meet the demand for diverse agricultural commodities. There is also scope for increasing oilseeds production through inter-cropping, relay cropping and interposing oilseeds in crop sequences or farming systems.

While, as mentioned above, expansion in area has provided the major impetus to oilseeds growth in India, increases in yields too have been playing an important role in output growth of oilseeds in several districts and in respect of specific oilseeds in recent years. A recent study reveals that out of 87 districts from the five major groundnut-producing states of India studied, 35 districts (i.e. over 40 per cent of the districts) recorded a significant increase in aggregate groundnut yields [Ninan 1993]. However, this also includes several minor groundnut-producing districts. This study noted that in Tamil Nadu though the rate of increase in groundnut production has been slow in recent years, yields have registered an increase (and statistically significant too in most cases) in all districts. So also quite a number of districts in Gujarat, Karnataka and Andhra Pradesh have reported modest to significant increases in groundnut yields in the recent past. Though the long-term growth rates for groundnut for the period 1949-50 to 1990-91 indicate groundnut area to have increased faster than groundnut yields (the compound growth rates being 1.16 and 0.69 per cent per annum respectively), the trends for the last decade from 1980-81 to 1990-91 indicate that the rate of increase in groundnut yields (1.82 per cent per annum) has been marginally higher than in area (1.75 per cent per annum). The role of yields has been more prominent in the growth of other oilseeds like rapeseed-mustard, safflower, etc [Ninan 1989]. The wide differences in oilseed yield rates across

districts and states in the country indicates scope for further increasing their yield levels. Improved/hybrid varieties of various oilseeds have been developed, which, if popularised, could give 20 to 50 per cent or more yields as compared to present strains. Available information indicate that 200 varieties/hybrids of various oilseeds suitable for diverse agro-climatic situations and environments have been developed, 50 of them in the last five years alone by various research and scientific labs which have a genetic yield potential of two to four times more than the national and state averages. ICRIASAT has developed groundnut varieties which can yield three to five tonnes per ha, i.e. six times the national average yield [Shenoi 1993]. However, due to various production and market risks farmers appear to be reluctant or slow to adopt the improved technology because of the high investment requirements in terms of fertilisers, pesticides, other inputs, and more so because oilseeds cultivation is concentrated in high risk regions where returns on investment are uncertain [Ninan 1989]. Shortage of certified quality seeds due to constraints in large-scale multiplication, high cost of oil seeds due to high overheads, and the low priority given to oilseeds research and development in the country until the advent of the TMO in May 1986, are some of the reasons for the low adoption rates of improved technology [Ninan 1989]. It has, for instance, been noted that the availability of certified seeds is not commensurate with the breeder and foundation seeds produced which indicates weaknesses in the seed production chain. The production of hybrid seeds is also not able to meet even 10 per cent of our requirements. Many of the varieties currently grown have become obsolete and in need of being replaced by hybrids if our oilseeds output is to keep pace with the growth in domestic demand. Also the slow transmission of improved/hybrid oilseed varieties from the lab to the farm indicates weaknesses in our extension system. However, as noted earlier, after the constitution of the TMO and a more favourable policy environment oilseed yields have been looking up and recorded modest to significant improvements in diverse agro-climatic situations and regions.

Though irrigation is known for its yield-enhancing effect, coverage of irrigation for oilseeds in general and kharif oilseeds in particular is low as compared to other crops like wheat, rice, sugarcane where returns are more and risks low. Yields of oilseeds under irrigated conditions is substantially higher (about two to three times higher) as compared to yields secured under rainfed conditions. Further, oilseeds require less water than other crops like rice. In fact, water required to irrigate one acre of area under paddy is sufficient to irrigate about four acres of area

under groundnut [Ninan 1989]. However, growth of irrigation for oilseeds has been slow. Moreover, evidence indicate that if irrigation is available farmers prefer to switch over to other crops like wheat, rice, sugarcane, etc [Ninan 1989]. Though large-scale diversion of irrigation for oilseeds is not possible or even desirable from the view point of promoting balanced agricultural growth and other considerations, the policy of irrigation water being expropriated by one or two crops to the neglect of other crops is liable to be questioned, among others on equity and sustainability considerations. There has, for instance, been a live debate in Maharashtra regarding the available irrigation water being exclusively used for sugarcane cultivation and large holdings, neglecting other crops which are concentrated among small farms and in the semi-arid tracts. Proper irrigation planning and water budgeting can help in better and optimum utilisation of a scarce input like water. There is a need for special incentives and measures to increase the coverage of irrigation for oilseeds. Apart from including it in the recommended crop pattern for command areas and also shifting some of the irrigated area in favour of oilseeds, charging cess for irrigation water on a volumetric basis (since oilseeds consume less water), protective irrigation and water harvesting in dry regions are some of the measures suggested in an earlier study, and which are as relevant today [Ninan 1989].

Risks in production and marketing of oilseeds and oilseeds products are relatively high as compared to other commodities and have acted as a constraint for rapid expansion of oilseeds production in India. Cultivation of oilseeds in India, as noted earlier, is concentrated in high risk regions where returns on investment are low and uncertain. Only around 20 per cent of oilseeds area receives irrigation support, the remaining area being concentrated in regions with low or uncertain rainfall and marginal lands. Consequently weather-related production risks are quite high in respect of oilseeds cultivation, particularly kharif oilseeds where unlike for rabi oilseeds, coverage of irrigation is very low. Timely arrival of the monsoons as also good distribution of the available rainfall are crucial for the healthy growth of groundnut and other oilseeds. As the study cited earlier indicates, rainfall is a major factor behind variability of groundnut yields in all the major groundnut-producing states of the country [Ninan 1993]. However, as noted earlier, it is not the sole factor causing variations in groundnut yields and there are other socio-economic, agronomic and institutional factors too which may account for the variability of groundnut yields. An analysis of the nature of association between monthly rainfall and kharif groundnut yield variations indicated

that excess or shortfall in September rainfall emerged as a significant factor in explaining variability of kharif groundnut yields in several districts [Ninan 1993]. In other words, it is the excess or shortfall of rainfall in the last lap of the south-west monsoons which is pulling up or down the kharif groundnut yields levels. A peculiar thing about groundnut is that unlike for most other crops, for groundnut the product (i.e. the groundnut pod) develops below the soil and hence, if the groundnut pods are to be harvested without damage, requires adequate moisture or irrigation to loosen the soil at the time of harvest. This indicates the need for protective irrigation in this critical stage. In respect of irrigation, though its yield-stabilising role is well recognised, if it is not used efficiently it could aggravate crop yield instability. An analysis of the variability of rabi groundnut yields across districts revealed that though districts with assured sources of irrigation such as canals, tube-wells reported lower level of instability in rabi groundnut yields as compared to other districts, there were also districts with assured sources of irrigation reporting high instability in rabi groundnut yields [Ninan 1993]. In other words, the efficiency with which irrigation water is used is also a factor to be reckoned with in explaining variability in rabi groundnut yields. The occurrence of good or bad years for groundnut in India does not follow any cyclical pattern and is random in nature [Ninan 1993]. A redeeming feature is that a good or bad harvest of groundnut is mutually compensating across states and districts, which will help in risk management and coping with a bad harvest in one region or district through reaping a good harvest in another region or district. Crop, varietal and spatial diversification are time-tested risk management strategies and hence the trend towards diversifying India's oilseeds economy by encouraging cultivation of diverse oilseeds and also in traditional and non-traditional areas will help in managing risks and stabilising our oilseeds sector. Oilseed varieties have also been evolved which are drought-tolerant and capable of withstanding other stresses including various pests and diseases suitable for diverse agro-climatic regions and environments, which if popularised could help in reducing fluctuations in yields of oilseeds. Market-related risks are also quite high for oilseeds in India. Dominance of private traders and intensive speculative activities in trading of oilseeds is a conspicuous feature of India's oilseeds economy and the oilseed growers have always been at the receiving end. Though there has been a secular rise in oilseed/oil prices they are also subject to wide seasonal fluctuations. The benefit of a price rise has gone more to the trader than the grower [Ranade 1982, vide Ninan 1989]. On account of cash and other pressing

requirements, oilseed growers generally prefer to sell off their crop immediately after harvest which leads to a drop in oilseed prices in the post-harvest season. However, because of intensive speculative and trading activities, dominated by a few players, oilseed prices used to be artificially depressed soon after the harvest to the detriment of the oilseed growers. It is estimated that the spread between the post-harvest and lean season prices was as much as 75 to 100 per cent for groundnut in India as against a reasonable 40 per cent [Shenoi 1993]. As a result, the oilseed grower received only 50 to 60 per cent of the consumer rupee [Shenoi 1993]. These factors are a disincentive to oilseed growers. Through administrative interventions, establishment of co-operatives and regulated markets, the role of the middlemen and other exploitative elements in the oilseeds trade is being reduced, if not eliminated, so as to give a fair deal to the oilseeds growers and consumers.

The role of price and technology in stimulating agricultural growth is well established. In the case of oilseeds, both price and technology have been observed to be important variables influencing their supply response [Ninan 1989]. However, while acknowledging the role of price in stimulating production, and in enabling a farmer to offset a decline in his income from oilseeds cultivation on account of declining or stagnant relative yields through an increase in price, in a dynamic setting it is technology which is a more important factor [Ninan 1989]. This is because development of cost-effective or high yield low cost technology can itself change the scenario for oilseeds. An earlier study noted that while price of oilseeds *vis-a-vis* prices of its competing crops had registered a significant increase during the period 1954-84, yields of oilseeds had either declined or remained stagnant in relation to that of its competing crops during the same period [Ninan 1989]. Technology, therefore, seems to be the major constraint to increasing oilseeds production.

India's strategy for increasing oilseeds production lays emphasis on both ensuring remunerative prices to the oilseeds growers as also developing and popularising viable technologies that will increase productivity at low cost. The price support operations for the oilseeds sector in India are at two levels – one is a farm price support scheme administered by the National Agricultural Co-operative Marketing Federation (NAFED) which provides floor price for six major oilseeds, viz, groundnut, sunflower, soyabean, rapeseed-mustard, safflower and toria. However, the need for NAFED's intervention in the oilseeds market has not risen or been negligible in the past since prices of groundnut and other oilseeds have

always remained well above the support price. The other price support operation is by the National Dairy Development Board (NDDB), which was assigned the task of intervening in the wholesale market through the market intervention operation (MIO) by the government of India in April 1989, to maintain the wholesale price of groundnut and mustard oil within a price band specified by the Empowered Committee on Oilseeds Policy, constituted by the government of India. During the oil year 1988-89, for instance, the wholesale price band for groundnut oil was fixed at a minimum of Rs 20,000 per metric t and a maximum of Rs 25,000 per metric t. Similarly for mustard oil these price bands were Rs 17,000 and Rs 23,000 respectively. This spread of around 35 per cent between the two levels was considered adequate to cover the cost of storage, processing and a fair return on investment [Shenoi 1993]. During 1990-91 and 1991-92, no price bands were declared due to a variety of reasons such as shortfall in domestic production, uncertainty in imports, etc. However, the NDDB was able to contain the intra-year price spread of groundnut oil within the reasonable limit of 30 per cent, and 45 per cent in the case of mustard oil. Prior to the MIO the intra-year price spreads of major edible oils despite huge edible oils imports had been as high as 80 to 100 per cent, whereas after the MIO, this spread had reduced to 30 to 50 per cent.

However, there is a body of opinion that argue that lack of remunerative prices, at least until the advent of the TMO, was the main constraint to increasing oilseeds production [Cf Kurien 1986, *vide* Ninan 1989]. Supporters of this viewpoint were also critical of the policy of importing edible oils which unduly depressed domestic prices and turned out to be a disincentive to increasing oilseeds production. But Indian oilseed and edible oil prices have ruled higher than world prices for several years in the recent past. A study by Professor Dantwala also noted that the wholesale price index for oilseeds being 347.7 in 1986-87 was distinctly higher than for cereals and cotton, being 276.3 and 184.7 respectively [Dantwala 1987]. Further, the annual rate of increase in oilseed prices from 1950-51 to 1986-87 has also been higher than that for other agricultural commodities. The rate of increase was relatively much higher for the period beginning from 1970-71. Further, the study observed that during the last decade price parity measured by the wholesale price index had moved distinctly in favour of oilseeds. The percentage increase in procurement/support prices for different crops between 1975-76/1977-78 and 1985-86 indicated that the increases in support prices for different varieties of oilseeds had been more generous compared to increases

in the support prices of other agricultural commodities. In fact, as mentioned earlier, market prices of oilseeds have always ruled higher than the support prices, and the need for NAFED's intervention in the oilseeds market never arose or at most been negligible in the past. The ministry of finance's index of edible oil prices (with 1970-71 as base) stood at 423 points during 1988-89 as against 408 for all food commodities. In most recent years the edible oil price index has stood at a higher level than for all food items. In 1986-87 and 1987-88 it also ruled above the general price index for all commodities. From this it is clear that price has not been the major constraint to expanding oilseeds production and that other factors like lack of a viable or acceptable technology, greater risks associated with production and marketing of oilseeds, priority to increasing foodgrains production may explain better this constraint. The TMO and other agencies have been addressing to some of these issues by developing and popularising better and viable technologies as also giving incentives to cover the various risks associated with oilseeds cultivation. Its efforts seem to have borne fruit as evinced by the rapid rise in the growth rate of oilseeds from the secular growth rate of 2 per cent per annum or below during the last three or four decades to over 6 to 8 per cent per annum during the last five years from 1988 to 1992. A strategy which relies on the price mechanism has also limitations and important implications. Since coarse cereals, the main staples of the low income groups are the main competitors of oilseeds, any price policy favouring oilseeds, will be at the cost of coarse cereals by creating disincentives for producing coarse cereals. In fact, the surge in oilseeds output during the last five years has partly come through diverting coarse cereals area to oilseeds cultivation, as noted earlier. The profitability of a crop is not determined by price alone, but also by other factors like yields, cost of inputs, risks, etc, and hence a strategy which relies on the price mechanism to boost oilseeds output has its inherent limitations. It is also well known that the aggregate supply response of agriculture is low. Moreover, the Indian experience shows that it was only when there was a technological breakthrough that production of wheat and rice recorded a spectacular rise. This can be true for oilseeds also.

The mounting deficits in our domestic oilseeds production and rising import bill prompted the government of India to give a special thrust to boosting our oilseeds production by providing suitable incentives and institutional support. This resulted in the constitution of a technology mission on oilseeds by the government of India in May 1986, as mentioned earlier. The mission's aims are to harness the best of production,

processing and management technologies to realise self-reliance in the oilseeds and vegetable oils sector through the following: (a) improvement of oilseed crop technology by developing improved/hybrid crop varieties that give high yields, reduced crop duration, tolerant of droughts, other stresses, and with better resistance to pests and diseases, with other desirable attributes and also varieties suitable for cultivation in diverse agro-climatic situations and environments; (b) improvement of post-harvest and processing technology by developing modern integrated processing technology, stepping up oil extraction from oilcakes and also improving traditional oil-ghanis; (c) transfer of technology and farmer support systems like distribution of quality seeds, fertilisers, pesticides, credit, implements, etc. (As part of this programme a Rs 170-crore National Oilseeds Development Project (NODP) covering 180 districts in 17 states was taken up for implementation. Another project known as the Oilseeds Production Thrust Project (OPTP) with a budget of Rs 125 crore covering 246 oilseed-growing districts of the country was also taken up for implementation from 1987 onwards. The NODP and OPTP were emerged into a single programme during 1990-91 called the oilseeds production programme (OPP). The OPP covers 282 oilseed-growing districts spread over 18 states. Total costs of the programme are to be shared between the centre and states on a 75:25 basis. The total planned outlay for the OPP during 1990-91 was Rs 69.97 crore. The programme covers all the major nine oilseeds cultivated in India), and (d) finally, the TMO also seeks to guarantee support prices to farmers and support to industry in the co-operative and private sector for processing, storage and marketing. The impact of the TMO and other programmes on the Indian oilseeds sector has been spectacular, as mentioned earlier with production of oilseeds which was stagnating at around 11 to 13 million t during the mid-1980s rising to over 21 million t during 1992-93 within the short span of five years or so. This means that the growth rate in oilseeds production has accelerated to over 6 per cent per annum during the last few years which represents a clear break from the secular growth rate of 2 per cent per annum or below recorded by oilseeds production in the previous three decades or so, as noted earlier. How far this growth momentum can be maintained needs to be seen.

Along with the TMO, the NDDB has been assigned an important role in restructuring India's oilseeds and vegetable oils sector from 1989 onwards with a view to eliminate the role of middlemen in oilseeds trade and also help the oilseeds grower to realise a higher share in the consumer rupee. Under this programme, the NDDB has been

bringing farmers together under Anand-type co-operative federations. These co-operatives procure oilseeds directly from its members, i.e., the oilseeds growers, provide technical input and extension services for production enhancement programmes and also look after all activities right from procurement, processing and marketing to final sale of product (Mukunda Das 1987). In the process not only are farmers paid a fair price based on standardised quality assessment but also the consumers are given a quality product at a fair price. By June 1992, NDDB had helped set up 5,017 Anand-type oilseeds co-operative societies affiliated to nine state federations with a membership of over 8.2 lakh oilseed growers cultivating an area of nearly 20 lakh ha [Shenoi 1993; Men 1993]. These nine state federations have also developed significant storing and processing facilities, with storage capacity for 1.7 lakh t of oilseeds and 2.77 lakh t of oil, oilseed crushing capacity of 3,310 t of seed per day, solvent extraction capacity of 1,980 t per day as well as refining capacity of 733 t per day have also been established [Shenoi 1993; Men 1993]. These federations have forged strong links with the extension wings of the ICAR and state agriculture departments to provide the farmer members of the co-operative societies the best available technology and inputs. Recent studies indicate that farmers participating in such co-operatives have benefited by earning an additional income of Rs 30 to 50 per quintal of oilseeds sold [Shah and Modak 1986]. The NDDB has also been trying to stabilise supplies and prices through its market intervention operations (MIO), as mentioned earlier. This is sought to be done by building up an adequate buffer stock of edible oils from both imports and domestic sources so as to enable the NDDB to intervene in the wholesale oilseeds/oil market by releasing stocks or engage in procurement operations when the prices of groundnut and mustard oil went outside their prescribed price band. A market intervention fund of Rs 30 crore was to be raised by the NDDB to meet possible losses from MIO. As soon as the fund, including interest reached this target, any surpluses generated by the NDDB from its MIO would accrue to the government. Losses which cannot be met from the MIF are to be reimbursed by the government. To enable the NDDB to fulfil its tasks under the MIO, a special line of credit has been provided to it, from the RBI and NABARD for stocking of oilseeds and oils for the MIO, similar to the line of credit provided to the Food Corporation of India to procure and stock foodgrains. The NDDB has, however, met with only limited success in its MIO. Though it had been able to contain the intra-year variations of groundnut and mustard oil, the two most important edible oils consumed in India, within the prescribed

price bands in the initial two or three years, during 1992-93 prices of edible oils soared to dizzy heights. NDDB's inability to build up an adequate buffer stock of edible oils, partly due to the drastic cut in imports of edible oils, apart from bullish sentiments in the market and restrictions imposed on free movement of edible oils to other states by the Gujarat government, constrained its efforts to intervene in the wholesale market of oilseeds/edible oils. According to a press report, in the initial two or three years when the NDDB's MIO was in operation, despite monsoon failures and other factors, the NDDB was able to contain the price fluctuations since the trade was not aware of the stocks held by the NDDB available for use in their intervention operations. However, during 1993 the stocks held by the NDDB and constraints imposed on the NDDB by the government of India regarding quantum and timing of its purchases under MIO were all leaked out by a leading economic daily. This enabled speculative traders to operate freely and with full knowledge of the activities of NDDB, which made the task of controlling prices difficult. The same news report also suggested that the NDDB and government incurred a loss of over Rs 250 crore or so as a result of the MIO (*Deccan Herald Supplement*, Bangalore, September 21, 1993, p.1). Without an adequate buffer stock of edible oils and storage capacity it will be difficult for NDDB to make an effective presence in the market. The NDDB has already set up oil storage capacity for 1 lakh t at Delhi and another 40 thousand t at Kandla. The government has also reaffirmed its commitment to enable the NDDB to build up a buffer stock of 1.5 lakh t of edible oils as envisaged when the MIO was proposed. Notwithstanding the above, according to another report, the NDDB's MIO enabled groundnut and mustard farmers to realise an additional income of Rs 2,300 crore in 1990-91 (Men 1993). The NDDB has also been trying to influence the consumer market for edible oils by marketing edible oils under the brand name 'Dhara'. Within the short span of four years the Dhara oil has made its strong presence in the retail market and is most sought after by consumers. Sales of Dhara oil rose from a modest 1,187 t during 1988-89 to over 1.13 lakh t during 1991-92. Dhara oils' consistent quality, attractive prices, innovative packaging and good distribution network account for its growing popularity. The NDDB has also been trying to develop a single market for vegetable oils in India, by blending most preferred oils with refined oils and the wide consumer acceptability of its products attests to the success of this programme. In assessing the impact of the NDDB on the oilseeds and vegetable oils market in India, one must not lose sight of the fact that the NDDB has been operating in a hostile environment with the trade, industry

and import lobbies who were used to making huge profits in the past, colluding to make the NDDB's efforts to stabilise supplies and control prices a failure.

Another area which has been receiving special attention and emphasis is the modernisation of the processing sector. This is one of the thrust areas and mini-missions of the TMO as also that of the NDDB. The Indian oilseeds processing industry is widely scattered and segmented. They differ widely in respect of the levels of technology, capital and labour employed, size of operations and capacity, levels of efficiency, etc. From the traditional village 'ghanis' which are operated manually, animal or power-driven, to the expeller units of varying sizes and technology, and solvent extraction plants, to the modern large-scale refining and vanaspati factories, the Indian processing industry displays great diversity and features which are perhaps unique to India. Processing involves both primary and secondary stages to derive the final products which are oil, oilcake, oilmeal, etc., which find wide use and applications in the household and manufacturing sectors. While edible oils are used as a cooking medium and as an input in food-based industries, inedible oils are used to produce technical grade oils for use in the manufacture of soaps, paints, varnishes, etc., whereas oilcakes and meals are used as cattlefeed or an ingredient in cattle or animal feeds and also as a manure. The traditional village ghanis account for a relatively high proportion of the Indian oilseed processing industry. There were more than 25,000 village ghanis all over India during 1988-89 that were working and financed by the Khadi and Village Industries Commission (KVIC), government of India. As per the Livestock Census 1977, there were about 94,000 ghanis in the country. The ghanis seem to be relatively more inefficient as compared to the power mills or modern expeller units in that the oil yield obtained from seeds when crushed in ghanis is relatively lower as compared to that obtained from seeds crushed in power mills or modern expeller units and also the oilcake has a relatively higher oil content. However, both the ghani-produced oil with its distinct flavour and taste and oilcake with high oil content used as a cattlefeed or manure commands a premium in the retail market. There are, therefore, apparent trade-offs between efficiency and consumer acceptability which favour the traditional village ghanis. Moreover, in the context of promoting balanced regional or local-level development, generation of employment opportunities in rural areas, promotion of village industries, etc., ghanis need to be encouraged. According to a KVIC document oil ghanis under the KVIC fold produced oil worth Rs 242 crore during 1986-87 [KVIC 1990]. Its sales rose from Rs 8.7 crore in 1955-56 to Rs 258 crore

during 1986-87. The KVIC oil ghani units provided full time employment to over 40 thousand workers and another 36 thousand workers on a part-time basis during 1986-87. Efforts are on to develop improved ghanis that are more efficient and cost-effective. The KVIC has improved upon the Wardha ghani and developed improved ghanis such as the improved Kallupati, Warangal and Nutan ghanis which incorporate technical improvements over earlier ghanis. The KVIC document further notes that the overhead power-driven improved ghanis takes more capacity per charge, 12 to 15 kg as against only 6 to 10 kg in the case of the improved bullock-driven ghani. It also requires less crushing time per charge, 60 minutes for groundnut, sesamum, and 90 minutes for mustard as against 90 and 150 minutes respectively in the case of the bullock-driven improved ghanis. The cost on motive power for crushing sesamum (til) is Rs 5.5 per quintal in the case of overhead power-driven improved ghani as against Rs 12.50 for improved bullock-driven ghanis. The floor space requirement is also 80 sq ft for the improved power-driven ghanis as against 400 sq ft for the bullock-driven ghani. Research by the CSIR and other agencies are also in progress to develop improved ghanis and expellers. An improved small expeller designed and fabricated at Merado, Ludhiana improves over the technical constraints of traditional expellers and also extracts more oil. In the case of large expeller units an improvement in operation by switching over to a two-step expelling operation will reduce energy consumption per ton of seed crushed and yield more oil (i.e., about 34 kg of additional oil per ton of seed with 40 per cent oil). In the case of the village ghanis emphasis in research ought to focus on developing energy-efficient and cost-effective ghanis rather than increasing the oil yield from seed and oilcakes in view of the consumer preference and premium for ghani-produced oils and oilcake. In the case of expeller and other large units in addition to energy-efficient and cost-effective technologies research should also focus on improving the oil yield from oilseed, oilcake, etc. Inefficiencies in the Indian oilseeds processing industry are estimated to result in a loss of 5 lakh t of oil annually. This needs to be reduced by developing and popularising improved oilseeds processing units. In addition to the NDDB, the National Co-operative Development Corporation (NCDC) is also involved in developing and modernising India's oilseeds processing sector. As of 1988-89, the NCDC has sanctioned assistance to the tune of Rs 330.22 crore for setting up 132 oilseed processing units in the co-operative sector. The Indian oilseeds processing industry has excess capacity to the tune of 40 to

50 per cent. While there is seemingly no need for any additional capacity to cope with the envisaged increase in domestic production of oilseeds, there is clearly a need for modernising the processing sector to eliminate wastages and make it more competitive.

Apart from the constraints mentioned above, there is another factor which may come in the way of harmonious development of the oilseeds and vegetable oils sector. This is that several agencies are involved and concerned with the oilseeds and vegetable oils sector. Oilseeds production programme is under the aegis of the ministry of agriculture, government of India and the state agricultural departments; research under the Indian Council of Agricultural Research; price and market support interventions by the NAFED and NDDB; public distribution by the department of civil supplies; processing technology by the CSIR; and imports are handled by the State Trading Corporation. Often they would work without co-ordination or at cross purposes. The TMO has, in a way, been trying to play the role of an overall co-ordinator though there is much more that needs to be done in this area.

India's quest for self-sufficiency in edible oils, however, has attracted criticism in certain quarters. Since Indian oilseed and edible oil prices have ruled higher than world prices for several years in the recent past and also since the Indian oilseeds sector is observed to be net subsidised as per the findings of one study it is argued that on grounds of economic efficiency and comparative advantage it would be advantageous for India to concentrate on production of commodities such as rice, cotton in which it is internationally competitive, export them and use the foreign exchange so earned to import edible oils [Cf. Gulati 1990]. Gulati's study tried to estimate the degree of protection enjoyed by the Indian oilseeds sector and used three incentive indicators or types of protection coefficients: (i) nominal protection coefficient (NPC) – i.e., ratio of domestic to world reference price of the commodity under consideration, (ii) effective protective coefficient (EPC) – i.e., ratio of value added at domestic prices to value added at world reference prices, and (iii) effective subsidy coefficient (ESC) – i.e., ratio of value added at domestic prices inclusive of net subsidies on tradable inputs to value added at world reference prices. Using these three types of protection indicators, Gulati's study notes that in the case of all the oilseeds and states under review, i.e., groundnut in Gujarat, rapeseed-mustard in Uttar Pradesh, soyabean in Madhya Pradesh, and sunflower seed in Maharashtra, during the period 1980-81 to 1986-87, the NPCs, EPCs and ESCs were all above unity. The

FSCs for groundnut and rapeseed-mustard which were 1.59 and 1.61 over the period 1980-81 to 1986-87 were much higher than the same for other commodities like wheat (0.93), rice (0.88) and cotton (0.75) [Gulati 1990]. This comparison of Indian domestic oilseed prices including subsidies with world reference prices, to adjudge the degree of protection enjoyed by the Indian oilseeds sector is not without flaws. For instance, it is well known that farmers, including oilseed growers in the US and Europe receive large direct and indirect subsidies. Any comparison of the degree of protection enjoyed by Indian oilseeds growers *vis-à-vis* the rest of the world would be incomplete and give a distorted picture if it takes note of the subsidies enjoyed by the Indian oilseeds growers but ignores to take into account the huge subsidies enjoyed by the US and European oilseeds growers in its analysis. The world reference price, therefore, appears to be an inappropriate yardstick for comparison, unless it is adjusted to account for the large subsidies given to the US and European oilseed growers (USA and the European Economic Community (EEC)). It may be noted, are major players in the international trade of oilseeds/vegetable oils. It has been noted that the support prices paid to the Indian groundnut and mustard growers are less than the support prices paid to the groundnut and mustard growers in the US and Europe [Shenoi 1993]. Aggregative or macro-level studies often tend to hide several micro-level or ground realities. In Gujarat, for instance, the crops that mainly compete for area with groundnut are bajra, jowar and cotton. During the period 1954-55 to 1981-82, the ratio of groundnut yield to that of jowar and cotton yields were greater than unity [Ninan 1989]. In relation to bajra it was slightly less than unity during 1979-80 to 1981-82. However, for the 27-year period reviewed, except in 9 years, the ratio of groundnut yield to bajra yield had been greater than unity. Groundnut, therefore, continues to hold an edge over its competing crops in terms of yields in Gujarat. The prices of groundnut relative to those of bajra, jowar and cotton too had increased significantly during this period [Ninan 1989]. The ratio of gross income (i.e. yield valued at farm harvest price) from groundnut to bajra is around 2, and over 3 in relation to both jowar and cotton [Ninan 1989]. Another study notes that groundnut yielded slightly less profits over paid out costs (i.e. Rs 1,844 per ha) as compared to bajra (Rs 1,927 per ha) in Gujarat [Gulati 1990]. The same study also notes that the rate of profitability (i.e. rate of profit over paid out costs) was the highest (119.84 per cent) for jowar, followed by bajra (105.43 per cent), groundnut (70.58 per cent) and lowest in cotton (68.63 per cent). Both

bajra and jowar are low value subsistence crops with a limited market and even despite their relatively higher rate of profitability compared to groundnut and cotton in Gujarat, farmers may still prefer to grow groundnut which is a cash crop with an assured and growing market. Cotton, the alternate cash crop, as the above analysis reveals is less profitable than groundnut in Gujarat. Thus groundnut enjoys a comparative advantage over its competing crops on various considerations in Gujarat. In Andhra Pradesh which has displaced Gujarat to emerge as the largest groundnut-producing state in the country, groundnut yielded more profits over paid out costs (i.e. Rs 1,239 per ha) as compared to its competing crops, jowar (Rs 426 per ha), moong (Rs 745 per ha) and urad (Rs 1,187 per ha) during the 1980s [Gulati 1990]. In Orissa too where groundnut area and production have been appreciating fast, groundnut yielded the maximum profits over paid costs (Rs 3,620 per ha) as compared to moong (Rs 1,096 per ha) and paddy (Rs 2,025 per ha), its competing crops [Gulati 1990]. Take also the case of rapeseed-mustard which is the next most important oilseed grown in India after groundnut. In Rajasthan where increase in rapeseed-mustard area and production has been the most as compared to other states, the main competing crops for area are wheat, barley, gram and other rabi pulses. During the period 1954-55 to 1981-82, particularly the post-green revolution period, movements in relative prices, yields and gross incomes have, by and large, been favourable to rapeseed-mustard in Rajasthan [Ninan 1989]. Profits over paid out cost during 1983-84 for rapeseed-mustard ranged between Rs 2,000 and 3,000 per ha in Rajasthan, Uttar Pradesh and Assam [Shenoi 1989]. Thus, it is clear that groundnut and rapeseed-mustard, our two most important oilseeds have an edge over their competing crops in different states. However, the limitations of a strategy which relies on the price mechanism for boosting oilseeds output and the need for a technology-induced growth in the long run have been emphasised earlier. There are other considerations also to justify India's quest for realising self-sufficiency in its requirements of oilseeds and vegetable oils. Given the bad experience with food aid (with strings attached) it is necessary for India to be self-reliant in an essential commodity like edible oils. The halting of food shipments to India during the Vietnam war and of wheat exports to the erstwhile Soviet Union by the US government are events that should not be overlooked. When agriculture even in the developed countries such as in the US, Europe and Japan are being heavily protected it is difficult to understand why Indian agriculture is being singled out for criticism on account of the various

incentives and subsidies extended for its growth and development.

The target of 26 million t of oilseeds production set by our planners for being attained by the year 2000 is not beyond reach if the present tempo of growth in oilseeds production at over 6 per cent per annum realised during the last five years or so (i.e. 1988 to 1992) is maintained. The strategy for boosting India's oilseeds output should, among others, lay emphasis on a regional approach to increasing oilseeds production keeping in view the regional diversities in the trends and patterns of growth of different oilseeds, on both technological and price factors and also through diversification of India's oilseeds economy by encouraging production of different oilseeds and varieties including traditional and non-traditional oilseeds/oil-bearing crops as also extending its cultivation in non-traditional areas. This will also help in stabilising our domestic supply of oilseeds and also cope with unforeseen eventualities. Apart from the major oilseeds, there are several crop by-products such as that of rice and cotton as also several oleaginous species of tree/forest origin which if properly exploited could meet a considerable part of our requirements of oilseeds and vegetable oils. If India fully exploits the potential of rice-bran and cottonseed it would be possible to generate an additional 1 million t of oil [Rao 1987, *vide* Ninan 1989]. However, due to technical and economic constraints it has not been able to fully exploit the potential of these sources of vegetable oil supply. The oils in the rice bran tend to get decomposed by active enzymes in the bran if the latter are not destroyed through the process known as stabilisation. This process of stabilisation needs to be undertaken immediately after processing rice in rice mills. The Indian rice mill industry, however, needs to be modernised to facilitate this process of stabilisation if rice bran is to emerge as a major source of our vegetable oils supply. In the case of cottonseed, apart from the technical problems in extracting the oil from the seed, it is preferred as a cattlefeed and unless suitable alternatives for cattlefeed are found, it would be difficult to expect cottonseed to contribute to a major share of our requirements of vegetable oils. The potential oil from seeds of tree/forest origin is placed at about 1 million t [National Commission of Agriculture, 1976 *vide*, Ninan 1989]. However, the TMO and the Indian Council of Agricultural Research has put this potential at a higher figure, i.e. at about 2 million t of oil. Production of solvent extracted oil could also be stepped up to 0.35 million t [*vide* Ninan 1989]. Coconut is another important source of edible oils in India. However, productivity of coconut has been declining due to root-wilt disease. The annual loss in coconut production due

to root-wilt disease is estimated at 1,000 million nuts. Almost a fifth of Kerala's coconut palms are reported to be affected by root-wilt disease. Replantation of diseased coconut trees needs to be given priority in the drive for self-sufficiency in edible oils. By exploiting the potential of maize germ and other crop by-products, it should be possible to produce a few more lakhs of vegetable oils. Oil-palm, if popularised, could be another important source of edible oil, as suggested in an earlier study [Ninan 1989]. Its per ha oil yield is the highest (over 5,000 kg) as compared to other crops like coconut (615 kg), sunflower (275 kg), groundnut (201 kg) rapeseed-mustard (161 kg), soyabean (120 kg) and sesamum 82 kg [Meenakshi 1986 vide, Ninan 1989]. It is a capital-intensive crop and suited only for large-scale production under corporate or co-operative management. An advantage is that it is not a seasonal crop but is produced all-round the year and is also singularly free from pests and diseases. It gives a steady stream of income spanning over 30 years after an initial gestation period of five to seven years. Areas to the extent of 7.96 lakh ha have been identified in Kerala, the Andaman-Nicobar Islands, Karnataka, Andhra Pradesh and other states suitable for growing oil-palm. Under the Eighth Five-Year Plan, 80,000 ha was proposed to be brought under oil palm cultivation. If oil palm cultivation hopefully catches up, India could be self-reliant in the oilseeds sector as also be in a position to stabilise its domestic supply of vegetable oils.

In the context of the changing global and domestic policy environment and the process of economic reforms initiated in India since 1990 with its emphasis on market liberalisation and globalisation as also a reduction in the role of the state and public expenditures it would not be out of place to mention a word or two regarding the possible implications of these policy changes on India's agricultural economy in general and on the oilseeds sector in particular. Though a reduction in government budgetary deficits and public expenditures is one of the avowed objectives of the structural reforms in India, evidences suggest that if agricultural growth in India is to be accelerated and sustained, if private investment in agriculture is also to be stepped up, then public investment in agriculture itself needs to be stepped up [Ninan 1994]. Though the GATT agreement on the Dunkel Draft envisages an increase in global trade through a reduction in tariff and non-tariff barriers and also a reduction in subsidies, according to the government of India, this will not affect the present level of subsidies for Indian agriculture since it is well within the prescribed limit as imposed by the GATT agreement on the Dunkel Draft. It is also

reported that once the GATT agreement comes into effect procurement of agricultural commodities will have to be made at market prices. However, we have already noted that in the case of oilseeds, market prices have ruled higher than support prices. To that extent the various incentives and institutional support extended to the oilseed sector may be unaffected or have only minimal impact. In fact if subsidies to agriculture which are very high in the developed countries are to be reduced in consonance with the limits stipulated by the Dunkel Draft international oilseed/oil prices may go up. If India were to meet its requirements of oilseeds/vegetable oils through substantial imports rather than through increased domestic supplies, it may have to pay more hereafter. This will aggravate further our BOP position. Even if India were to concentrate on production of crops like rice and cotton for export purposes in which India is stated to have a comparative advantage, there is no guarantee that our export earnings will go up considerably. The experience of many African countries, which concentrated on export crops in the process of structural adjustment, found to their consternation that despite their comparative advantage and increase in production of export crops, export earnings actually fell due to a recession in the global market [Ninan 1994]. For instance, Ghana raised production of cocoa considerably but due to a glut in the world market Ghanaian export earnings from cocoa declined. If global trade opens up India could of course take advantage of this by encouraging exports of agricultural and other commodities in which it has a comparative advantage. There are also possibilities of stepping up further exports of HPS groundnut, and of oilcake and meal in which we have a comparative advantage and for which there is a ready and growing market. In the context of a greater role being assigned to the private sector in the economic development of the country it would be interesting to note that big corporate bodies such as the Indian Tobacco Company (ITC) and the Hindustan Lever Company have been quite active recently in the Indian oilseeds processing sector. It is reported that due to the special support given by the ITC group of companies to farmers growing sunflower in Andhra Pradesh and Karnataka, sunflower output has increased by about 200 per cent in the last seven years ending 1992-93 [Shenoi 1993]. Other implications of the Dunkel Draft on Indian agriculture and the oilseeds sector in particular, especially Trade-Related Intellectual Property Rights (TRIPS) and patent rights need to be looked into. The expansion of production of non-traditional oilseeds and oil-yielding crops like sunflower, oil palm relies on use of imported varieties for research and development and the implications of the

GATT agreement on this need to be assessed, India which has also emerged as one of the world's largest producers of milk and milk products can also tap this sector for its requirements of oils and fats. In conclusion, India's quest for self-reliance in the oilseeds and vegetable oils sector is not beyond reach particularly in view of the strides and acceleration in growth achieved in the last few years primarily due to the efforts of the TMO, NDDB and other agencies concerned with the oilseeds sector.

[This paper is part of a larger study on 'Factors Causing Fluctuations in Groundnut Output in India', prepared by the author. The author wishes to thank P V Shenoi and other participants of a seminar at ISEC, Bangalore and also to V Rajagopalan and G N Rao for their helpful comments on the larger study.]

References

- Acharya, S S (1993): 'Oilseeds and Pulses - Price Policy and Production Performance', *Indian Journal of Agricultural Economics*, Vol 40, No 3, July-September.
- Dantwala, M L (1987): 'Price Policy for Oilseeds' *The Economic Times*, September 10.
- Das, V Mukunda (1987): *Co-operative Oilseeds Marketing in India*, IRMA, Anand.
- Gulati, A (1990): 'Incentives for Oilseeds Cultivators - Implications for Efficiency', *Journal of the Indian School of Political Economy*, Vol 2, No 2, May-August.
- Meenakshi, J V and others (1986): 'The Impact of India's Grain Revolution on the Pulses and Oilseeds', Cornell, International Agricultural Economics Study, No AE RES 86-22, Cornell University, Ithaca, New York, November.
- Men, Anshu (1993): 'Self-Sufficiency in Oilseeds Production', *The Observer*, Bombay, September 28, p 8.
- National Commission on Agriculture (1976): *Report on Demand and Supply Aspects* (Part III), Ministry of Agriculture, Government of India.
- Ninan, K N (1989): *Edible Oilseeds - Growth, Area Responses and Prospects in India*, Oxford and IBH Publishers, New Delhi.
- (1993): *Factors Causing Fluctuations in Groundnut Output in India*, ISEC, Bangalore (mimeo).
- (1994): 'Agricultural Growth, Institutional Intervention and Rural Poverty Trends in India - Their Linkages in the Context of Structural Adjustment and Liberalisation', paper presented at the 22nd International Conference of Agricultural Economists, held at Harare, Zimbabwe between August 22-29, 1994.
- Shah, T and S Modak (1986): 'Co-operative Organisations in Indian Oilseeds System: A Study on the Role of Crofed in Groundnut System in Gujarat', Research Report No 2, IRMA, Anand.
- Shenoi, P V (1989): *Oilseeds Situation in India*, Department of Agricultural Research and Education, Ministry of Agriculture, Government of India, New Delhi.
- (1993): *Oilseeds Development - Role of Market Intervention and Policy Support*, ISEC, Bangalore (mimeo).

Environment and Sustainable Agricultural Development

Conflicts and Contradictions

V Ratna Reddy

Sustainable agriculture involves not only the identification and application of improved technologies but the incorporation of ecological and socio-economic considerations. Inevitably conflicts and contradictions arise. This article focuses on the inherent conflicts and contradictions which come in the way of operationalising the concept of sustainable development in the context of Indian agriculture.

I

Introduction

THE concept of sustainable development came into prominence in 1980 and evolved itself as one of the mainstream developmental paradigms by late 1980s. In the process it has undergone numerous changes in its definition and objectives. However, the most popular definition so far has been the one adopted by the World Commission on Environment and Development [WCED]. According to this definition "Sustainable development is development that meets the needs of present without compromising the ability of future generations to meet their own needs" [WCED 1987].

In the overall debate on sustainable development agricultural sector is often at the centre of discussions due to the obvious environmental problems associated with farming activities apart from being the dominant sector in the developing countries which are in the centre of controversies related to environment. It is now recognised that sustainable agricultural production not only involves identification and application of improved technologies but also ecological and socio-economic concerns [Pookpakdi 1993]. According to Food and Agricultural Organisation [FAO] sustainable agriculture has been defined as: "The management and conservation of the resource base and the orientation of technological and institutional changes in such a manner as to ensure the attainment and continued satisfaction of human needs for present and future generations. Such sustainable development is environmentally non-degrading, technically appropriate, economically viable and socially acceptable" [FAO 1991].

The definitional objectives of sustainable agricultural development appear to be of a tall order. Broadly, these objectives can be grouped under four properties of agro-eco-systems - productivity (measured in terms of yield or net income or food value, etc), stability (measured as coefficient of variation of yield or net income), sustainability (difficult to measure in quantity terms) and equitability (in terms of income distribution) [Conway et al 1987]. However, these properties cannot be maintained at an equal

scale and a trade off does take place between these in order to achieve the objectives. One has to forego productivity or/and stability in order to achieve sustainability and equitability and *vice versa*. In the wake of population explosion and food security the green revolution technologies appeared to be the answer but they are associated with low sustainability and low/medium equitability [Red Clift 1992]. Conway argues that the ideal solution lies in improving equitability at the cost of sacrificing some of the productivity associated with green revolution technologies [Conway 1985 as quoted by Red Clift 1992]. But, this solution fails to tackle the short run food requirement in the developing world. Even if food requirements are taken care of (externally through imports) sacrificing productivity does not come easily without interventions in social dynamics. For instance, though the grass roots level adoptability of the low-input sustainable agricultural technologies largely depends on the economics of technology, all the objectives of sustainability cannot be achieved simultaneously as a rule and hence trade-offs are inescapable [Tisdell 1988].

In this regard, perceptions and attitudes of the people towards environment and sustainability play a vital role. It may be noted here that the increases in agricultural production in the green revolution regions have occurred through a nine-fold increase in fertiliser consumption, with reducing marginal gains, and at the cost of significant soil salinisation and pollution. Nevertheless, it is being recommended that "many countries should increase yields by greater use of chemical fertilisers and pesticides, [although] countries can also improve yields by helping farmers use organic nutrients more efficiently" [WCED 1987, as quoted in Lele 1991].

These contradictions and conflicts arise mainly due to the fact that the debate on environment and sustainable development hitherto has been based on either dominant social paradigm or a deep ecology paradigm. Often development and ecological concerns are viewed as conflicting goals. The attempts to integrate these two views have not been very successful as they failed to incorporate the socio-ecological aspects into the concept

of sustainability [see for example Chambers 1987; Jain 1988; Jodha 1991]. Besides social dynamics, agrarian structure, technologies, etc, are not given due consideration in the debate on sustainable agricultural development though the role of markets is well recognised, especially by economists. The issues that need further discussion, in this context, include (i) awareness and attitudes of the people at the grass roots level towards environment and sustainability specifically with regard to inter-generational equity, (ii) sustainability within agriculturally developed (green revolution) regions *vis-a-vis* fragile resource regions, and (iii) role of technology and its relevance in working towards environmental protection and sustainable agriculture.

This paper attempts to bring to the fore some of the inherent conflicts and contradictions that come in the way of operationalising the concept of sustainable development in the context of Indian agriculture. Further, it tries to focus on some of the vital aspects or links that are missing in the whole debate and are important to achieve the objective of sustainability. This paper is organised on the lines of four properties of sustainable agro-eco systems suggested by Conway. Accordingly, the paper is divided into five sections - the three sections that follow deal with the aspects of productivity and stability, sustainability and equitability respectively, while some concluding remarks are made in the final section.

II

Productivity and Stability

Though environmental protection/sustainability of agriculture and economic development are compatible on a theoretical plain, in practice a trade-off exists between them. This is more so in the context of developing countries which are predominantly agricultural economies and are presently striving to achieve high growth rates in order to attain basic standards of living. In the late 1960s and early 1970s when the food security was under threat India launched the HYV chemical fertiliser centred technology in a big way (high

productivity). Input subsidies were instituted to ensure rapid acceptance of this technology. Though this high input-intensive technology has helped in achieving the goal of enhanced food production, it has led to numerous environmental problems which became conspicuous by the early 1980s. Further, the complementary nature of these inputs with water has led to the concentration of this technology in well watered regions like Punjab, Haryana and other irrigated regions of the country. The major environmental problems of such an intensive agriculture include: degradation of soils due to inappropriate use of chemical fertilisers and mono-culture, degradation of groundwater quality, increase in use of pesticides leading to health hazards, deforestation and neglect of common property resources (CPRs) which further aggravated the problem of degraded soils, problems of pests and plant diseases which have remained uncontrollable (see Table 1). Besides, the soils which are not suitable for flood irrigation are having the problems of water logging and salinity. As a result, most of the green revolution regions have reached a plateau in productivity, and profitability of farming has started falling, though these regions still continue to be highly productive compared to other regions and hold the key for meeting future food demands [Vyas and Reddy 1993]. Moreover, the high productivities achieved in green revolution regions are observed to be unstable and fluctuating [for instance see Mahendradev 1987; Mitra 1990].

With the emphasis on pushing the new technology in the well endowed regions, which account for only one-third of the cropped area, the rainfed regions have remained largely neglected. This has resulted in aggravating regional inequalities in the country. Population explosion in these regions has further increased the pressure on natural resources like forests, mangroves, other CPRs, etc. Besides, the failure to realise the link between poverty and environmental sustenance has further aggravated the problem. In fact, it is argued that properly conceived poverty alleviation programmes could be a step in the direction of environmentally safe world [Vyas 1991]. All these factors, snowballed into major environmental problems like decline in forest cover, increased soil erosion, silting of reservoirs and lakes, decline in bio-diversity, etc [Vyas and Reddy 1993]. This, in turn results in declining productivity and stability.

Most of these problems arise mainly due to the politico-economic conditions existing in these countries which mostly result from the increasing demographic pressures. The development strategies pursued in these countries are a consequence rather than a cause of the population pressure and poverty. The link between development and poverty alleviation (even decline in fertility rates) portends the development dilemma. For, it

is argued that a five- to ten-fold increase in economic activity (growth required for poverty eradication) may impose an impossible burden on the eco-sphere. On the other hand, without significant reduction in poverty there is no way of controlling the depleting natural resources [Roumasset 1990]. Given the wide variations across the countries in terms of standards of living it is neither appropriate nor adequate to recommend a lower rate of growth. According to Sukhatmoy Chakravarty (1991), "... a recommendation to slow down the rate of GNP growth, despite all the limitations that attach to the concept, would go against the very spirit of sustainable development" [p 71].

Though the growth strategies pursued presently are proving to be environmentally costly, the costs seem to be less important when compared to the immediate concerns of meeting the basic needs given the socio-political conditions in the developing countries. The myopic attitude of the policy-makers arises from the difficulty they face in taking the perspective beyond the time-horizon of their tenure in office and in taking a national or international perspective beyond immediate concerns of their constituents [Miller 1990]. The politicians in the developing countries find it more prudent, given the political instability in most of these countries, to follow populist programmes, with visible short-term benefits, than in adopting sustainable and productivity-oriented programmes, whose benefits are less spectacular and future oriented. In other words, as long as employment and income generation problems rule higher on the political agenda, environmental concerns get only back seat in the developing countries [Reddy and Chiranjeevi 1993].

The nature of political system also does not seem to have any influence on this myopic nature of the policy-makers. For, the environmental degradation does not seem to be restricted to any particular political system, i.e., democratic, centrally planned, etc. As evident from the status of environment in eastern Europe and the erstwhile USSR and China (the centrally planned economies) cannot guarantee environmental protection [see for instance Stokke 1991 and Pearce and Warford 1993]. Similarly, the objectives of economic growth and employment are pursued with equal vigour, at the cost of ecology, in the democratic west with popular support [Stokke 1991].

The increasing concern for environmental problems at the policy-making level in the west are mainly due to the increased awareness among its citizens which is a result of high level of socio-economic development. On the other hand, in the LDCs the present concern for global environment and ecology is largely a result of the initiation and aggressive promotion by the industrialised western countries and some NGOs rather

than from the demands of its own populace. Apart from the international politics involved in promoting global environment, the considerable lag in development of the poor nations, puts them in a great dilemma as to whether to continue with their present route to development and fulfil the promised dreams of their people or to hastily change the definition of development as per the present-day notions of the people in rich countries [Reddy and Chiranjeevi 1993].

However, the overriding conflict between poverty and environment appears to be somewhat over emphasised. For, the level of environmental degradation appears to be universal irrespective of the level of poverty and economic development. The only difference is the nature of environmental degradation - in some regions (industrialised west) it is conspicuous in terms of industry and life style induced degradation in others (developing world) it is more in terms of natural resource depletion. These variations can be observed even within a country like India between fragile resource regions and well endowed regions. It is no denying fact that the environmental degradation is equally bad in the green revolution regions where the levels of poverty and unemployment are substantially lower. Similarly, the environmental problems are more serious in the case of erstwhile USSR and eastern Europe where state ensured at least the basic needs. However, the developed countries (with high living standards and low level of poverty and unemployment) are capable of taking preventive measures for safeguarding their environment in terms of mitigating technologies and also by promoting low productive agricultural technologies (low input intensive). On the other hand, developing countries cannot afford to go for these technologies as their priorities lie in meeting the basic requirements of their people. But, neither of the worlds is willing to change its life styles (the underlying assumption of the deep ecology paradigm) as the basic human psychology is the same everywhere.

As far as agricultural sustainability is concerned, climatic factors also play an important role. The threat to agricultural sustainability is more conspicuous in the countries (Asian and African) which are located in tropical regions where rainfall is capricious. Adding to this the population pressure is leading to extensive dependence on CPRs and the resulting land degradation. On the other hand, despite the fact that forests have virtually vanished in Europe the problems of degraded soils, natural vegetation and *in situ* moisture are on a lower scale due to the humid conditions and high rainfall. In these conditions the rejuvenation of natural resources is also easier. In other words, depletion of renewable resources in temperate zones is likely to have less adverse impact on human welfare when compared to tropical

zones [Pearce and Warford 1993]. But, the same may not be true in the context of humid regions in developing countries due to lack of alternative livelihoods (non-farm income, etc) and consequent interaction (over) with the eco-system.²

The role of technology in the process of sustainable agricultural development (in terms of enhanced productivity and stability) is often been sidelined in the entire debate. The contribution of Jodha (1991), in this context, stands unique though it mainly addresses the fragile resource regions. He tried to incorporate inter- and intra-generational aspects (population pressure) while defining the sustainability: "It is the ability of the system to maintain a certain well defined level of performance over time, and if required to enhance the same through linkages with other systems without damaging the ecological integrity of the system" [stress added, p A-15]. Deviating from the naive arguments that traditional technologies are more sustainable, he argues that they (traditional methods) are conducive for sustainable resource management under low pressure of demand in relatively isolated or inaccessible situations, but they are becoming increasingly unfeasible and ineffective in the context of rising pressure on fragile land resources [p A-22]. Further, he points out that "the indigenous systems, though oriented to resource use with conservation, do not possess high productivity technological components to ensure high use intensity and resource conservation simultaneously. The new science and technology-based interventions have capacity to raise use intensity and productivity of land but they are generally indifferent to conservation considerations. The above facts form the basic ground for blending the positive features of the two" [Jodha 1991 p A-22].

The need for appropriate technologies for sustainable agricultural development ought to be analysed from two angles. One is that the feasibility of the technologies, currently termed as sustainable, at the operational level and the other is regarding the relevance of high productive technologies (biotechnology, etc), now available or being developed, for sustainable agriculture. At present the technologies that are most talked about for agricultural sustainability are 'low input intensive agriculture', 'organic farming' or 'natural farming', etc. Research elsewhere suggests that the low input sustainable agriculture is less productive and less profitable compared to conventional technologies (i.e., high chemical fertiliser intensive) [see for instance Kikuchi 1993; Hsiao 1993; Dobbs 1993]. These practices are less profitable despite the fact that organically produced products get premium prices in the markets [Dobbs et al 1991 as quoted in Dobbs 1993]. Moreover, low input sustainable systems can be more risky for farmers than conventional systems, especially

during transition, specifically with regard to weed control [Dobbs 1993]. Similarly, it is observed in the case of azolla³ (a low input) technology in Philippines, constraints such as vulnerability to insect-pest and high labour requirements could easily undermine the sustainability of the technology [Kikuchi 1993]. In the Indian context also high labour costs coupled with long gestation periods are attributed to the non-adoption of organic farming practices [Down to Earth 1993]. Therefore, the feasibility of these farming practices depends on profitability at the farmers level. Unless economic incentives are provided, significant adoption will not be possible [Hsiao 1993]. This may be the reason why in a vast country like India we have only a handful of farmers to boast about in organic farming [the case of Shri Narayan Reddy near Bangalore seems to be the only case that is being quoted often in the past several years, see Nadkarni 1988; *Business India*, June 22-July 5, 1992; *Down to Earth* 1993].

In the prevailing conditions in developing countries, organic or low input intensive farming systems are not only unadaptable at the farmer level due to low profitability but also at the policy level consequent to the long gestation periods required for these systems to be as productive as the conventional systems. Moreover, this conflicts with other environmental aspects like afforestation. While ecological concerns require the conservation of forest lands, the low input sustainable agricultural technologies demand extensive cultivation practices (i.e., encroaching forests) in the light of increasing population pressure and the resulting food demands. This in turn gives rise to another conflict between tribals and environment. Given the goals of meeting food requirements and self-reliance in the developing world it is most unlikely that politicians would support the promotion of these systems in the near future. Moreover, recent research also raises doubts on the ecological sustainability of some of these systems. The ongoing experimental research on 'Paddy Cultivation and Global Warming' at the International Rice Research Institute, Philippines indicate that the increase in temperature (global warming) through paddy cultivation is substantially higher when organic manure is used compared to chemical fertilisers.⁴ Similar doubts are raised with regard to the health hazards (in terms of nitrates concentration in ground water) due to the use of chemical fertilisers *vis-a-vis* organic manure [Conway 1989, as quoted in Vidyasagar 1993].

On the other extreme, we have the technologies that are being used by Israeli farmers for the past 25 years. These technologies which use saline water and mostly operate under full human control are more productive and even sustainable (continuously increasing productivity levels during the past 25 years) when compared to the highly acknowledged conventional

technologies. During the past decade yield rates have gone up by nearly 20 times for tomato, water melon and other fruit and vegetable crops and, most importantly, they are competing in the international markets without much of government support [Moti Harare 1993].⁵ Similarly, bio-technology, when developed to its full extent, may be of vital importance for sustainable agriculture in terms of productivity, stability, and sustainability of the agro-systems as defined by Conway [for differing views and various aspects of biotechnology see Swaminathan 1992 and Ahmed 1992]. But the equity aspects, which are equally important for attaining agricultural sustainability may be left out by these technologies. Therefore, the potential for these technologies can be enhanced if the equity aspects are taken care of externally.

The preceding discussion brings out clearly that the conflicts and contradictions associated with productivity and stability aspects need to be addressed at the policy as well as technology levels. At present environmental concerns do not find place in policy planning due to the myopic attitude of the policy-makers towards solving the problems of poverty and unemployment. It is important to realise that poverty and employment are not solely responsible for the current environmental problems and long run solutions can be sought by following environmentally sustainable path. Incorporation of ecological aspects into policy planning would largely depend on the awareness and attitudes of the people towards environment. As far as technologies are concerned, development of economically viable and environmentally friendly technologies would go a long way in achieving the objectives of productivity and stability.

III Sustainability

Sustainable agriculture or sustainability has been defined and interpreted in a number of ways in the recent literature [see, for instance, Chapman and Barker 1991; Dixon and Reyes 1990; Pookpakdi 1993; Malik and Faeth 1993; Lele 1991; Ray 1993; Chopra 1993]. But, they fail to comprehend with the overall objectives of inter- and intra-generational equity. Even at the conceptual level it is difficult to circumvent the conflicts between the present and future generations' interests. While needs are conceived differently from one environment and culture to another in the same generation, how future generations will conceive of their needs may well be beyond our imagination, although calculations may be based on some fixed standards involving what at present are conceived of basic human needs [Stokke 1991]. The equivocal nature of the concept is believed to have hampered the direction

of policies of international agencies [Lele 1991].

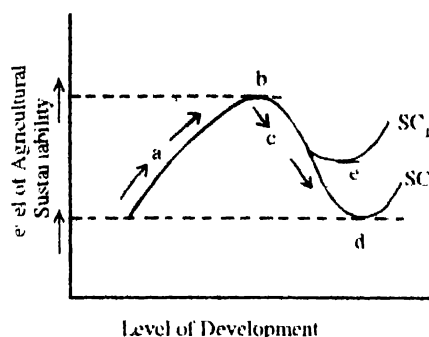
As far as the sustainability aspect is concerned the debate on sustainable agricultural development has often sidelined the two important aspects, namely, (i) the long-run (inter-generational) *vis-a-vis* short-run (intra-generational) impact of sustainable agricultural development, and (ii) the inter-regional variations in the level and process of sustainability and thus missing on socio-ecological interactions. Though the writings of Chambers (1987) and Jodha (1991) clarify the first aspect to some extent, they fail to address the second issue as they restrict themselves to the problems of fragile resource regions.

Chambers (1987) argues that sustainable development can be achieved by securing livelihoods for the critical group of the very poor which would result in stabilising environment, enhancing productivity and establishing a dynamic equilibrium of populations and resources. According to him: "A solution is sought not through unproductive conservation but through development with a positive impact on livelihoods which, in turn, later become sustainable. Short-term improvements in living thus create conditions for later livelihood-intensive and sustainable human use of environment" [Chambers 1988, p 16]. These solutions hold good for the resource poor regions where majority of the population lives below the sustainable livelihood [SL] line. But, what happens once the critical populations cross the SL line? Do they still continue to safeguard the long run sustainability of the system because they know very well that their survival depends on the sustenance of the agro-system? Or do they act in the fashion akin to their counterparts in the endowed regions, e.g. over-exploitation and misuse of natural resources which is prevalent in the developed regions (green revolution belt). The experience indicates that they would go more in the way of their counterparts. In other words, once livelihoods are stabilised in terms of soil rejuvenation, groundwater replenishment, etc. people tend to over-exploit the natural system in order to reap the benefits in short run. A case in point is the experience of 'pani panchayat' in Maharashtra. Despite the dedicated involvement of a committed NGO some of the user groups of lift irrigation schemes are breaking away in pursuance of short run gains. These groups of users who came together to fight the drought and severe adverse environmental conditions could not only come out of the poverty trap but also achieve fairly good living standards [for details see Deshpande and Reddy 1990]. This was possible through watershed programmes, following low water intensive cropping patterns, judicious water management, etc. However, within a short span of five years individual farmers started

TABLE : STATUS AND PROCESS OF SUSTAINABLE AGRICULTURE

Fragile Resource Regions	Well Endowed Resource Regions
Physical Environment	
(a) Harsh climatic conditions	(a) Favourable climatic conditions
(b) Degraded soils and desertification	(b) High-intensive or non-organic input use
(c) Depleting natural resources like forests, groundwater and other common-property resources due to population pressure.	(c) High irrigation or cropping intensities
(d) Lack of vegetation and <i>in situ</i> -moisture	(d) Increasing waterlogging and salinity
(e) Low input intensity in agriculture production and limited protective irrigation facilities	(e) Declining soil fertility
	(f) Increasing health hazards
	(g) Depletion of natural resources like forests and other CPRs due to commercialisation of agriculture
Economic Environment	
(a) Subsistence agriculture (largely) and low value crops	(a) Commercial and high value mono-crop agriculture
(b) Low and stagnant or moderate growth rates in production	(b) High but stagnant/moderate growth in production
(c) High level of un/under-employment	(c) Multiple choices of income
(d) High dependence of non-market sources of income like forests and CPRs	(d) Improved product and factor markets with larger marketable surpluses
(e) Low resource base of the rural community	(e) Easier access to basic needs like drinking water, literacy, health, etc
(f) Product and factor market imperfections	(f) Fairly high levels of living standards
(g) Low marketable surplus and low profits	
(h) Larger efforts and expenditure in acquiring basic needs like drinking water, fuel-wood, etc	
(i) Low levels of living standards	
Social Environment	
(a) Low level of social consumption (literacy, health, sanitation, drinking water, etc.)	(a) Better political awareness and access to social consumption items
(b) Strong cultural values which are often linked to environmental factors	(b) Greater dependence on technology and hence lesser concern for environment
(c) General attitude is towards resource conservation mainly due to scarce conditions	(c) Highly commercial-mindedness and abuse of natural resources and often compete among themselves in exploiting the natural resources
(d) Low level of political awareness	(d) Priority for accumulation in the short run
(e) Priority for survival in the short run	
Policy Environment	
(a) Neglected and half hearted attempts of development	(a) Pampered by the policy-makers so far
(b) Lopsided development policies with inappropriate technologies, blanket policies, etc	(b) Policies are not conducive for natural resources conservation They are productivity-based rather than being sustainable
(c) Neglect of natural resource base and alienation of local institutions like participatory process, community management, etc. and local knowledge.	(c) Policy-makers fail to utilise the commercial attitude of the people for promoting sustainable policies due to political pressures and rent seeking nature
(d) Attitudes among policy-makers are not conducive to the evolution of strategies based on conservative-oriented technology, use of local and often, degraded resources and mobilisation of the people	
(e) However, of late, there is a realisation among policy-makers that development of these regions is crucial for sustained overall growth.	
Level and Process of Sustainability	
(a) Some of the regions are at the bottom of the sustainability curve	(a) These regions are located at all the 3 points, a, b and c on the sustainability curve. The downward trend has become conspicuous in the 1980s
(b) Some on the upward sloping portion of the SC	(b) The vital ingredients for sustainability in these regions are, generating awareness through formal education fostered with policies based on market valuation of natural resources. Aggressive market-oriented policies can be pursued without much adverse impact
(c) As the potential for dry land technology, and market environment is quite high in these regions; there is a possibility of sustained growth	
(d) Appropriate policies in terms of technologies and institutions are needed in order to sustain the upward climb of the SC curve along with generating awareness through formal education	

FIGURE: PATH OF AGRICULTURAL SUSTAINABILITY



breaking away despite strict rules in terms of water rights and started growing water intensive high value crops with the help of private wells - which are now possible because of improved groundwater levels in the region and income levels of the farmers.

Similarly, the environmental impact and sustainability question in the developed regions goes beyond attaining sustainable livelihoods. These regions are also facing severe environmental problems despite the fact that they have achieved higher and stabilised livelihoods. Also higher income levels are positively associated with environmental degradation even in poor countries like India [Rao 1994]. Therefore, the question arises whether the improved livelihood patterns are sustainable in the long run once people cross the SL line? This is a contradiction in the broader context of inter-generational equity of the sustainable development paradigm.

The status of various environments - physical, economic social and policy - prevalent in the two broad regions, i.e. fragile resource and well endowed regions, along with their level and process of sustainability is presented in the table. The major differences between these two regions, apart from resource endowments, include cultural values, dependence on natural eco-system. However, the environmental problems are more conspicuous in the fragile resource regions due to the harsh climatic conditions coupled with lack of protective irrigation. The rising population pressure has led to their increasing dependence on CPRs resulting in degraded lands, denuded forests and depleted groundwater tables. When the individual survival mechanisms are stretched to their limits people in a community try to come together in their struggle for existence in order to rejuvenate the agro-eco system [Deshpande and Reddy 1990]. One finds in fragile resource regions people's attitudes towards natural resources to be benign mainly arise out of their high dependency on them. For, lack of irrigation and farm technologies makes them more vulnerable with very less control on the agro-eco system, at least in the short run. However, once these regions, which have great potential for conservation oriented technology and harnessing local

resources judiciously [Rao 1991], are equipped with appropriate technologies and gain control over year to year climatic variations with protective irrigation, it is unlikely that they would strive for long run (inter-generational) sustainability. Therefore, the vital link between livelihood patterns and development on one hand and environment and sustainability on the other is the awareness and attitudes of the people. In fact, these two conditions are necessary even for making Conways' solution for sustainable development a feasible one. However, these two factors cannot be achieved easily and automatically should be fostered with other economic (markets and prices) and institutional factors (agrarian structure, etc) in order to make the policies towards sustainable development effective.

It appears, following the experience of well endowed regions and fragile resource regions, sustainability follows a cyclical pattern. There is a possibility of coexistence of two different situations, broadly, represented by fragile and endowed regions, where some regions (fragile resource regions in India presently) are on the rising portion (at point 'a') on the sustainability curve [SC] and others on the plateau portion (point 'b' in the figure) or on the downward sloping portion (point 'c') of the 'SC'. The 'SC' curve in the figure shows the relationship between level of development and level of sustainability. Sustainability of the system rises along with economic development (in terms of infrastructure, irrigation, etc) and then starts falling consequent to excessive extraction from the natural system. For instance, excess use of fertiliser and pesticides coupled with inefficient use of irrigation water is believed to have resulted in environmental degradation in some of the green revolution regions. This, in turn, has led to declining sustainability in terms of falling and unstable yields. On the other hand, the fragile resource regions, which are at the trough of the sustainability curve, are likely to move towards revival through state intervention (in terms of specific drought area and watershed programmes, etc). Besides, the extreme conditions in these regions also bring people together in their fight for survival, apart from attracting NGOs, to rejuvenate the natural system and improve the status of sustainability. The next cycle will take off in a similar fashion irrespective of the type of the region, i.e. well endowed or fragile resources. The efforts towards improving canal systems by state and people in some of the canal commands where sustainability of canal irrigation is being threatened, is an indicator in this direction.

The figure also indicates that agricultural sustainability moves cyclically between the boundary lines of 'b' and 'd' - 'b' represents the highest level of agro system's sustainability while 'd' represents the lowest level. Keeping the other things constant (in terms

of interventions for environmental protection) the cyclical pattern takes place due to the (lopsided) policies of the state which are biased towards well endowed regions in the beginning and later shifting towards fragile resource regions (this is the case with Indian agriculture). However, the course of the cycle can be altered if appropriate interventions are made either by state or NGOs (SC₁ in the figure).

People are often myopic about their environment especially when they are above line of sustainable livelihoods. Their attitude towards environment is not very dissimilar to that of their behaviour during times of inflation. However, awareness among the people with regard to environment may slow down this process to some extent. It is also important to recognise that the awareness generated through external forces like NGOs may not be sustainable and have limited influence given the gigantic nature of the problem. Therefore, there is a need for stressing the importance of formal literacy programmes and there are no short cuts for this. In this context, it may be quoted "While non-formal education is helpful in creating the ambience for literacy, it is no substitute for formal elementary education. The focus has to be on structural reorganisation and functional remodelling of the formal system of elementary education and linking it with development programmes" [Acharya 1994]. Further, environmental aspects should be made an integral part of this formal education. In fact, it was noted that environmental concerns are not given due attention even at higher education level in India presently [for details see Vyas and Reddy 1993].

In order to have effective impact the literacy programmes should be fostered with state policies with regard to market as well as non-market interventions. The market interventions include pricing policies, policies on subsidies, etc. Unless pricing policies reflect the environmental concerns, it is difficult to change people's attitude towards environment. These policies can no longer wait, as we continue to adopt environmentally costly growth pattern just because some of the costs cannot be quantified precisely at present [Nadkarni 1993]. At the institutional level, the interventions are equally important in removing the distortions in land, labour and capital markets. For, agrarian structure and factor market distortions are observed to be the root causes of unsustainable development [Vyas 1991 and 1993a].

IV Equitability

The equity issues are often found conflicting with the development strategies and never been in built with the policies or technologies in India, be it green revolution technologies or new economic policies. This is more so because of the existing agrarian

structure than to the technologies. The failure of development strategies to take care of equity issues reflect the insularity of our development planning. In order to take care of the equity issues one has to tackle the distortions in agrarian structure first. The link between land, labour and capital market distortions on one hand and the equity issues imbedded in the concept of sustainable agriculture makes it unavoidable to attain the goals of sustainable development without correcting these distortions. This is true even in the case of low input sustainable agricultural technologies and watershed based technologies. For, the fairly long gestational periods (7-10 years) these technologies require puts the small and marginal farmers at a disadvantageous position as their capacity to wait is substantially lower when compared to large farmers. Therefore, given the present agrarian structure these technologies also require external interventions in order to achieve the equitability objective. However, little attention is paid to the issue of agrarian structure in the overall context of sustainable agricultural development [see Vyas 1991 and 1993]. In the light of new economic policies it is apprehended that small farmers may become inviable as the market-centred system may not be effective in addressing their needs. The state should provide safety nets for these sections in the initial stages of liberalisation process and try to integrate them with the market in the long run [Vyas 1993]. In this context it may be noted that market-oriented agricultural production systems are effective in utilising scientific research for enhancing economic performance and curb environmental damage [Paz 1992].

Even in the light of new economic policies small farm systems may prove economically viable and ecologically sustainable provided the existing distortions in the agrarian structure are removed. Unless production systems serve the needs of small farmers and landless they would not be sustainable even in the short run. Moreover, the equity aspects perceived in this fashion (agrarian structure changes) would go a long way in addressing the broader issues of unemployment and poverty. Thus, the role of agrarian structure remains paramount in addressing the equity aspects of sustainable development.

V

Conclusions

Though the paradigm of sustainable development is riddled with contradictions and conflicts at the conceptual as well as operational level the much propagated conflict between economic development and environmental concerns seems to be less important in the light of socio-ecological attributes like awareness and attitudes. These characteristics are more crucial in the context of agricultural sustainability in India which

is known for its inter- and intra-regional and cultural variations. Lack of a comprehensive or integrated understanding of these aspects both at the conceptual and operational levels makes the question of agricultural sustainability ambiguous.

This paper argues that the models of sustainable development (e.g. agricultural) which focus on the people as their primary concern, should not stop at providing them with livelihoods alone. The problems of environment and sustainable agriculture are not limited to fragile resource regions or poor regions though the nature and degree of problems may vary between agriculturally developed and backward regions. Unless people's awareness, attitudes and perceptions towards environment are changed, sustainable agricultural practices as conceived in the present form, appear to be a distant dream.

The conservationist approach, which is being propagated presently, does not seem to appeal much at the operational level irrespective of the level of development. Similarly, focusing on the path of economic development is not of much help in addressing the environmental concerns. Though this seems to be the case with the now industrialised world, the developmental path may not be sustainable (economically as well as environmentally due to the linkages) any longer even at the present rate of natural resource depletion.

The main factors that may be instrumental in changing the perceptions of the people towards environment and achieving the objectives of sustainable agricultural development are (a) literacy, (b) market forces, (c) technologies, and (d) institutional changes in terms of agrarian reforms. Achieving full literacy would go a long way in bringing awareness with regard to environment and other aspects which are linked with it. Needless to say, conscious and concerted efforts should be made to incorporate environmental concerns into formal education. This in turn helps in influencing the perceptions of political leaders and policy-makers. Unless initiatives come from within the system, environmental programmes promoted by donor agencies and some NGO groups may not be sustainable and remain superfluous. Therefore, human resource development should take the centre stage in the development planning with concentration on primary education, health, etc. Integrating environmental concerns with market forces would help to bring in the required attitudinal change among the populace towards environment. Unless resources are valued/priced according to their real scarcity value, it would be unrealistic to think that individual rationality would go beyond households, let alone societies and nations. In this context, we need to re-examine our economic policies and follow relevant procedures so that pricing policies take the

environmental factors into account, national accounts reflect the depletion or destruction of natural resources, decision rules evaluating future costs and benefits more thoroughly, investment criteria incorporating the loss due to the depletion of national capital, etc [Postal 1992].

Another potential area that needs more concentration is the development of environment friendly and economically viable technologies. The available technologies at present seem to be missing on either productivity aspects (organic farming, etc), or equity aspects (biotechnology). While the former are unacceptable in the developing countries where meeting basic needs is on top of the agenda, the latter is against the basic aspirations of the sustainability concept itself. However, the later technologies can be altered and operationalised with the help of the required institutional changes. For, the inequities in the distribution of gains are attributed mainly to the existing agrarian structure, imperfect labour and capital markets. Unless these distortions are corrected equity cannot be addressed effectively under any circumstances be it new technologies or strategies. Besides, the equity issues are directly related with people's awareness (education) which would bring the equity considerations into fore in development planning. Therefore, to recapitulate, human resource development should occupy the centre stage in the overall developmental planning in order to achieve the objectives of sustainable agricultural development. And this should be fostered by state policies like integrating environmental concerns with markets, promoting efforts towards developing appropriate technologies which are sustainable economically as well as environmentally and removing imperfections in the agrarian structure – i.e. land, labour and capital markets.

Notes

[This is a revised version of the paper presented at seminar on Environment and Economics organised by Centre for Science and Environment, New Delhi, January 26-28, 1994. Thanks are due to V S Vyas, M V Nadkarni, Iqbal Narain, M S Rathore and T Churanjevi for their valuable comments on the earlier drafts of the paper. However, the usual disclaimers apply.]

- 1 However, our discussions with the farmers in one of the high pesticide-intensive regions of the country, Guntur district of Andhra Pradesh, revealed that the uncontrollability of pests in recent years is more due to the declining quality of the pesticides rather than due to pests growing immune to pesticides (which the farmers reluctantly accept).
- 2 For, the environmental problems of the humid mountain tracks of India are equally strident which may be due to the high dependence of the local people on the natural system [see for details Jodha et al 1992].
- 3 Azolla is an aquatic fern that has an ability of fixing molecular nitrogen with symbiotic blue-green alga. It is being used as green manure

in southern China and northern Vietnam. Once azolla is inoculated to wet paddy field, it propagates fast without any input, or with additional phosphorous fertiliser for P deficient paddy soil. Its ability to fix N is as high as some N fixing legumes; 1-4 kg/ha/day and hence N-fertiliser application can be reduced significantly, or even be zero [for details see Kikuchi 1993].

4 Based on our discussions with the scientists at the experimental farm on 'Paddy Cultivation and Global Warming' at the International Rice Research Institute, Los Bonas, Philippines, July 1993.

5 These technologies range from fully computer-controlled drip and sprinkler irrigation systems using salt water to growing horticultural crops with little or no soil support. Though these technologies are limited to some fruit, vegetable and horticultural crops till recently, now other crops like cotton, wheat, etc. are also grown with these technologies. Even in Rajasthan in some regions wheat is grown with brackish water (with flood irrigation method) though at lower yield levels (about 1/2) compared to sweet water irrigation. Presently efforts are on to bring in some of the Israeli technologies to Rajasthan.

6 Cultural practices of the indigenous people also seem to have stronger influence on the conservation of natural systems. For instance, in parts of arid and desert regions of Rajasthan one sees plenty of trees in the areas predominantly of Bishnoi community which is traditionally a nature friendly community. This community forbids cutting trees and eating non-vegetarian. In fact, they worship the khejdi tree. Though firewood is a major problem in these areas one sees people picking dry stems in the open field. However, these cultural practices seem to be somewhat ineffective during extreme famine conditions when people resort to cutting trees and selling the firewood in the near-by towns.

References

- Acharya, Poromesh (1994): 'Universal Elementary Education: Receding Goal', *Economic and Political Weekly*, Vol XXIX, Nos 1 and 2, January 1-8.
- Ahmed, I (1992): 'Biotechnology: Key Issues for the Third World', *Biotechnology and Development Monitor*, No 10, 19[En], Technology and Employment Branch, ILO, Geneva.
- Chakravarty, Sukhatmoy (1991): 'Sustainable Development', *The European Journal of Development Research*, Vol 3, No 1, June.
- Chambers, Robert (1987), *Sustainable Livelihoods, Environment and Development: Putting the Poor Rural People First*, Discussion Paper 240, IDS, Sussex, December.
- Chapman, Duane and Radolph Barker (1991): 'Environmental Protection, Resource Depletion, and the Sustainability of the Developing Countries Agriculture', *Economic Development and Cultural Change*, Vol 39, No 4, July.
- Chopra, Kanchan (1993): 'Sustainability of Agriculture', *Indian Journal of Agricultural Economics*, Vol XLVIII, No 3, July-September.
- Conway, Gordon, R Jennifer, A McCracken and Jules N Pretty (1987): *Training Notes for Agrosystem Analysis and Rapid Rural Appraisal*, (2nd edition), International Institute of Environment and Development, London, November.
- Deshpande, R S and V Ratna Reddy (1990): 'Social Dynamic and Farmers' Society: A Case Study of Pani-panchayat', *Indian Journal of Agricultural Economics*, Vol 45, No 3, July-September.
- Dixon, John and Basilio de los Reyes (1990): 'Issues of Sustainability and Agricultural Development in Asian Uplands', *Farm Management Notes for Asia and the Far East*, No 13, April.
- Dobbs, Thomas L (1993): 'Agricultural Systems in the Context of Sustainable Development: A Case of Low Input Sustainable Agriculture', Paper presented at the APO study meeting on Sustainable Agriculture, Tokyo, Japan, February 23-March 5.
- Down to Earth (1993), 'Complementarity Begets Productivity', December 15.
- FAO (1991): *Sustainable Agriculture and Rural Development in Asia and Pacific*, Regional Document no 2, FAO/Netherlands conference on Agriculture and the Environment, S-Hertogenbosch, The Netherlands, 15-19, April.
- Hsiao, Ching-Kai (1993): 'The Agricultural Development and Perspectives on Sustainable Agriculture in Taiwan', Paper presented at the APO study meeting on Sustainable Agriculture, Tokyo, Japan, February 23-March 5.
- Harare, Moti (1993): 'Agricultural Technology in Israel', Lecture at IDS, Jaipur, July 9.
- Jain L C (1988): 'Poverty, Environment, Development: A View from Gandhis' Window', *Economic and Political Weekly*, Vol XXIII, No 7, February 13.
- Jodha N S (1991): 'Sustainable Agriculture in Fragile Resource Regions: Technological Imperatives', *Economic and Political Weekly*, Vol XXVI, No 13, March 30.
- Jodha N S, M Banskota and Tej Partap (eds) (1992): *Sustainable Mountain Agriculture: Perspectives and Issues*, Oxford and IBH Publishing Co, New Delhi.
- Kikuchi, Masao (1993): 'Sustainable Agriculture in Asian Developing Countries: An Economist Perspective', Paper presented at the APO study meeting on Sustainable Agriculture, Tokyo, Japan, February 23-March 5.
- Lele, Sarachandra M (1991): 'Sustainable Development: A Critical Review', *World Development*, Vol 19, No 6, pp 607.
- Mahendradev S (1987): 'Growth and Instability in Foodgrains Production: An Inter State Analysis', *Economic and Political Weekly*, Vol XXII, No 39, September 26.
- Malik, RPS and Paul Faeth (1993): 'Rice-Wheat Production in Northwest India' in Paul Faeth (ed), *Agricultural Policy and Sustainability: Case Studies from India, Chile, Philippines and United States*, World Resources Institute, Washington, DC, September.
- Miller, Morris (1990): 'Can Development Be Sustainable?', *Development*, Journal of the Society for International Development, 1990:3/4.
- Mitra Ashok K (1990): 'Agricultural Production in Maharashtra: Growth and Instability in the Context of New Technology', *Economic and Political Weekly*, Vol 25, No 52, December (Review of Agriculture).
- Nadkarni M V (1988): 'Crisis of Increasing Costs in Agriculture: Is There a Way Out', *Economic and Political Weekly*, Vol 23, No 39, September 24 (Review of Agriculture).
- (1993): 'Sustainable Development: Concepts and Issues with Special Reference To Agriculture', *Indian Journal of Agricultural Economics*, Vol XLVIII, No 3, July-September.
- Paz, Yehudah (1992): 'Sustainable Agriculture, Human Development, Ecological Enhancement- Are these Contradictions in Terms', *Development*, Journal of the Society of International Development, 1992:3.
- Pearce David W and Jeremy J Warford (1993): *World Without End: Economics, Environment and Sustainable Development*, Oxford University Press (Published for the World Bank).
- Pookpakdi, Aphiphan (1993): 'Sustainable Agricultural Development with Emphasis on Small Farmers: Integration of and Socio-Economic Consideration', *Farm Management Notes for Asia and Far East*, No 16, April.
- Postel, Sandra (1992): 'Future of Earth: It is Now or Never', *Survey of the Environment 1992*, The Hindu.
- Rao, C H Hanumantha (1994): 'An Economists Perspective of Sustainable Development: With Special Reference to India', *Key Note Address to the Seminar on Environment and Economics*, Centre for Science and Environment, New Delhi, January 27-29.
- Rao, V M (1991): 'Growth in the Context of Underdevelopment: Case of Dryland Agriculture', *Economic and Political Weekly*, Vol XXVI, No 13, March 30.
- Ray, Sunil (1993): 'Sustainable Development Through the Development Of Non-Farm Sector', *Capitalism, Nature and Socialism*, Vol 4(3), Issue No 15, California, USA, September.
- Redclift, Michael (1992): *Sustainable Development: Exploring the Contradictions* (reprinted) Routledge, London.
- Reddy V Ratna and T Chiranjeevi (1993): 'Politics of Environment Protection', *Financial Express*, October 26.
- Roumasset James (1990): 'Economic Policy For Sustainable Development', *Development*, Journal of the Society for International Development, 1990:3/4.
- Stokke, Olav (1991): 'Sustainable Development: A Multifaceted Challenge', *The European Journal of Development Research*, Vol 3, No 1, June.
- Swaminathan, M S (1992): 'Biodiversity and Biotechnology' in M S Swaminathan and S Jana (eds), *Biodiversity: Implications for Global Food Security*, Macmillan, Madras.
- Tisdell, Clem (1988): 'Sustainable Development: Differing Perspectives of Ecologists and Economists and Relevance to LDCs', *World Development*, Vol 16, No 3, pp 373-84.
- Vidyasagar (1993): 'Fertilizer Use Efficiency In India', Project Report, IDS, Jaipur.
- Vyas, V S (1991): 'Agrarian Structure, Environmental Concerns and Rural Poverty', *Elmhirst Memorial Lecture*, XXI International Conference of Agricultural Economists, Tokyo, Japan, August 22.
- (1993): 'New Economic Policy and Vulnerable Sections: Rational for Public Intervention', *Economic and Political Weekly*, Vol XXVIII, No 10, March 6.
- (1993a): 'Poverty and Sustainable Development', *Presentation made in the conference on Structural Change, Poverty and Environment*, Organised by HIVOS, Max Mueller Bhavan and ISEC, Bangalore, September.
- Vyas, V S and V Ratna Reddy (1993): 'An Assessment of Environmental Policies and Policy Implementation in India', Paper presented at the International IDEAL Workshop, at IIRI, Philippines, Organised by Winrock International, USA, July 26-28.

**THE RIGHT TIME
TO FIGHT
A FIRE IS
BEFORE IT HAS
A CHANCE TO START.**

Prevention, they say, is better than cure. And when it comes to industrial fires, prevention is all the more important. Since there is hardly any cure in the aftermath. Industrial fires cause major losses, even death. They could even wipe out the entire business, and destroy the livelihood of thousands of workers. Prevention is therefore the best remedy.



Train your personnel in fire prevention and fire fighting. Keep them fit with regular drills and refresher courses. And make fire safety a way of their life.

**Loss Prevention
Association of India Ltd.**



(LPA) is a non profit organisation promoting safety and loss control through education, training and consultancy. LPA organises workshops, publishes safety literature, conducts training and offers consultancy services to identify potential risks and suggest remedies.

Write on your company letterhead for any specific information.



LOSS PREVENTION ASSOCIATION OF INDIA LIMITED

Warden House, Sir P.M. Road, Bombay 400 001. • Mallik House, 7, Hare Street, Calcutta - 700 001. • Eeje Chambers, Ravipuram Road, Cochin - 682 016. • 301, Paigah Plaza, Basheerbagh, Hyderabad - 500 029. • Seethakathi Chambers, 688, Anna Salai, Madras - 600 006. • 8/28, Abdul Aziz Road, W.E.A. Karol Bagh, New Delhi - 110 005.

Make Fire Safety A Way Of Life.

Planning Kerala's Irrigation Projects

Technological Prejudice and Politics of Hope

V Santhakumar
R Rajagopalan
S Ambirajan

The political objective of achieving self-sufficiency in rice production in Kerala supported the planning of major irrigation projects in all the river basins of Kerala. The irrigation engineers who planned these projects showed a technological prejudice as they rarely sought alternative methods and scales of irrigation in each of these basins. This prejudice is of serious concern in a high rainfall area like Kerala, where the dam and canal-based system is 'naturally' costly and where there is a possibility of meeting the relatively small requirement of additional water through less expensive means. The objective of achieving self-sufficiency in rice and the policy of having major irrigation projects in all the basins seem to be based on the neglect of the specific agro-climatological and agro-ecological features of humid-tropic Kerala.

I

Introduction

WATER and rainfall were considered as divine blessings in the traditional agrarian societies of south India.¹ Local mechanisms and institutions existed even during the last millennium for controlling and harnessing water resources in these societies. Whether the need to control water and provide irrigation led to the emergence of political control in these societies is debatable.² One can say, however, that the control of water definitely became an important means of social control for these political structures.³ Even during the medieval period, much of the initiative and responsibility for developing and maintaining irrigation systems rested with the local collective groups.⁴ But British rule brought in considerable level of concentration in the decision-making and management of irrigation. The emergence of macro-level planning, the concern for economic returns for the state and the evolution of a technobureaucratic organisation for the development and management of irrigation projects were the essential features of the British period. The post-independent period witnessed massive investments and increased political patronage for irrigation projects, the accelerated growth of the technocratic organisation and the sharpening conflicts between the different groups for sharing water resources. Irrigation in India continues to exhibit the effects of all these historical processes. The conflicts between different interest groups, the view of irrigation as a means of obtaining political mileage, the decisions of the technologists influenced by their disciplinary biases, self-interests and organisational needs, etc. pose various political, technological and resource-use problems in irrigation and water management.

This paper is a study of the irrigation development in a high-rainfall region of south India, namely, Kerala, and attempts to explore the following questions: To what extent have the technology policies in irrigation been

appropriate to the ecological (and climatological) features of the region? What are the socio-political factors that lead to the selection of a technological system in irrigation?

The extent to which the geography (and the climate) determines the direction of irrigation development in a region is a matter debated by the scholars.⁵ However, no one denies the need to consider this factor in the decision-making on the nature and the method of irrigation. This is more crucial in high-rainfall areas than in semi-arid and arid regions. The widely acknowledged 'unsatisfactory status' of major irrigation projects in Kerala necessitates an evaluation of the policies in the context of the specific 'natural' features of that region. This paper is an attempt in that direction. We have also tried to review the process of technological planning in irrigation and the political framework that supported major irrigation projects in this state. The approach of the irrigation engineers is studied through the analysis of the proposed Vamanapuram irrigation project (VIP) currently being implemented in the district of Trivandrum.

Three major sections follow this introduction. Section II consists of a brief description of the historical developments in irrigation in Kerala. This section also includes a summary of different studies on irrigation in the state. The planning approach of the irrigation engineers as seen from the proposal of the Vamanapuram project is analysed in Section III. A discussion of this approach in the context of some of the climatological and ecological features of Kerala is given in Section IV. Some concluding remarks on the technological choice and the political framework are made in the last section.

II

Irrigation in Kerala

Traditionally cultivation in Kerala depended solely on the monsoons. Farmers had a detailed empirical knowledge of the meteorological events that influenced

agriculture. Using this knowledge, they could predict (with reasonable accuracy) the commencement of the monsoon, the intensity of rain during different periods, the availability of sunlight, etc.⁶ This helped the farmers considerably in making their cultivation practices and other activities fit into the rhythm of the monsoon.

The provision of supplementary irrigation during the dry spells within the monsoon periods was also practised in Kerala. This was done through the construction of temporary structures in the small streams by the individual farmers or by small groups. This rarely required either large-scale collective work or state-intervention (unlike in the other parts of south India).⁷ Thus the intervention of the state in irrigation started only in the 20th century in the geographical areas which became parts of Kerala.

The construction of dams and canals for providing irrigation started in Kerala only in this century. During the early decades of this century Kerala was not thought to require major irrigation projects because of the abundant rainfall. For example, Nagam Aiya, the author of the *Travancore State Manual* of 1906, observed that most of the lands in Kerala 'cannot be irrigated artificially'.⁸ He continued, "Even where they can be (irrigated), such irrigation is rendered unnecessary by the almost regular fall of rains throughout more than half the year". The assertion of Nambuthiripad, the marxist leader, as late as in 1952 that "cultivation in Kerala in a normal year does not require artificial irrigation" also indicated this.⁹

One reason for a change in this attitude was the shortage of foodgrains faced by this region during the second world war with the fall of Burma and the consequent restrictions on the movement of rice. This region had been importing rice from the late 19th century.¹⁰ This led not only to the efforts to increase rice production but also to the emergence of a slogan of achieving self-sufficiency in foodgrains in Kerala.

The pre-independent governments of Kerala adopted various strategies for

increasing rice production. The Travancore and Cochin governments allowed the conversion of large stretches of forest areas for the cultivation of food crops like paddy and tapioca.¹¹ The engineers of the Madras government started planning a few medium and small irrigation projects in Palakkad and nearby areas during the late 1940s.¹² In Travancore, the governmental organisation responsible for the maintenance of irrigation projects in Nanchilnadu (which later became part of Tamil Nadu) started planning projects in other areas. Thus the construction of three major and medium projects commenced during the late 1940s.¹² Before the formation of the first elected government in the state in 1957, work on 10 major and medium projects had started.¹¹

These strategies were useful in increasing agricultural production to some extent. The target of self-sufficiency however was based on some estimates of achievable levels of rice production in Kerala. A report on the 'Water Resources of Kerala', prepared in 1957 as "the first comprehensive attempt to formulate policies and projects for the development of water resources in the state",¹⁴ gave one such estimate. Based on the statistics of 1951, it was estimated that 1.2 million acres of land could be converted into fields yielding an average of 2.5 crops of paddy per year through the construction of major irrigation projects. This was expected to produce 2.1 to 2.7 million tonnes of rice per year satisfying the needs of 13.6 million of people (population as per 1951 Census) and of a modestly increased population in future.¹⁵ The net area of cultivation at that time was 1.325 million acres and the report did not expect any major increase in this figure. The increase in production was to be achieved mainly through the increase in cropping intensity. In essence, the realisation of the target of self-sufficiency hinged on the implementation of major irrigation projects covering 85 per cent of the land sustaining paddy cultivation.

This approach of "self-sufficiency in foodgrains through irrigation" received the support of the political leadership in Kerala. All the elected governments allocated a considerable share of plan resources to the irrigation sector – about 15 per cent of the total expenditure in each of the Five Year Plans. Considering the fact that the crops other than paddy were considered for irrigation only during the 1980s, one can see that almost the whole investment was meant for paddy. Out of the total investment in irrigation till 1990-91 (Rs 9,645.7 million), Rs 7,916.1 million (82 per cent) was spent for major and medium irrigation projects.¹⁶

The 10 projects started before 1957 (and commissioned by 1975) involved a total expenditure of only Rs 235.4 million.¹⁷ Seven of these were in Palakkad district and one

was to the south of Trivandrum – a region neighbouring Nanchilnadu and geographically similar to it. Thus these early projects were limited primarily to the semi-arid regions in Kerala (barring one diversion weir in Chalakkudy and a dam-based system in Trichur designed to support the summer cultivation of the koler lands). However, the objective of achieving self-sufficiency led to the planning and implementation of dams and canals in other regions very different from Nanchilnadu and Palakkad. None of these projects started after 1957 have been commissioned fully until now. Eight of them, started by the early 1960s and costing together Rs 8,282.3 million, provided irrigation to only 60 per cent of the targeted area even by 1991-92.¹⁸ On another 10 projects started after 1975 Rs 1,127.9 million have been spent yielding no benefit so far. Because of the delay in commissioning the projects, the actual cost increased several times that of the original estimate (the highest figure being 33 times!).¹⁹ The estimated cost of irrigation for the projects was also high, varying from Rs 30,000 to Rs 1,10,000 per hectare.²⁰

The inordinate delay in commissioning the projects, the escalation of project costs, the high cost of irrigation and the realisation of benefits far less than the estimated ones made even the planners and the administrators unhappy over the performance of the irrigation sector. All the economic surveys published by the State Planning Board after the late 1980s noted that the performance of the sector had not been encouraging.²¹ If this showed the unsatisfactory status of the functioning of the irrigation sector as per the government records, the status of the actual use of irrigation projects in Kerala, as shown by a few studies, was even more depressing.

The first note of caution against the policy of stressing heavily on paddy through massive investments in dam-based major irrigation in Kerala came from the techno-economic survey conducted by the National Council for Applied Economic Research (NCAER) in 1962. After considering the non-availability of "vast areas of cultivable land" that could be opened up by the construction of the project, the study observed "that a greater emphasis should be placed on minor rather than on major irrigation projects".²² Moreover, the study advocated the cultivation of commercial crops in Kerala using the relative geographical advantages.

Analysing the developments in irrigation in Kerala until 70s, George and Nair have noted that the "benefit of these projects (major irrigation) consists more in the stability it has imparted to crop yields than the increase in productivity".²³ They also showed that the contribution of these projects had been "mainly to help the stabilisation of crops through supplementing the existing source of water". Through the analysis of

talukwise data, Narayana and Narayanan Nair have shown that the contribution of irrigation projects to the stabilisation of crops was by and large limited to the autumn crop.²⁴ The (improper) working of the organisation responsible for the conservation and allocation of the water resources, improper planning and practices such as inflating the size of the command area to attract financial resources from the central government were cited as possible reasons for not achieving the estimated benefits. Through the analysis of yield rate and the influence of irrigation, Kannan and Pushpangadan also observed that irrigation in Kerala had not made any impact on the yield rate of paddy.²⁵ They found no evidence to suggest that irrigation had either stabilised the crops or increased the cropping intensity even in Palakkad district where the public investment in irrigation had been the highest. However some scholars have questioned the usability of macro-level cropping data for analysing the impact of irrigation.²⁶ Considering the similarity of observations of these studies and the absence of any study that showing a higher level impact, one can derive the following modest conclusion from these studies: Irrigation in Kerala contributed neither to a significant increase in the yield rate nor to an increase in the cropping intensity; its limited contribution was towards the stabilisation of the ongoing cultivation and the corresponding yield.

The minor irrigation projects also could not yield the benefits to the estimated level.

TABLE 1: BASIC STATISTICS OF THE VAMANAPURAM IRRIGATION PROJECT

Project Area :	Dam in Vamanapuram river at Valayanki near Vithura on the Trivandrum-Poamudi road
Command Area :	The southern part of the Vamanapuram basin situated in the Trivandrum, Nedumangad and Chirayinkil taluks of the Trivandrum district
Dam :	Height 72m Length 324 m Random Rubble Masonry
Reservoir Area :	340 Hectares (200 ha of forest and 140 ha of agricultural land)
Storage :	8.16 cubic metres
Catchment Area :	5300 ha
Estimated Cost (in Rs crore):	
Dam and Headworks :	12.950
Main Canals :	16.305
Distributaries :	4.525
Water Courses :	0.475
Establishment :	4.425
Total :	38.680
Estimated Benefits:	
Annual returns (in Rs crore) from	
Garden lands (6978 ha) :	8.24
Wet lands (2540 ha) :	1.60

Source: Project Reports of the Vamanapuram Irrigation Project.

In an evaluation study conducted by the State Planning Board in 1975, it was seen that inflating the size of command area to meet the 'unrealistic' criterion adopted for sanctioning the scheme led to the non-achievement of the estimated targets.²⁷ These projects were successful neither in bringing additional area under cultivation nor in increasing the cropping intensity. In essence, the contribution of minor projects was also limited to the stabilisation of the ongoing cropping of paddy.

However, the allocation for major irrigation projects continues to be high even today. The allocation for the Fifth Plan (1974-79) was 16.22 per cent of the total plan outlay. The total investment in this sector till the end of 1991-92 came to Rs 10,490.2 million. Out of this, the investment during the last 10 years amounted to Rs 7,600 million.²⁸ The annual investment in this sector during the early 1990s was about Rs 850 million. It should be noted that this policy was followed in a geographical area where the importance of paddy cultivation had been declining considerably due to several reasons. The share of paddy cultivation in Kerala's agriculture declined from 38 per cent in 1952-53 to 31 per cent in 1975-74.²⁹ A study which analysed the agricultural situation in Kerala during the period between 1962-63 and 1985-86 found that both the area of cultivation and the total output of paddy declined after 1974-75 in spite of a marginal increase in productivity.³⁰ 'Decline in profitability' was considered as the major reason for this situation.

Considering the fact that both minor and major projects contributed only to the stabilisation, alternative methods of irrigation need special consideration in Kerala. Thus the central issue in Kerala's irrigation policy is not the level of impact of a particular type of technology but the question whether the irrigation planners consider alternative technologies and different scales of operation before deciding on a project for a given river basin.

It is thus necessary to study the technological planning done by the irrigation department of Kerala. The methodology of planning, the explicit and implicit assumptions of the planners and the overall policy framework have to be understood if we want to explain the functioning of major irrigation projects. We have taken up the Vamanapuram project for a detailed study of the planning process.

III

Proposed Vamanapuram Irrigation Project (VIP)

The idea of building a dam in Vamanapuram was an old one mentioned even in the report on the water resources of Kerala which, as mentioned earlier, prescribed the

broad policies for the utilisation of water in the state. However, the project in its present form was formulated in the early 1970s by the irrigation wing of the Public Works Department (PWD) and submitted for approval in 1973 to the Central Water Commission (CWC). In 1980 the CWC observed that the cost per ha of the gross irrigated area was high for the project when compared to other regions.³¹ In order to satisfy the CWC, the PWD resubmitted the proposal in 1980 after making a few changes in the cropping pattern to be adopted in the command area. Since the irrigation department of Kerala found "no scope for any substantial reduction in the cost of the scheme", it modified the cropping pattern to be adopted in the command area.³² The basic statistics of the proposal is given in Table 1 and the details of the existing and proposed cropping patterns are given in Table 2.

A casual reading of the proposals gives the impression that it consisted only the details of the dam, canal system and an estimate of the benefits that could be derived from the project. It was as if the engineers merely proposed one technological option and left the decision-making (regarding the necessity of the project, choice of the scale and technology) to the political and administrative machinery. However, a closer study of the proposal shows that it was not all that neutral and it ruled out other methods of irrigation and other options for developing the region. The original proposal started with the reaffirmation that every river basin should have a major irrigation project.³³ The central part of the section which dealt with the 'necessity' of the project had self-sufficiency as the theme.³⁴ After stating the fact that the total production of rice would be just sufficient to meet 50 per cent of the total requirements, the proposal concluded that the increased production of rice with better irrigation facilities had become imperative.³⁵ Stating that the main occupation of the majority of the population was bound to be agriculture for a long time to come, it suggested the construction of an irrigation project "to raise three crops in most parts of the command area" and "to increase the employment opportunities of the agricultural labour at least two-fold".³⁶

These justifications have several problems. First of all, it is clear that the engineers were not ready to leave the decision-making to others without arguing their case. Secondly, the consideration of this proposal as a technological one raised an expectation of 'rationality' in the minds of the people and their representatives. However, one can see different levels of rationality in this document. At the elementary level, the proposal carried quantitative data of water resources, scientific calculations and the design formulations of a particular

technological project. At the second level, the benefits of the choice were projected on the basis of many unsubstantiated positions. At the third level, the necessity of the project was grounded on an 'ideological' and 'value-based' attitude. However, these unsubstantiated positions and the value-based attitude have been covered by the 'rationality' of the elementary level. Such a cover-up did not allow a free debate of the non-scientific positions taken by the technological organisation. The political and the administrative set up also failed to separate the rational element from the other factors.

'CLOSED RATIONALITY'

The proposal contained the scientifically collected data on water resources that could be made available through the construction of the dam. However, the data on the availability of the water resources at the proposed command area was neither collected nor estimated realistically.³⁷ The fact that the command area of the proposed project received 200 to 300 cm of rainfall made this omission a critical one. The data collection system which included 10 rainfall stations and six stream gauges at the main river was not adequate for realistically measuring the locally available water in the micro-watersheds of the command area. It should be noted that only the main river was gauged and all the small streams reaching the river were left unmeasured. That meant that any developmental measure designed on the basis of this data would eventually become a river-based one. The lack of data on the actual water availability at the command area led to two problems. First of all, a realistic assessment of the actual demand for water to be provided through irrigation was not available. Secondly, the planners could not think of methods of managing water available locally and at the small streams. Thus the possibility of meeting the requirement of irrigation with locally available water was closed without a proper examination.

The cost estimates in the proposal lack the 'scientific rigour' visible in the design data of the dam and canal network. The proposal did not have the details of the whole canal network. The exact location and the detailing of the smaller canals were left undecided. There was only a nominal provision (an amount of Rs 4.75 million for an area of 9,400 hectares) for the construction of water courses to distribute the water to the fields.³⁸ A field study of the topography of the proposed command area found that nearly 32 per cent of the garden lands, which were also included for the provision of irrigation, were situated at levels higher than that of the canal system.³⁹ The cost of pumping to irrigate these lands was neither estimated nor incorporated in the cost-benefit analysis.

Even if we leave aside the problems in estimating the costs, it can be seen that the 'rationality' at this level of scientific designs was a 'closed' one in the sense that this exercise closed, without examination, many technological options and led to the selection of a particular one. In other words, the exercise had the limited objective of supporting a particular technological option selected on the basis of some pre-judgments

UNSUBSTANTIATED BENEFITS

The benefits of the project as estimated in the original and revised proposals have been listed earlier. The figures of the existing cropping pattern given in the revised proposal showed the inaccuracy of the assumption in the original proposal that the major part of the command area was sustaining paddy cultivation.¹⁰ This inaccuracy was not incidental but came out of the basic approach of irrigation planning followed in Kerala until the late 1970s. First, the approach was not concerned with the real status of the land-use pattern since its sole objective was to convert the major part (if not the whole) of the command area into treble cropped paddy fields. Thus the planners were unconcerned with the wetland/dryland classification. (A reference to any geographical record would have shown that paddy was cultivated mainly in the wetland whereas the dryland (or the garden land) was used for growing trees and other crops.) Motivated by the urge to attain self-sufficiency in rice production, the irrigation planners envisaged the conversion of the whole command area into paddy fields irrespective of its topographical position, natural moisture and prevailing crop cover. They appear to have been unconcerned with the profits generated by different crops *vis-a-vis* paddy or with the cost of irrigating paddy *vis-a-vis* other crops.

However, the CWC's suggestion that the proposal be revised to increase the benefit-cost ratio forced the planners to rethink their cropping strategy. The criticism that the irrigation planners neglected the other crops and the overall shift in the land-use pattern in Kerala towards non-paddy crops also motivated them to include these crops under irrigation. This time the technical committee constituted by the irrigation department collected the latest land-use pattern of the command area.¹¹ In the cropping pattern conceived by this committee, there was a considerable de-emphasis on paddy cultivation.

A study of the new cropping pattern would show that the basic aim of the revision was to have a pattern that could generate more profits through the consumption of the water to be provided by the project. Phrases such as "since water is available" were frequently

used in this exercise to justify the inclusion of water-hungry crops in the place of crops needing less water.¹²

If the need to achieve self-sufficiency is taken away, then the basic objective of adopting any cropping pattern would be to maximise the economic return. In that case, different cropping patterns would have to be conceived with their respective costs (including cost of irrigation) and benefits. In the absence of any non-economic bias in favour of a particular crop, the cropping pattern which would yield the maximum economic return should have been considered.

In the process of revision, such an optimisation of the cropping patterns was not attempted. The crops requiring less water and possibly yielding profits equivalent to others were either excluded or given low priority in terms of area. A partiality for food crops did not influence this selection. Inclusion of pepper and banana and the neglect of tapioca and rubber showed that the only criterion for inclusion was the consumption of more water (Table 2). (A field study of the proposed command area conducted in 1992 showed that the area under rubber was rapidly increasing. This seemed to be the optimisation strategy adopted by the farmers.¹³)

Thus the cropping pattern suggested for the project turned out to be a mere justification for the construction of the project. The construction of the project, justified earlier for increasing paddy production, was later shown beneficial through the adoption of a water-hungry cropping pattern with less emphasis on paddy. The earlier estimate was based on a dream or the 'political goal' of self-sufficiency for which the details of the field realities were of little significance. The revised proposal dictated a particular cropping pattern, devoid of any nationalistic objectives for the construction of the dam and canals. In both the situations, there was no rational framework for taking decisions other than the one influenced by the need to construct the project.

SUGAR COATING: THE THEME OF SELF-SUFFICIENCY

If the elementary calculations of the proposal were based on a 'closed rationality' (without exploring all the possibilities for providing irrigation) and if the projected benefits were based on unsubstantiated claims, then the 'outer cover' of the proposal, was made on the theme of 'self-sufficiency'. Though one should not seek any rationality in such value-based premises, the use of

TABLE 2: CROPPING PATTERN

A Original Proposal		
Total area	8000 ha	
Cropping pattern after irrigation	4000 ha treble crop paddy 2400 ha double crop paddy 1600 ha double crop paddy	
B Revised Proposal		
Total area	6978 ha garden land 2540 ha wet land	
	Existing Pattern (ha)	Proposed Pattern (ha)
Garden land		
Non-agricultural	698	698
Coconut	2978	3238 (with pepper 2631)
Arecanut	103	103 (with pepper)
Cashew	186	186
Misc crops	852	852 (with pepper 772)
Rubber	16	16
Coffee	2	2
Tapioca	1633	419
Banana	4	1218
Plantain	209	209
Tuber and vegetable	37	37
Vacant space	260	
Wet land		
First crop		
Paddy	2245	2306
Vegetables	5	27
Second crop		
Paddy	2333	2306
Vegetables		27
Third crop		
Paddy	283	
Pulses		890
Vegetables		1160

Source: Revised Project Report of the Vamanapuram Project.

such a theme for the justification of a technological proposal warranted careful examination. At the time when this proposal was originally formulated (in the early 1970s), the excess of demand over the production of paddy was beyond the estimates of the water resources report which linked the theme of self-sufficiency to major irrigation projects. In spite of this, the proposal used the self-sufficiency argument as justification.

The original proposal envisaged the conversion of the whole command area into paddy fields, unmindful of the fact (as revealed in 1980) that only 2,333 ha out of 9,518 ha was sustaining paddy (Table 2). The economic and social viability of such a conversion was not considered in the proposal. The fact that the cultivation of crops other than paddy was more profitable (as shown by the calculations of returns in the revised proposal) was either neglected or considered unimportant. The economic studies of the Kerala Agricultural University conducted even in Palakkad district which has the maximum number of irrigation projects, advocated the "replacement of second crop of paddy also by other better paying and water-use efficient crops".⁴⁴ The experience of the implemented projects which failed to induce the conversion of dryland into paddy fields was also overlooked. Moreover the proposal did not attempt to analyse the impact of ignoring the comparative advantages of the region in terms of growing other crops.

Thus the premise that Kerala should achieve self-sufficiency in rice production was a value-based standpoint. This position would have been harmless if separated completely from the technological package and debated widely. But this standpoint was used to give credibility to the technological proposal of the irrigation project. The other elements of the proposal would not have been considered rational if they had not been posed as means of achieving self-sufficiency. In essence the need of the irrigation project itself was grounded on the objective of achieving self-sufficiency in rice production.

However, the revision to a different cropping pattern for increasing the benefit-cost ratio of the proposal (to meet the requirements of CWC) showed that the irrigation department itself did not attach much importance to the self-sufficiency objective except for the purpose of justification. When the need to justify the project was over, the department was quick to abandon the slogan. When confronted with the question of profitability, the answer was sought in a non-paddy cropping pattern which could generate more profit. Thus the value-based standpoints were proven to be mere attachments to strengthen the case of those technological positions which would have been questioned otherwise.

The problems discussed here did not pertain to the Vamanapuram project alone. Because of the revision, this project was a somewhat refined one in terms of the calculation of the benefits. The overestimation seen in the original Vamanapuram proposal was the standard pattern seen in all the other projects under implementation. A perusal of a number of these projects shows the similarity of approach. Except the use of different data, the algorithm of planning used in these proposals is quite similar and goes as follows:

- suggesting the site of the dam;
- calculating the possible storage;
- designing a dam and other headworks;
- proposing a canal network on the basis of topography;
- designing canals and related structures;
- calculating the cost of dams and canals;
- assuming the conversion of the total command area into treble-crop paddy fields;
- calculating the water requirement nearly neglecting the locally available water;
- calculating the benefits on the basis of the earlier assumption;
- projecting a cost-benefit ratio.

Thus the selection of the project, the method of irrigation, technology, etc. were based on some pre-judgments. The highlighting of a particular option as the best one was completely based on a polemical exercise.

From the experience of the implemented projects, it also became clear that the objective of achieving self-sufficiency through the implementation of major irrigation projects in all the river basins was formulated ignoring the specific agro-climatological and agro-ecological features of humid-tropic Kerala.

IV

Agro-Climatology and Agro-Ecology of Kerala

The following specific topographical, climatological and ecological factors of Kerala need special attention.

(1) The paddy cultivation in Kerala is limited to those areas which are naturally suitable for that purpose. These areas are: the narrow valleys in the midland and the highlands; the wider valley portions situated near the coast; water-logged areas of the backwater and coastal regions and the larger stretches of land in the semi-arid Palakkad district. Except in Palakkad, the conversion of dry land (or the garden land) for paddy cultivation is naturally and economically infeasible. This is naturally infeasible because of factors such as the soil type (more pervious), slope, etc. It is also economically infeasible because of the fact that the opportunity cost of conversion is very high. These drylands are not unused patches of lands as in other parts of India. Instead these

are covered by a multi-tree/crop system which can produce a variety of commodities. Because of high rainfall, these lands can also support a variety of trees and plants which are more profitable than paddy. That is why the implemented projects could not increase the net area under paddy cultivation.

(2) Except in a few zones like Palakkad, paddy cultivation is done in areas having annual rainfall ranging from 200 to 300 cm. Table 3 shows the water situation in a representative small watershed in midland Kerala. (Though this watershed is not under the proposed command area of VIP, it has been included in another proposed project.) During the first crop period, (between May and August) direct rainfall alone is sufficient to meet the crop-water requirement. In fact the main problem during this period is the excess water and the absence of proper drainage. Apart from the direct rainfall, the paddy fields, by virtue of their position in the valleys, receive a considerable part of the rain falling over the surrounding (high altitude) garden lands. In general, garden lands account for about two-thirds of the total area and the valley comes to one-third. For example, in the command area of the Vamanapuram project, 6,978 ha of garden land surrounds 2,450 ha of the paddy fields. Water from the dryland reaches the paddy fields as surface as well as sub-surface drainage, which means that the contribution from the surrounding land does not stop immediately after the withdrawal of the monsoon. The direct rainfall as well as the drainage from the surrounding area keep the field sufficiently wet for most of the days during the first and second crops. Though there are variations from place to place, the actual number of days requiring supplementary water is very small for the majority of the fields. Even if the paddy fields become dry, the stream draining runoff from the nearby land would have water for some more days (until the middle of December) which can be used for cultivation through small diverting structures. (Table 3 shows runoff during December as '0.00'. This was because of the blocking of the stream at several points by the farmers to provide supplementary irrigation.⁴⁵) Thus the actual number of days requiring irrigation from an external source is further reduced. This in turn reduces the real additional benefit that can be provided by an irrigation project.

The field level studies on water management conducted by the Kerala Agricultural University also showed the fact that the actual requirement of surplus irrigation in Kerala was much less than the previous estimates. A study conducted in a farmer's field in Palakkad district concluded that the provision of irrigation water can be delayed up to five days after the disappearance of the ponded water.⁴⁶ This according to the study leads to the saving

of considerable quantity of water with negligible yield reduction compared to the continued submergence as envisaged in the irrigation projects. In another study conducted at the Regional Research Station at Pattambi for a period of four years from 1982, showed that the yield rates of paddy were on par in fields with continuous submergence, with irrigation two to three days after disappearance of ponded water and with irrigation once in six days.⁴⁷ This showed that the irrigation requirement is much less than fifty per cent of the estimate made on the assumption of the need for continuous submergence. The relatively shallow level of the ground water table and the consequent higher level of natural moisture in the soil are considered as the factors leading this situation.

The studies conducted at the Agronomy Research Station in Chalakkudy during the 1980s also "revealed that the irrigation for second crop can be withheld even up to five days after the disappearance of the ponded water with only slight reduction in yield but considerable saving of irrigation water".⁴⁸ This study showed that the water requirement is 83 cm less than the estimated one for continuous submergence (However the continuous submergence was used as a means of controlling weeds. In this case, one has to consider the cost of continuous submergence through irrigation *vis-a-vis* other means of weed control.) This study also concluded that the moderate rainfall during second crop and the shallow ground water table conditions resulted in reduced requirement of irrigation. Continuous submergence was proved unnecessary in the earlier studies also.⁴⁹ In another study conducted at Chalakkudy it was found that the yield rate would not be reduced significantly even if only 25 per cent of the water required for continuous submergence was used.⁵⁰ Thus the actual requirement of irrigation water for stabilising the second crop is much less than the estimates of the irrigation projects.

In the original proposal of the Vamanapuram project, the planners had the problem of showing the use of large supplies of water that would be provided by the irrigation project. That is why they nearly neglected the locally available water and showed the necessity of 'importing' water. However in the revised proposal, the engineers showed a more realistic understanding on the hydrology of the command area and conceded the availability water as direct rainfall and drainage to the paddy fields.⁵¹ These local resources have been included to some extent in the calculation of the water requirement. In this case, they have conceived a water-hungry cropping pattern which could consume both the local and the imported water. Thus the assessment of the local level hydrology has

not led to the selection of an optimal cropping pattern for those areas.

(3) Summer cultivation of paddy in those places where natural moisture is insufficient requires very large amounts of additional water to meet the high evapo-transpiration requirements and to sustain itself in the high temperatures of these months. From Table 3, it can be seen that the maximum temperature and the evaporation requirements from December to May are significantly high and the rainfall during these months extremely meagre. While looking at the other tropical states in India, one can see that irrigated agriculture is practised during the non-rainy, non-summer months. Irrigated paddy cultivation during summer months in tropical climate seems an infeasible option. For Kerala, the non-rainy, non-summer period is extremely short. The evaporation from the reservoir and the canals, the seepage from the canals, high evapo-transpiration at the field, etc. make the summer cultivation (based mainly on irrigation) in Kerala a non-realistic dream. That is why, even in those districts having completed irrigation projects, summer cultivation of paddy is still limited to those areas where natural moisture level is high. Only those areas such as some portions of the narrow valleys where the residual moisture is high (in Vamanapuram project, such area comes to 286 ha)⁵² and the water-logged areas near the coastal and back water region can sustain paddy cultivation during summer in Kerala.

(4) If irrigation planners move away from their previous stand of aiming at self-sufficiency in rice production and attempt to provide irrigation to other crops also, then they should consider the agro-ecological situation of Kerala which sustains a wide variety of crops having different levels of demand for additional water. Since many profitable crops needing less water can be grown in the region, the attempt to establish a irrigation dependent cropping pattern

without considering alternatives may have social, economical and environmental implications on a long-term basis. The case study of Vamanapuram project shows that the irrigation department followed this path merely for the sake of constructing an irrigation project.

We do not argue that irrigation projects are not at all necessary for Kerala. However, considering the marginal requirement of additional water, considerable amount locally-available water, the possibility of growing other profitable crops in drylands and dry seasons and the limited impact of the implemented projects, it can be said that seeking alternative, less expensive methods of providing supplementary irrigation is very important.

By and large technologists neglected these facts and pursued more or less a singular path in planning irrigation projects. The fact that neither the technologists nor the policy makers gave due consideration to the specific features of Kerala necessitates further discussion of the functioning of these groups.

V

Technological Prejudice and Politics of Hope

Why did the planners and the politicians adopt and continue a technological policy which was clearly inappropriate to the specific ecological characteristics of the region? This question takes us to the implicit assumptions that both the technological and the political leadership have on science, technology and ecology. In another way, the question also brings out the mutually-dependent relations between the technocrats and the political leadership, which clearly serve their self-interests.

At the outset, the belief that science and technology are omnipotent tools for making beneficial changes to nature have prevailed in the minds of policy-makers, technologists and even people at large. The words of

TABLE 3: SUMMARY OF WATER BALANCE IN NEILAYA WATERSHED

Month	Rainfall in cm	Runoff in cm	Potential Evapo-Tra in cm	Change in Groundwater Storage in cm
January	0	0.54	16.09	-1.65
February	0	0.00	16.30	-1.11
March	0	0.00	18.85	-1.15
April	9.67	0.00	17.82	-1.04
May	7.14	0.00	16.09	-0.89
June	69.84	18.59	10.17	+7.42
July	80.01	51.94	10.91	+1.81
August	45.37	36.24	11.93	-1.63
September	14.79	14.92	11.82	-1.61
October	23.54	9.20 °	9.02	-0.04
November	27.38	6.58	12.96	-0.12
December	0.00	0.00	15.53	-0.89

Source: Project Report of the Micro-Watershed Management; Project of the Integrated Rural Technology Centre, Palakkad.

V R Krishna Iyer, who wrote the foreword to the *Water Resources Report* as the then irrigation minister summarised this belief: "In a superstitious age, mighty forces of nature were defied and offered prayers. In an age of Science the powers of nature are imprisoned for the service of man".⁵¹ As philosophers have observed, this belief on 'rational science' was seldom based on rational grounds.⁵²

The political leadership in Kerala, which consisted of people from a wide spectrum of ideological positions from Nehruvian socialism to different varieties of Marxism-Leninism, had a common attitude to S and T and encouraged similar developmental projects. As noted by scholars, their difference in perception was mainly on the pattern of sharing the benefits of development.⁵³ It was not incidental that, in the debates on ecology and development, the major political parties in Kerala have taken the identical position considering all the efforts of environmental protection as obstructions on the path of development.⁵⁴

The aim of achieving self-sufficiency in a region also pointed to an ideological position in terms of development. Here the theme of self-sufficiency has been extended to the level of individual states within the nation. This idea of self-reliance visible in the agricultural policy of Kerala needs a little more elaboration. At one level, the proponents of self-sufficiency have overlooked the characteristics of the traditional agricultural system of Kerala. For example, rice alone was not the staple food even in traditional Kerala. Instead, many tubers and fruits were used as the semi-staple food. The policy of self-reliance did not show much interest in building on the naturally adopted food-production system in Kerala. Thus the policy proposed to achieve self-reliance through the neglect of internal systems (and through the use of imported systems and technological paradigms!). The economic criticism that a policy of self-reliance might lead to the neglect (and the eventual destruction) of the comparative advantages of the region is also valid in this context.

Another assumption is that of the universal validity of science and technology. This assumption led to the use of similar technologies in all the regions irrespective of their social, economic and ecological features. The assumption is considered valid even for technologies like agriculture which depend heavily on geographical features. This led to a 'blind import' of technology from western developed countries to the third world and from some regions of the developing country to others. Thus the same irrigation technology that was successful in other parts of India, was applied also in Kerala. The difference in climate and ecology of Kerala was either overlooked or considered insignificant.

In addition to these broad assumptions, the self-interests of the different groups also played an important role. The engineers did not seek all the possible solutions for solving the water problem and they used their scientific expertise only for the design of one particular type of technological project. They showed a technological prejudice that the best method of providing irrigation was to have dams and canals irrespective of the region's social, economic and ecological realities. Such a prejudice could be seen in their knowledge system also as shown by a study of the irrigation research conducted in independent India.⁵⁵ The emergence of civil engineers as the sole technologists and managers of the state-sponsored irrigation systems in the 19th century because of some historical reasons, has continued to make its impact on irrigation development and management.⁵⁶ Their technological prejudice is manifested in the neglect of the traditional systems of irrigation and their management mechanisms. The same disciplinary bias could be seen in the neglect of geography and ecology in the planning of irrigation projects in Kerala.

As noted by the engineers themselves, their tendency was to neglect all other things except the construction of structures.⁵⁷ Those who work in hydrological data collection or design offices considered themselves as 'unlucky' or as undergoing punishment. The corrupt practices, all-pervasive in the construction of public works, have also influenced the choice of the projects for irrigation. Similarly the 'growth needs' of the irrigation department necessitated more projects, that too major projects which could provide a number of jobs at different levels. Thus when the department completed one major project there would be 'severe pressure' to start another major project to engage the team of officials.⁵⁸ Thus the continuous growth of the department during the last decades forced it to look for more projects. The growth of the technological organisation, the increase in the investment in irrigation seemed to follow the 'concentration process' of the public expenditure observed by Peacock and Wiseman.⁵⁹ Once investment starts in a sector, then the level of the investment never decreases. Moreover certain exigencies cause investment decisions (which are tuned more to the needs of the respective organisation). Thus if agricultural development stagnates, then the strategy would be to appoint agricultural officers in all the villages.⁶⁰ Once this higher investment is made, then it would be almost impossible to bring it down and a 'natural' growth in investment is allowed.

The political leadership also was 'not-so-innocent' in using technology for furthering their interests. At the state level, the political leadership did not completely abandon the slogan of self-sufficiency in rice production.

Nor did they attempt to rethink the strategies for achieving this target. The expectation that the construction of irrigation projects would eventually lead to the achievement of this target was used for keeping up the hope of self-sufficiency during the last three decades, while neglecting the signals of non-tenability of such a policy. The proposals of the technological departments could easily attract the uncritical support of the political machinery (if these were packed in the attractive cover of slogans and promises). The political leadership rarely attempted to develop a critical appraisal of the technological projects.

The elected representatives of the Vamanapuram project area, regardless of their party affiliations, demanded the immediate implementation of the project.⁶¹ However they showed little concern for the economic viability of the project and considered the issue of alternatives as a matter to be decided by the engineers and officials. However there was an implicit preference for a larger project, bigger structures and higher investment. Each representative showed an urge to attach his name to the project and wanted at least the commencement of the project during his tenure. (As noted by Bates, these politicians encouraged the people to fight over the 'material spoils of politics' such as the level of government expenditure, the quantity and the location of the public projects.)⁶² Since the cost of the project would be borne entirely by the government, the people and their representatives showed little concern for the cost of the project and demanded its construction at any cost. (The price of irrigation water collected from the beneficiaries in similar completed projects was so meagre that the returns on that account was not sufficient even for covering the maintenance charges.) Since the beneficiaries would derive benefits from insignificant costs, there was no motivation for demanding an alternative project which might be equally beneficial at less cost.

The issues discussed here, such as the non-critical acceptance of the notion of universal validity of the technological systems, the technological decision-making influenced by the disciplinary bias, self-interests and the organisational needs, lack of concern for the opportunity cost of the resources and the political environment that encourages the seeking of 'catchy slogans' without a real concern for the short-term and long-term viability of the policies are relevant in many other sectors of policy-making in developing countries.

IDEOLOGY OF SCIENCE AS A SOURCE OF POWER

The study on Kerala's irrigation shows that science (and technology) serves as a source of power for both scientists and the

political leadership. The belief, structure associated with modern science and technology convinces the scientists, planners and politicians that what they are doing is right. The ideology also convinces the people that what is done for them is right. This twin process of convincing strengthens the privileges and power enjoyed by the scientists as well as the political leadership. Thus science can also be added to the long list of ideological discourses which legitimise the power structure existing within societies.

Since the British days, public works departments have expanded on the basis of a self-serving ideology. These departments were in constant conflict with the administrators of the colonial rule because the department always believed in spending resources supposedly for the benefit of masses while the administrators were concerned about the return on the investments. The rigid belief in balanced budgets and a reluctance to impose heavy direct taxes for fear of political consequences made the members of the civil service take a very critical look at all expenditure proposals except of course on police and the military. However the coalition between the political set-up and the technocratic systems which has emerged during the post-independent period, functions in a manner in which both the partners could pursue their interests without any conflicts. The public perception of the abilities and potentialities of modern science and technology, which is periodically strengthened by the pronouncements of the scientific and political leaders, helps this coalition. Thus one can see clearly how powerful interests use rhetoric of a certain kind to perpetuate themselves under the cover of the alleged 'neutrality' of science or technology.

Notes

- 1 The ancient literary works in Tamil gave much importance to water, rains and clouds. Thiruvalluvar devoted one of the four invocatory chapters to praise rains. According to him, water "is the elixir of life". Silappadikaram starts with a song of benediction in which rain-bearing clouds are given prime place. See, Ambirajan, S (1992), 'Economic Wisdom in Ancient Tamil Society' in Lowry, S T (ed), *Perspectives on the History of Economic Thought*, Vol VII, Edward Elgar, Aldershot, England.
- 2 A discussion of the debate can be seen in Boyce, J K (1988), Technological and Institutional Alternatives in Asian Rice Irrigation, *Economic and Political Weekly*, Vol XXIII, No 13, pp A-15-A-17.
- 3 Historical changes in the management and development of irrigation in South India are covered in Ludden, David (1979), 'Patronage and Irrigation in Tamil Nadu: A Long-Term View', *Indian Economic and Social History Review*, Vol 16, No 3, pp 347-65.

- 4 The discussion on local mechanisms for managing water is given in Sengupta, Nirmal (1985), 'Irrigation: Traditional vs Modern', *Economic and Political Weekly*, Vol XX, Nos 45-47, pp 1931-34.
- 5 See, Boyce, J K (1988), op-cit, p A-12.
- 6 One can cite many proverbs like *Thirumuriya mazha peyyum Thiruvathira Njattuvela* which signifies both the intensity and the timing of rain.
- 7 For a discussion of the traditional mechanisms of managing and developing irrigation in other parts of South India see, Sengupta, Nirmal, op cit. The state intervention in South Indian irrigation is discussed in Ludden, David (1979), op cit.
- 8 Nagam Aiyar, V (1906), *Travancore State Manual*, Vol III, Travancore Government Press, Trivandrum, p 7.
- 9 Namboothiripad, E M S (1952), *The National Question of Kerala*, People's Publishing House, New Delhi, referred in Vargheese, T C (1970), *Agrarian Changes and Economic Consequences*, Allied Publishers, New Delhi, p vii.
- 10 This shortage led to the 'Grow More Campaign' during the early 40s and the governments resorted to different means of increasing food production. See Government of Cochin (1944), *Administrative Report of the Agricultural Department* (1942-43), Government Press, Ernakulam, p 3.
- 11 Ibid; also see Government of Cochin (1945), *Administrative Report of the Agricultural Department* (1943-44), Government Press, Ernakulam, p 2.
- 12 The three projects which started in late 40s are: Chalakkudy (1949), Peechi (1947), Malampuzha (1949).
- 13 The other projects which started before 1957 are the following: Neyyar (1951), Pothundy (1957), Gayathry (1956), Walayar (1953), Vazhani (1951), Mangalam (1951), Cheerakuzhy (1957).
- 14 Government of Kerala (1958), *Water Resources of Kerala*, Trivandrum: Public Works Department.
- 15 Ibid; p v.
- 16 Government of Kerala (1993), *Economic Review 1992*, State Planning Board, Trivandrum, p 49.
- 17 Based on the table given in the Appendix 5.1 to 5.3 of government of Kerala (1993), op cit, pp 180-81.
- 18 The 60 per cent claim is that of the public works department and not shown by the studies on the actual use of irrigation. See, Ibid.
- 19 The highest escalation was for the Kallada Irrigation Project.
- 20 The highest figure was for the Attappady Valley Irrigation Project.
- 21 For example, see Government of Kerala (1993), op cit, p 49.
- 22 National Council for Applied Economic Research (NCAER) (1962), *Techno-Economic Survey of Kerala*, NCAER, New Delhi, p 36.
- 23 George, M V and Nair, N G (1982), 'Irrigation and Agricultural Development in Kerala', in Pillai, P P (ed), *Agricultural*

Development in Kerala, Agricole Publishing Company, New Delhi, pp 133-37.

- 24 Narayana, D, and Narayanan Nair, K (1983), 'Linking Irrigation with Development: The Kerala Experience', *Economic and Political Weekly*, November 5-12, pp 1935-39.
- 25 Kannan, K P, and Pushpangadan, K (1989), 'Agricultural Stagnation and Irrigation in Kerala', *Economic and Political Weekly*, Vol XXIV, No 19, p 1067.
- 26 Dhawan, B D (1988), 'Irrigation in Kerala', *Economic and Political Weekly*, Vol XXIII, No 50, pp 2658-59.
- 27 Government of Kerala (1975), *Minor Irrigation in Kerala: An Evaluation Study*, State Planning Board, Trivandrum, p 26.
- 28 Government of Kerala (1993), op cit, p 180-81.
- 29 Kurien, C T (1982), 'Agricultural Change - A Comparison of Tamilnadu and Kerala' in Pillai, P P (ed), *Agricultural Development in Kerala*, Agricole Publishing Company, New Delhi, p 12.
- 30 Kannan, K P and Pushpangadan, K (1991), 'Dissecting Agricultural Stagnation in Kerala', *Economic and Political Weekly*, September 1-8, pp 1992-93.
- 31 Government of Kerala (1981), *Vamanapuram Irrigation Project: Revised Project Report: Reply to CWC Comments*, Public Works Department, Kottarakkara, p 3.
- 32 Ibid.
- 33 Government of Kerala (1973), *Vamanapuram Irrigation Project*, Public Works Department, Trivandrum, p 2.
- 34 Ibid, p 8.
- 35 Ibid.
- 36 Ibid.
- 37 Instead of making an assessment of the water available at the command area, the proposal made the following assumption: "The useful rainfall that will be utilised for the plant growth has been assessed as fifty per cent of the observed rainfall during monsoon months". See Government of Kerala (1973), op cit, p 74.
- 38 Government of Kerala (1980), *Vamanapuram Irrigation Project: Project Report*, Public Works Department, Trivandrum, p 18.
- 39 Santhakumar, V (1992), *Technology for Increasing Production or Technology for the Sake of Technology: A Study of Vamanapuram Project*, Integrated Rural Technology Centre, Palakkad, p 9.
- 40 In the original proposal prepared in 1973, it was assumed (or estimated!) that 6,400 ha of land in the command area was sustaining paddy. However the revised proposal showed that only 2,333 ha of land was used for paddy cultivation in 1980.
- 41 Government of Kerala (1981), op cit, p 3.
- 42 Ibid, p 5.
- 43 Santhakumar, V (1992), op cit.
- 44 Kerala Agricultural University (KAU) (1991), *Research Report (1990-91)*, Trichur: KAU, p 120.
- 45 This was observed in a field study of the micro-watershed from 1990 to 1993 conducted by one of the authors of this paper.

46 Kerala Agricultural University (1986), Research Report (1985-86), KAU, Trichur, p 88.

47 See the following research reports of the Kerala Agricultural University

Year	Page
82-83	75
83-84	76
84-85	75
85-86	86

48 Refer the following research reports of the Kerala Agricultural University

Year	Page
82-83	64
83-84	127
84-85	77
85-86	87
87-90	183

49 Kerala Agricultural University (1980), Research Report (1979-80), KAU, Trichur, p 61.

50 Kerala Agricultural University (1991), op cit, p 93.

51 Government of Kerala (1981), op cit, p 17.

52 It can be seen from Table 2 that 286 ha of paddy fields in the command area of

Vamanapuram project sustain three crops of paddy.

53 Government of Kerala (1958), op cit, p i.

54 Many philosophers of this century have questioned the so-called 'neutrality' of science: for a academic presentation of the issue see: Arnowitz, Stanley (1988), *Science As Power: Discourse and Ideology*, Macmillan Press, Hampshire. The belief in the omnipotence of science and technology was part of the positivism which is defined as "the alienation of human reason from itself" (p 5).

55 For a recent discussion of this aspect, see the Introduction in Gadgil, Madhav and Guha, Ramachandra (1992), *The Fissured Land: An Ecological History of India*, Oxford University Press, New Delhi.

56 For example, in the debate of the Silent Valley Hydro-Electric Project, all the major political parties have taken a pro-project stand. The debate in this issue within the Communist Party of India (Marxist) was documented in D'Monte, Darryl (1984), *Temples or Tombs*, Centre for Science and Environment, New Delhi.

57 Santhakumar, V and Rajagopalan, R (1993), 'Technological Prejudice: Case of Indian

Irrigation', *Economic and Political Weekly*, Vol XXVIII, No 14.

58 Sengupta, Nirmal (1985), op cit, p 1924.

59 Singh, Pritham (1984), Presidential Address, 54th Annual Meeting of the Central Board of Irrigation and Power, *Irrigation and Power*, Vol 41, No 4, p 329.

60 Since some of the major ongoing projects such as Kallada will be commissioned soon, the department at present faces surplus of engineers. Thus there is pressure now within the department to start new projects including Vamanapuram.

61 Peacock, A.T. and Wiseman, Jack (1961), *The Growth of Public Expenditure in the United Kingdom*, Allen and Unwin, London.

62 When the debate of the agricultural stagnation in Kerala was active, then the communist-led ministry (which came to power in 1987) took a decision to appoint agricultural officers in all the villages.

63 This attitude was observed when V Santhakumar did a field project in 1992 to evaluate the VIP, as part of the work of Integrated Rural Technology Centre, Palakkad

64 Bates, R H (1978), 'People in Villages', *World Politics* 1, October, p 145.

OXFAM requires

REGIONAL REPRESENTATIVES FOR NAGPUR AND LUCKNOW

Oxfam, a relief and development agency, is looking for Regional Representatives for our Nagpur and Lucknow offices to provide overall leadership to each regional team and management of our work in Maharashtra and Madhya Pradesh from the Nagpur office, and in the northern region, mainly in Uttar Pradesh, from the Lucknow office.

Candidates should have relevant qualifications, a minimum of 8 years of development experience preferably with NGOs, good analytical and strategic planning skills and understanding of development issues, commitment to social justice, team management experience including finance, research and evaluation experience, good administrative and communication skills, sensitivity to the inequalities facing women in society, willingness to undertake considerable travel, ability to speak fluent Marathi (in the case of Nagpur Regional Representative)/Hindi and also fluency in written and spoken English.

We offer a 5 year contract with reasonable salaries and other benefits to attract competent professionals.

Women candidates are encouraged to apply.

Apply with full CV and a covering letter *explaining fully from your experience how you meet the criteria listed above* to Oxfam (India) Trust, C-6/59 Safdarjang Development Area, New Delhi - 110 016 before 13th May 1995. Only shortlisted candidates will be contacted for interviews to be held in Delhi between 1st and 3rd June 1995. No enquiries over phone or in person please.

Gender and Legal Rights in Agricultural Land in India

Bina Agarwal

Although the Constitution promises no discrimination on the basis of sex as a fundamental right, most inheritance and ceiling provisions relating to one of the most important economic resources in the country continue to be highly gender discriminatory; and the Ninth Schedule lends itself to their perpetuation. Surprisingly, these aspects, which impinge directly and crucially on women's legal and economic status, have received little attention so far from either researchers or activists. This paper attempts to fill some of this gap.

Section I of the paper briefly outlines the process of formulation of Hindu inheritance laws today and their broad features. Section II identifies the major gender inequalities which remain, focusing especially on Hindu women's right in agricultural land. It also highlights the gender discriminatory aspects of ceiling laws. Section III outlines the laws governing Christians and Parsis, including recent changes resulting from Christian women in Kerala challenging gender inequalities in their laws. Section IV traces aspects of contemporary Islamic law, the process of its formulation, and the persisting inequalities especially in women's rights in agricultural land. Summary comments are provided in the concluding Section V.

Thousands of sensitive Hindu women for the first time in their lives left the precious sanctuary of their sheltering homes [during India's freedom struggle]. They came to the battlefield and stood beside their brothers and faced jail and lathi charges and often enough, humiliation worse than death. If today... [they] who fought for the independence of India are to be denied their just rights, then our hard-earned freedom is no more than a handful of dust

— Padmaja Naidu (Congress legislator), parliamentary debates over the Hindu Code Bill in 1951¹

Mat God save us from ... having an army of unmarried women.

— M A Ayyangar (Congress legislator) predicting the result of daughters getting property. Parliamentary debates on the Hindu Code Bill in 1951²

EFFECTIVE rights in property, especially land, are of critical importance for women's economic and social empowerment in India. The path to achieving those rights, however, is strewn with obstacles: legal, social, administrative and ideological [as elaborated in Agarwal 1994]. This paper focuses on the legal aspects.

In particular, it spells out the gender inequalities which persist in laws governing the inheritance and holding of arable land — the most valuable form of property in rural India. On the one hand the progress made toward gender equality in inheritance laws during this century has been seriously limited by the non-applicability of most of these laws, in many states of India, to large parts of agricultural land — the devolution of which continues to be subject to gender discriminatory state-level tenurial legislation and/or custom. Land reform enactments governing the fixation of ceilings are similarly gender unequal in many states. On the other hand, the inclusion of most tenancy and other land reform laws in the Ninth Schedule of the Indian Constitution (whereby

they cannot be challenged for violating fundamental rights),³ although presumably to protect them against interference from entrenched class interests, also effectively protects them from being constitutionally challenged on grounds of gender discrimination. In other words, although the Constitution promises no discrimination on the basis of sex as a fundamental right, most inheritance and ceiling provisions relating to one of the most important economic resources in the country continue to be highly gender discriminatory; and the Ninth Schedule lends itself to their perpetuation.

Surprisingly, these aspects, which impinge directly and crucially on women's legal and economic status, have received little attention so far from either researchers or activists. For instance, while gender inequalities arising from the continued recognition of joint family property in the Hindu Succession Act of 1956 have been much discussed, the effect of exempting tenancy rights in agricultural land from the purview of the Act has largely been neglected. The gender implications of exempting all agricultural land from the purview of the 1937 Shariat Act have similarly been ignored. The same is true of land ceiling laws which, like other land reform laws in India, vary from state to state, most embodying substantial gender inequalities. This paper attempts to fill some of these gaps.

In the discussion below, Section I briefly outlines the process of formulation of Hindu inheritance laws today and their broad features. Section II identifies the major gender inequalities which remain, focusing especially on Hindu women's rights in agricultural land. It also highlights the gender discriminatory aspects of ceiling laws. Section III outlines the laws governing Christians and Parsis, including recent changes resulting from Christian women in Kerala challenging gender inequities in their laws. Section IV traces aspects of

contemporary Islamic law, the process of its formulation, and the persisting inequalities especially in women's rights in agricultural land. The concluding Section V provides summary comments.

I

Hindu Inheritance Laws

(1) HISTORICAL BACKDROP: MITAKSHARA AND DAYABHAGA

Traditional Hindu law defining inheritance practices can be traced to the ancient texts — the *Dharmashastras* — and the many commentaries on them, of which some took the form of digests and legal treatises. In particular, the *Mitakshara* and *Dayabhaga* legal doctrines, dated around the 12th century AD, significantly influenced legal practice in the British period and the formulation of contemporary Hindu law.⁴ Without going into all their complex details, the main features of the two systems that are of relevance here were as follows.⁵

The *Mitakshara* system distinguished between two types of property: joint family property⁶ and separate property. The former consisted principally of ancestral property (that is, property inherited from the father, paternal grandfather or paternal great-grandfather), plus any property that was jointly acquired or was acquired separately but merged into the joint property. A community of interests and rights was recognised in the joint family property, held jointly by (a maximum depth of) four generations of male members — a man, his sons, sons' sons, and sons' sons' sons — who became coparceners on birth. Women could not be coparceners. Devolution was by survivorship: the living coparceners had an interest in the property of deceased ones, and the individual shares could be determined only on partition; these shares decreased in case of births and increased in case of deaths

among the members of the coparcenary. There were severe restrictions on the alienation of coparcenary property, especially immovable property. However, each coparcener had the right to demand partition unilaterally at any time, while the remaining coparceners could stay undivided.

Over his separate property, by contrast, a man had absolute rights of ownership and disposal. This included property which was self-acquired (if acquired without detriment to the ancestral estate) and any property inherited from persons other than his father, paternal grandfather or paternal great-grandfather. In addition, if he had no sons, sons' sons, or sons' sons' sons, his share of the ancestral property obtained on partition was also counted as his separate property. In the presence of these male lineal descendants, however, the partitioned share was still ancestral property, as far as he and any of these descendants were concerned, and his rights of disposal over it stood curtailed [Kane 1946:576, 639-40].

Women's rights in the joint family property under *Mitakshara* included only the right of maintenance as incoming wives (including as widows) and as unmarried daughters: when she married, a daughter was also entitled to marriage expenses and associated gifts. In a man's separate property, however, his widow could inherit a limited estate, but only in the absence of sons, agnatic grandsons, and agnatic great-grandsons,⁷ and only if she remained chaste. A limited estate (also termed a limited interest) meant that the woman could enjoy the property for her lifetime, but she could not normally alienate it (such as by gift, sale, or mortgage), except in a period of severe necessity (later termed 'legal necessity'), and (within reasonable limits) for performing pious and religious acts, especially those seen as conferring spiritual benefit on the deceased.⁸ There appears to be no clear agreement among scholars on the extent to which women's alienation of property for these purposes needed the permission of the reversioners,⁹ but there does appear to be consensus that greater freedom was granted to women in relation to expenditures for religious and spiritual purposes than for worldly purposes.¹⁰ A daughter (an unmarried one got preference) came even after the widow, and a daughter's son after the daughter.¹¹ That is, for a daughter to inherit her father's estate required the absence both of the noted male heirs and of the widowed mother. And when she did inherit, a daughter, like the widow, could receive only a limited estate, except under the Bombay (Mayukha) sub-school of *Mitakshara* which allowed the daughter an absolute estate.¹²

In the early *shastric* texts, however, for sonless families the practice of 'putrikaputra' or 'appointed daughter' was recognised, interpreted either as 'the daughter appointed

as a son' or 'the son of an appointed daughter' [Kane 1946]. In either case, the idea was that the daughter would raise a son for her sonless father. She and her husband were expected to reside with her parental family, her son inheriting her father's estate and taking his name and so continuing the latter's line.¹³ But this system became obsolete over time, as [according to Kane 1946: 714] the ordinary daughter came to be recognised by analogy (after the widow) as heir of a sonless man.

Under the *Dayabhaga* system,¹⁴ a man was deemed absolute owner of all his property (no distinction being made between ancestral and self-acquired property) and could dispose of it (that is sell, mortgage, or gift it)¹⁵ as he wished. The son did not acquire an automatic interest by birth in the father's ancestral property, nor was there any rule of survivorship: each heir took a definite and nonfluctuating share. Division of property among heirs could take place only at the man's death, and the property went in the first instance equally to his sons. The share of a predeceased son would devolve on the son's sons, or failing this on the son's sons' sons. As under *Mitakshara*, a chaste widow could inherit in the absence of these male heirs, but only as a limited interest, with the right to manage but not alienate the property. Daughters came only after the widow, again unmarried daughters getting first preference and inheriting only a limited interest. However, in contrast to *Mitakshara* law, *Dayabhaga* recognised the widow and (after her) daughters as heirs even when the man's share in the joint family estate had not been separated before his death.¹⁶ Hence, unlike under *Mitakshara*, women inherited an interest in all property, irrespective of whether it was ancestral or separate. This also meant that the probability of a widow or daughter inheriting some property was somewhat greater under *Dayabhaga* than *Mitakshara*.

Under both systems, there was also some recognition of female property rights in the concept of 'stridhan' (literally meaning a woman's property), although there were varied and changing interpretations of what stridhan could include, how much control a woman could be allowed over it, and how it would devolve on the woman's death. The discussions around this are too complex and contentious to detail here.¹⁷ Broadly, it appears that in the very early *shastric* texts, stridhan could consist only of movables, given to a woman by her parents, brothers, or relatives before or at the time of her marriage, and by her husband after marriage; over these she was allowed absolute control. In some later texts, especially from the 7th century AD onwards, there was a tendency to enlarge the scope of stridhan in terms of the content and source of the gifts. This also led to controversy among the commentators on whether landed property should be

included in stridhan and what control women should be allowed over it. Several commentators persuasively argue, however, that under *Mitakshara* law, any landed property included in a woman's stridhan which was acquired by inheritance or partition was not intended to invest her with the absolute right of disposal [Agarwal 1994, for details]. The Bombay sub-school again appears to have been an exception: it held that property which a woman inherited from a male of the family in which she was born (e.g., as a daughter succeeding her father), or inherited from a female, became her stridhan and her absolute estate [Kane 1946:783]. In contrast to *Mitakshara*, under *Dayabhaga*, stridhan, by definition, was that over which women had full rights of disposal, but as discussed in Agarwal (1994), effectively (if not explicitly), stridhan property allowed under *Dayabhaga* was limited to movables.

According to both *Mitakshara* and *Dayabhaga*, therefore, Hindu women could inherit immovable property such as land only under highly restrictive circumstances and (barring a few exceptions linked to the Bombay sub-school), at best, could enjoy a limited interest in it. In contrast, men enjoyed a primary right to inherit and control immovable property; and although under *Mitakshara* they too faced certain restrictions in their power of disposal over joint family property, these restrictions related to their rights as individuals (as against group rights), but not to their rights as a gender. Women were restricted by virtue of their gender.

Actual practice and *shastric* prescriptions appear to have converged in some communities and regions and diverged in others [as discussed in Agarwal 1994]. The prescriptions of the *shastras* are likely to have been followed most closely by the higher castes, less by the lower castes, and not at all by the tribal communities [Lingat 1973]. Regionally, tension between the *shastras* and local custom on marriage, divorce, and inheritance practices is argued to have been most in the south and west, and least in the north and east [Derrett 1968; Agarwal 1994]. In the south and west, the evidence surveyed in Agarwal (1994) (especially from medieval temple inscriptions), of women's customary rights in land among patrilineal Hindus in pre-colonial India suggests that a number of women of affluent (including non-royal) backgrounds did possess landed property. However, there is little to indicate that the average Hindu woman was commonly endowed with immovable property. Also, the position even of the elite women who were so endowed appears to have been far from one of equality with men, either in their inheritance rights or in their freedom to use the property as they wished. For instance,

temple donations, one of the strongest pieces of evidence that women from non-royal backgrounds could possess and alienate land, fall into a special category of religious and pious acts which enjoyed social and legal sanction; from this we cannot infer with any confidence that the women who made these donations were as a rule equally free to dispose of their wealth in other ways, even if an occasional one among them was able to do so.

Among the patrilineal tribal communities in eastern and northeastern India, again, women as daughters, wives, and widows typically enjoyed only usufruct rights in land; where this land was inherited, it was essentially in terms of a limited interest. There were, however, some significant although locally confined pockets of matrilineal and bilateral inheritance in southwest India (especially Kerala) and northeast India (especially Meghalaya) where women's property rights were not the exception but the rule. In the southwest, this included matrilineal communities customarily governed by the *Marumakkatayam* and *Aiyasantana* systems which received special consideration in the formulation of the Hindu Succession Act of 1956 discussed further below.

(2) THE FORMULATION OF CONTEMPORARY LAWS

Today, laws governing the inheritance of landed property form a collage across the legal map of India, varying by religion and region. In part these variations originate in the colonial state's characterisation of inheritance and marriage laws as 'personal laws' applicable to members of particular communities – a characterisation that has endured in post-independence codifications that have attempted to accommodate differences in religious and local cultural traditions, while also seeking to establish a degree of uniformity. And partly the variations stem from enactments in relation to the inheritance of agricultural landed property, by provincial (state) legislatures. [After the 1935 Government of India Act (detailed later), agricultural property came under the jurisdiction of the provincial legislatures.]

The formulation of contemporary inheritance laws on property, especially landed property, involved a complex and contentious process of interaction between the (colonial and post-colonial) state and different segments of the population, the interplay of varying ideologies and interests, and the conflicting pulls of scriptural rules and local custom. Around the early part of this century, these interactions increasingly took the form of explicit contestation, especially over women's property rights, revealed most prominently (but not only) in

the pre- and post-independence debates surrounding the Hindu Code Bill in India. Large numbers of Indian women participated in an organised campaign to expand women's legal rights, including property rights. Many Indian men supported the cause; the majority adamantly opposed it. The question of women inheriting immovable property, especially arable land, however (as will be seen from the discussion further below), was constantly side-stepped.

The early decades of the 20th century saw an intensification of pressure for changes in women's legal status from a number of quarters, especially women's organisations and progressive male reformers.¹⁸ By 1930 several women's organisations had been founded, most notably the Women's Indian Association (WIA) in 1917, the All India Women's Conference (AIWC) in 1927, and the National Council of Women in India (NCWI) in 1925.¹⁹ These organisations worked for social reform legislation, especially on women's rights to divorce and to inherit and control property.²⁰ Forbes (1981:71) notes:

Throughout the 1930s the women's organisations formed committees on legal status, undertook studies of the laws, talked with lawyers, published pamphlets on women's position, and encouraged various pieces of legislation to enhance women's status. At first these demands were presented as part of the organisations' general efforts to uplift women, but by 1934, the AIWC passed a resolution demanding a Hindu Code that would remove women's disabilities in marriage and inheritance.

Also, among the Indian lawyers elected to the government's Central Legislative Assembly after its establishment as a legislative body in 1935 was a group of liberals concerned with social and legal reform. Attempts by the reformers, however, to introduce a number of bills, including those supporting Hindu women's right to divorce and Hindu widows' right to a share in their husbands' property, encountered strong opposition from the orthodox Indian members of the assembly. And the Hindu Women's Rights to Property Act of 1937, when finally passed, was a compromise.²¹ It gave the Hindu widow, who had previously been excluded from inheritance by the son, agnatic grandson and agnatic great-grandson of her husband, a right to intestate succession equal to a son's share in separate property among those governed by *Mitakshara*, and in all property among those governed by *Dayabhaga*. It also gave her the same interest as her deceased husband in the undivided *Mitakshara* coparcenary, with the same right to claim partition as a male coparcener, but she could hold this share only as a limited interest. Three categories of widows were recognised: the intestate's widow, the widow of a predeceased son, and the widow of a

predeceased son of a predeceased son. However, the widow's share (as noted) was only a limited estate which she could enjoy during her lifetime, after which it went to her deceased husband's heirs; it was subject to forfeiture on remarriage; and, most importantly, it explicitly excluded agricultural land on the ground that after the 1935 Act agricultural property came under provincial jurisdiction.²² Also daughters were excluded from the purview of the act.

In 1941 the government set up the Rau (Hindu Law) Committee to suggest how the Hindu Women's Rights to Property Act of 1937 should be amended, especially to clarify the nature of rights conferred by it upon the widow and to remove any injustice done by it to the daughter. Noting the Act's many technical defects and ambiguities which could lead to varying interpretations of women's rights, the committee felt that any attempt at piecemeal amendment would raise 'all the controversies latent in the Act' [GOI 1941:23]. Instead it strongly recommended that a complete code of Hindu law be prepared, beginning with the law of inheritance and followed by the law of marriage and other aspects of Hindu law. The code, as envisaged by the committee, would be one 'which... recognise[d] that men and women are equal in status with appropriate obligations as well as rights' [GOI 1941:24].

In January 1944 the government reconstituted the Rau Committee, this time for preparing a Hindu Code. AIWC carried out a countrywide campaign in favour of codification and submitted a draft memorandum to the committee. In August of the same year, the committee came out with a Draft Code. Its main provisions were [GOI 1947]: abolition of the *Mitakshara* right by birth and principle of survivorship; equal property shares for the sons and widow of the deceased, and half the sons' shares for the daughters in all intestate inheritance; an absolute estate for the widow (as opposed to a limited interest); introduction of monogamy as a rule; and legalisation of divorce under certain circumstances. Once again, however, women's succession to agricultural land was excluded from the scope of the Draft Code on the familiar ground that this issue fell within the purview of the provinces.

There were 'black flag' demonstrations opposing the Code in five cities. Reactions from women were mixed: the AIWC supported the Draft Code, while advocating equal inheritance for sons and daughters. The NCWI, several other women's groups, especially from Bombay and Calcutta, as well as many individual women (including a number of advocates) also supported the Code. But women in orthodox associations such as the All India Hindu Women's Conference opposed it. Among men,

although some supported the Code, the majority (including prominent lawyers and pandits) argued against it on grounds such as: abolishing the *Mitakshara* would adversely affect commercial enterprise; the divorce provisions would undermine the family; women were incapable of managing property and were likely to be duped by male relatives if given an absolute estate; married daughters already received a share as dowry and unmarried daughters only needed maintenance and provision for their marriage expenses; and so on. Only a small percentage of those whose views were recorded by the Second Rau Committee were women or women's organisations, but the gender divergence in those views was marked. As seen from Table 1, 71 per cent of the women (or women's organisations) and only 35 per cent of the men (or organisations other than women's organisations) supported the Bill. Support did not mean agreement with all the provisions in the Draft Code, and on specific clauses the gender gap was equally glaring.

Despite the strong opposition, the Rau committee submitted a revised draft of the Hindu Code Bill (HCB) which was introduced in the legislative assembly in April 1947, four months before India became independent. In April 1948, a further revised Hindu Code Bill was introduced in the new parliament and was again the subject of intense debate. While the AIWC continued to campaign actively for the Bill, its constituency was drawn largely from the literate, urban population, as it had been before independence. This left the Bill vulnerable to the opposition labelling it as an elite demand. One Congress legislator from West Bengal, who was especially vociferous in his opposition, characterised those supporting the Bill as "a few ultra-modern persons who are vocal, but have no real support in the country", and implied that only women of "the lavender, lipstick and vanity bag variety" were interested in the Bill.²³ He argued: "[If the daughter inherits] ultimately the family will break up" and queried "Are you going to enact a code which will facilitate the breaking up of our households?" [GOI 1949:1011]. In September 1951, of the legislators who spoke on the Bill 10 supported it and 19 opposed it [Everett 1979:172]. Most top Congress leaders of independent India were against the Bill, including the home minister, Vallabhbhai Patel, and president Rajendra Prasad.

As is now well known, in the face of such opposition prime minister Jawaharlal Nehru, although committed to the bill, shelved it in 1951. B R Ambedkar, law minister and framer of India's Constitution, resigned in protest. However, after 1951, riding on the strength of a Congress electoral victory, Nehru finally won passage for the important aspects of the Hindu Code Bill in four separate

Acts.²⁴ Of these, the Hindu Succession Act of 1956 forms the basis of Hindu succession laws today.

Everett (1979:166-67) provides some interesting insights into the contrasting images of the ideal Hindu woman that the supporters and opponents of the Bill appeared to hold:

From the [1940s and 1950s] debates [on the Hindu Code Bill] two different images of ideal Hindu women emerged. The opponents' image resembled the view of women presented in the *Manusmriti*: she needed the protection of men during all the periods of her life (thus never capable of independently looking after property), and in this position of dependence she was worshipped as a goddess. The proponents' image of the ideal Hindu woman was a competent, autonomous human being interacting with others on the basis of equal rights and individual freedom. This image stemmed from western liberal thought, however imperfectly it had been achieved in practice in the west.

The HCB opponents believed that the interests of men and women were better served when women occupied a dependent position and men and women played different social roles. The HCB supporters believed that everyone's interests were better served when men and women were independent and enjoyed equal rights... The HCB supporters operated within the equal rights perspective which had emerged as the dominant women's movement ideology since the 1930s.

Women's organisations also mobilised to win constitutional guarantees in the area of personal law. In 1945 while the Rau committee's draft Hindu Code was being discussed around the country, a new Constitution was being drafted by the constituent assembly. Hansa Mehta, in her presidential address to the AIWC in December 1945, formulated a 'Charter of Indian Women's Rights' advocating that equality between the sexes should be the basis of citizenship in India [Mehta 1981]. This issue again was intensely contested, since there could be possible contradictions between the proposed constitutional clause

promising freedom of religious practice and propagation (which could be read to include religiously sanctioned inequalitarian property and marriage laws), and the aim of social reform towards gender (and caste) equality. The matter was finally resolved by an explicit government statement that freedom of religion did not preclude social reform.²⁵ In practice, this issue remains a contentious one.

Indeed, in the 1950s the struggle for gender equality in property laws was by no means over, and that for ensuring women's *de facto* property rights had not even begun.

(3) HINDU PROPERTY LAWS TODAY

Today the property rights of Hindus are governed by the Hindu Succession Act of 1956 (applicable to all states other than Jammu and Kashmir²⁶ and covering about 86 per cent of the Indian population).²⁷ In the Act, 'Hindus' are defined as including Sikhs, Jains and Buddhists. However, the Act has special provisions for Hindu matrilineal communities customarily governed by the *Marumakkattayam* and *Alivasantana* systems, as well as for the Nambudiri brahmins. (Tribal communities of the northeastern states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram and Nagaland are not covered by the Act, and continue to be ruled by local customs which are still, in large part, uncoded.)²⁸ The Act sought to unify the *Mitakshara* and the *Dayabhaga* systems, and purported to lay down a law of succession whereby sons and daughters would enjoy equal inheritance rights, as would brothers and sisters. In fact, significant gender inequalities remain.

Under the Act, in the case of a Hindu male dying intestate, all his separate or self-acquired property, in the first instance, devolves equally upon his sons, daughters, widow, and mother. In addition (and simultaneously with the mentioned four categories of heirs), if there is a predeceased son, his children and widow get the share he would have received if alive; the children of a predeceased daughter get her share likewise; and the children and widow of a

TABLE 1: SUMMARY OF ORAL AND WRITTEN OPINIONS ON THE DRAFT CODE RECEIVED BY THE SECOND RAU COMMITTEE, 1945

		Draft Hindu Code		Absolute Estate for Widows		Monogamy		Divorce ¹	
		No	Per Cent	No	Per Cent	No	Per Cent	No	Per Cent
Total	For	224	37	49	31	75	43	108	36
	Against	375	63	107	69	99	57	195	64
Women ²	For	32	71	10	59	21	68		
	Against	13	29	7	41	10	32		
Men ³	For	192	35	39	28	54	38		
	Against	362	65	100	72	89	62		

Notes: 1 On this clause the data from most regions were not disaggregated by sex

2 Includes both individual women and women's organisations.

3 Includes both individual men and organisations other than women's organisations.

Source: Compiled from the Report of the Hindu Law Committee [GOI, 1947:82-181].

predeceased son of a predeceased son similarly inherit a share as representatives of the deceased in question. All these are the primary or Class I heirs under the Act.²⁹ In the absence of Class I heirs, the property devolves on Class II heirs and in their absence first on agnates and then on cognates. For joint family property, if the deceased male was earlier governed by the *Dayabhaga* system the same rules of succession as relate to other types of property apply to this as well.

However, for those previously governed by *Mitakshara* law, the concept of *Mitakshara* coparcenary property devolving by survivorship continues to be recognised with some qualifications: in the case of a male who has an interest in *Mitakshara* coparcenary at the time of his death and who leaves behind Class I female heirs, or male relatives specified in Class I as claiming through Class I female heirs, his interest devolves not according to the *Mitakshara* principle of survivorship but according to the 1956 Act; and his share in the joint property and hence the shares of his heirs are ascertained under the assumption of a 'notional' partition (that is, as if the partition had taken place just prior to his death). If the deceased does not leave behind Class I female heirs or male heirs claiming through such female heirs, the devolution is according to the *Mitakshara* rules. Either way this does not affect the *direct* interest in the coparcenary held by male members by virtue of birth; it affects only the interest they may hold in the share of the deceased.

In the case of a Hindu woman dying intestate, if she has children or grandchildren from predeceased children, all her property in the first instance devolves equally upon her sons, daughters, children of predeceased children, and husband. If she has no living children and no grandchildren from predeceased children, the property devolution differs according to the source of acquisition: that inherited from her parents goes to her father's heirs; that inherited from her husband or father-in-law (as a widow of a predeceased son) goes to the husband's heirs; and that acquired in ways other than these passes to her husband, and failing him to his heirs.

Under the Act, all female heirs have absolute ownership and full testamentary rights over all property, not just a limited interest in it. The Act also gives unrestricted testamentary rights to males in their separate or self-acquired property, as well as in their share of the joint family property; but in relation to ancestral agricultural land there are restrictions on the testamentary rights of males in some states, by virtue of custom, as in Punjab.³⁰

For Hindus customarily governed by the *Marumakkattayam* and *Aliyasantana* systems, under the special provisions of the

Act the devolution of property is somewhat different, especially in relation to the intestate inheritance of women's property [Agarwal 1994, for details].

Since the passing of the Hindu Succession Act, some states have enacted laws affecting joint family property. For instance, the Kerala Joint Hindu Family System (Abolition) Act of 1976 deemed all family members with an interest in the Hindu undivided family estate as holding their shares separately as full owners from then onwards. This Act struck a final blow to the remnants of matrilineal joint estates, but also eliminated any advantages that sons enjoyed over daughters in joint family property among patrilineal Hindus in Kerala. Subsequently, Andhra Pradesh in 1986, Tamil Nadu in 1989, and Maharashtra in 1994, amended the Hindu Succession Act to recognise unmarried daughters (that is, daughters who were unmarried when these amendments came into force) as coparceners by birth in their own right, giving them claims equal to those of sons in joint family property, including the right to a share by survivorship.³¹ However, these amendments (in Andhra Pradesh, Tamil Nadu and Maharashtra) do not reduce discrimination in relation to daughters married prior to the commencement of the amendment Acts.

Also, in states other than these, the 1956 Hindu Succession Act, as originally enacted, continues to be in force, having reduced but not eliminated pre-existing gender inequalities among customarily patrilineal Hindus, as discussed below.

II

Persisting Gender Inequalities and Anomalies: Hindu Inheritance Laws and Land Reform Laws

(1) PERSISTING GENDER INEQUALITIES

Several major sources of gender inequality remain in the Hindu Succession Act of 1956: (i) Since the concept of the *Mitakshara* joint family succession continues to be recognised (except in Kerala), some of the basic gender inequalities inherent in relation to coparcenary property persist in most states. These inequalities (as applicable to states other than Andhra Pradesh, Tamil Nadu and Maharashtra),³² relate especially to the following:

- Since only males can be coparceners in the joint family property, sons have an indefeasible right in such property, but daughters don't. In addition, sons have a right to succeed to the deceased father's share of the coparcenary if the father dies intestate. Daughters have only the latter right, that is the right to succeed to the father's share of the coparcenary.
- A coparcener can renounce his rights in the coparcenary property. In such cases

his sons would continue to maintain their independent rights to the coparcenary, but daughters and other Class I female heirs would lose the possibility of benefiting from such property. Similarly, after partition, the father can make a gift of his share in the coparcenary property to his sons, thereby defeating the rights of female heirs.

- A man can convert his separate or self-acquired property to coparcenary property, in which case his daughters, widow and mother, who would otherwise have enjoyed equal shares with his sons in such separate and self-acquired property, lose out.
- Unlike sons, married daughters (even if facing marital harassment) have no residence rights in the ancestral home. And while daughters who are unmarried, separated, divorced, deserted, or widowed do have residence rights, they cannot demand partition if the males do not choose to partition.

(ii) The children of a predeceased daughter of a predeceased daughter do not figure among the Class I heirs, while the children of a predeceased son of a predeceased son do.

(ii) The right to will away property is not restricted: a man has full testamentary power over all his property, including his interest in the coparcenary. In principle the provision is gender-neutral, but in practice it can be and often is used to disinherit females.³³

(iv) Although the Act covers owned agricultural land, certain other types of interests in agricultural land, such as those stemming from 'tenancy rights', are exempted. Section 4(2) of the Act provides that:

...nothing contained in this Act shall be deemed to affect the provisions of any law for the time being in force providing for the prevention of fragmentation of agricultural holdings or for the fixation of ceilings or for the devolution of tenancy rights in respect of such holdings.

The gender implications of this exemption are crucial to the present discussion, as elaborated below.

(2) ANOMALIES RESULTING FROM EXISTING LAND LEGISLATION

Two factors in particular have led to a disjunction between women's legal rights in property in general, and their rights in agricultural land. First, legislative powers are divided between the union and provincial (now termed state) legislatures under the principle of Federalism; and on enactments relating to agricultural land the state governments continue to have considerable legislative powers. Thus legislation affecting women's rights in certain categories of agricultural land varies by state, reflecting regional differences in social attitudes and

in legal approaches and histories. Second, landreform policies (land to the tiller, fixation of ceilings, prevention of fragmentation, etc) have been based both on the principle of redistributive justice and on arguments regarding efficiency; but on neither count are gender inequalities taken into account.

The Government of India Act 1935 vested all legislative powers in relation to agricultural land exclusively in the provincial (state) legislatures. Thenceforth women's inheritance rights in agricultural land depended on the land-related laws prevailing in the province in which the land was located, whatever being the laws governing other forms of property. Hence, for instance, the Hindu Women's Right to Property Act 1937 (as noted) did not apply to agricultural land. And although a few provinces (mentioned earlier) subsequently extended the Act to cover agricultural land, the extension left unaffected any rule of succession that related to a tenant's rights in agricultural land by any special law then in force.

Since independence, state legislatures have continued to enjoy the power to enact land laws, but subject to some restrictions. Under the Constitution of India adopted in November 1949, if the state legislature wants to modify any laws on topics which have been included in the "concurrent list" of the Constitution, and which have already been enacted by parliament, the modifications need the assent of the president of India. The Hindu Succession Act (HSA) of 1956 is one such piece of legislation. Hence if states want to pass laws modifying the Hindu succession rules for owned agricultural land, this will need the president's consent. However, state legislatures can continue to enact laws relating to tenancy rights, ceiling laws, etc (which, as noted, were excluded from the purview of the HSA), without needing such assent. What this has meant is that women's legal rights in agricultural land still show a vast disparity by region, especially in relation to (a) devolution rules for land deemed to be under 'tenancy'; and (b) rules regarding the fixation of ceilings and the forfeiture of surplus land above the ceiling limit, as discussed below.

(A) DEVOLUTION OF AGRICULTURAL LAND UNDER 'TENANCY'

Tenancy rights in agricultural land, as noted, were specifically exempted from the Hindu Succession Act of 1956. As a result, there is today a major disjunction in several states between state land enactments affecting the devolution of certain categories of agricultural land and the personal laws affecting the devolution of all other property, on at least two counts. First, in a number of states the succession rules relating to land held under tenancy have a different order of devolution than the personal laws

specify. For example (as seen from Table 2), in the tenurial laws of Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Delhi and Uttar Pradesh (all located in northwest India), the specified rules of devolution show a strong preference for agnatic succession, with a priority for agnatic males. In all these states the tenancy devolves in the first instance on male lineal descendants in the male line of descent. The widow inherits only in the absence of these male heirs.³³ In addition, in the first four states mentioned, daughters and sisters are totally excluded as heirs. In Delhi and Uttar Pradesh, daughters and sisters are recognised but come very low in the order of heirs. Moreover, in all these six states, a woman (in any capacity) can hold only a limited interest in the land, in that after her death the holding goes not to her heirs but to the heirs of the last male landowner. She also loses the land if she remarries or abandons the land (that is, fails to cultivate it for a specified period, usually a year or two).

States where the tenurial laws explicitly mention that the devolution of tenancy land will be according to personal law are very few, and include Rajasthan and Madhya

Pradesh where the personal law applies for all communities (Table 2). Also in the Telangana region of Andhra Pradesh, the commentary following Section 40 of the relevant Act clarifies that for Hindu tenants the Hindu Succession Act will apply.³⁴ In practice, however, even in Rajasthan daughters have been recognised as heirs only in some judgments, while in others male heirs alone have received recognition.³⁵ In addition, as seen from Table 2, there are states which do not specify the order of devolution in their laws dealing with tenancy land, such as Gujarat, the Bombay region of Maharashtra,³⁶ West Bengal, Karnataka, Kerala, the Andhra region of Andhra Pradesh, and Tamil Nadu. In these states we can presume that the personal laws automatically apply. Then there are states such as Bihar and Orissa for which the tenancy acts specify that occupancy rights shall devolve in the same manner as other immovable property, "subject to any custom to the contrary".³⁷ This leaves open the possibility of admitting gender-inegalitarian customs if established, especially for the tribal communities in these regions, although the Supreme Court order in the case of 'Madhu Kishwar and others

TABLE 2: DEVOLUTION OF AGRICULTURAL TENANCIES IN LAND ENACTMENTS, BY STATE

State	Agricultural Tenancies: First Order Heirs	Relevant Act
<i>Northwest India</i>		
Delhi ¹	Male lineal descendants in the male line of descent	The Delhi Land Reforms Act, 1954 (Act No 8 of 1954)
Haryana	Male lineal descendants in the male line of descent	The Punjab Tenancy Act 1887 (Act No 16 of 1887), amended up to 1969; and the Pepsu Tenancy and Agricultural Land Act 1955 (Pepsu Act 13 of 1955)
Himachal Pradesh	Male lineal descendants in the male line of descent	The Himachal Pradesh Tenancy and Land Reform Act 1972 (Act No 8 of 1974)
Jammu and Kashmir	Male lineal descendants in the male line of descent	The Jammu and Kashmir Tenancy Act 1980 (Act No 2 of 1980)
Punjab	Male lineal descendants in the male line of descent	The Punjab Tenancy Act 1887 (Act No 16 of 1887), amended up to 1969; and the Pepsu Tenancy and Agricultural Land Act 1955 (Pepsu Act 13 of 1955)
Rajasthan	Personal law applies	The Rajasthan Tenancy Act 1955 (Act No 3 of 1955)
Uttar Pradesh ¹	Male lineal descendants in the male line of descent	The Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950 (UP Act No 1 of 1951), amended up to 1987
<i>East, west and central India</i>		
Bihar	No specification of the order of devolution; but the tenancy laws state that the devolution of occupancy rights shall be in the same manner as other immovable property, unless custom to the contrary is established	The Bihar Tenancy Act 1885 (Act No 8 of 1885) amended up to 1987; and The Chota Nagpur Tenancy Act 1908 (Bengal Act No 6 of 1908)
Gujarat	No specification of the order of devolution; can be presumed that the personal law applies	The Bombay Tenancy and Agricultural Lands Act, 1948 (Act No 67 of 1948)
Madhya Pradesh	Personal law applies ²	The Madhya Pradesh Land Revenue Code, 1959 (Act No 20 of 1959), as amended in 1961

(Contd)

vs the State of Bihar and others' (SCC 102, Part 1, 1992) suggests that the legal validity of such discriminatory customs is now open to question.³⁴

Second, although most states in their land reform laws dealing with owned land do not mention the order of devolution at all,³⁹ some states define 'tenants' in very broad terms so that the category effectively includes interests arising out of all agricultural land, as is the case in Uttar Pradesh and Delhi. For instance, under the Uttar Pradesh Zamindari Abolition and Land Reforms Act 1950, the devolution rules mentioned above, which favour male lineal descendants, apply to various categories of cultivators: 'bhumidhars', 'sirdars' and 'asamis'.⁴⁰ Over time, according to the Statement of Objects and Reasons in the Act, "it is expected that the vast majority of cultivators will become bhumidhars". *Bhumidhars*, however, are persons liable to pay land revenue to the government and not rent. Counting them as tenants and exempting them from the provisions of the Hindu Succession Act means that most agricultural land in Uttar Pradesh, a state which contains one-sixth of the country's population, is legally inheritable principally by males. In the Delhi Land Reforms Act 1954 (Act No 8 of 1954), likewise the specified order of devolution (which, as noted, favours male agnates) applies to both *bhumidars* and *asamis*.

Gender inequalities also arise from land reform enactments relating to the fixation of ceilings. (This part of the discussion is equally relevant for non-Hindu communities in India.) The enactments are characterised by certain general features as follows. A ceiling is fixed in relation to a family unit consisting of up to five members. Additional land is, however, allowed to families of over five members, subject to a specified maximum. In addition, in most states adult sons get special consideration (as elaborated shortly). Also, usually where the husband counts as a unit the wife cannot count as an independent unit even where she owns land in her own right. In these enactments, gender inequalities and anomalies arise on at least three counts: one, in the definition of 'family'; two, in the additional allotments for adult sons but not adult daughters; and three, in not allowing the wife to be counted as an independent unit where the husband is counted as one.

The definition of 'family' varies widely across states. For instance (as seen from Table 3), in Delhi, Haryana, Punjab, Rajasthan, Uttar Pradesh, and Andhra Pradesh, the family is defined as constituted by the cultivator and his/her spouse, minor sons, and unmarried minor daughters.⁴¹ In

2 When initially passed, the Madhya Pradesh Land Revenue Code of 1959 specified an order of devolution wherein the Class I heirs (for both owned and tenancy land) were as follows: son; widow (or widower); predeceased son and widow; son and widow of predeceased son's predeceased son; and widow of predeceased son's predeceased son's predeceased son. Since the 1961 amendment, however, devolution is according to personal law for the lands of both tenure holders and occupancy tenants.

Since the HSA had already been passed in 1956, that is prior to this Tenancy Act, I am taking the view that even for Hindu tenants who are not occupancy tenants, the HSA would apply (with the relevant provisions with respect to survivorship applying if the tenant was a member of an undivided Hindu family).

4 See note 34 in the text.

Bihar, Himachal Pradesh, and Madhya Pradesh it includes the cultivator, his/her spouse and minor children; in Tamil Nadu it includes the cultivator and his/her spouse, minor sons, unmarried daughters, and orphaned minor grandsons and orphaned unmarried granddaughters in the male line of descent. In Kerala it includes the cultivator, his/her spouse and unmarried minor children.

Moreover, in virtually all the states, adult sons (as noted) receive special consideration. For instance, in Delhi, Haryana, Punjab, and Uttar Pradesh, the parental household can hold additional land on account of each adult son, subject to a specified maximum.⁴² In several other states such as Himachal Pradesh, Rajasthan, Bihar, Gujarat, Madhya Pradesh, Maharashtra, Andhra Pradesh, and Tamil Nadu, each adult son counts as a separate unit and is entitled to hold a specified extent of land in his own right. Only in Kerala do both the unmarried adult son *and* the unmarried adult daughter count as separate units.

In these enactments, therefore, with the exception of a few states such as Jammu and Kashmir, West Bengal, Karnataka, Kerala and Tamil Nadu, unmarried adult daughters receive no recognition at all: they do not count either as part of the family unit or as separate units; and in a number of states such as Delhi, Haryana, Punjab, Rajasthan, Uttar Pradesh, and Andhra Pradesh, married minor daughters also receive no recognition.

Underlying the ceiling specifications is clearly the assumption that those who are recognised either as part of the family unit or separately (as with adult sons) will be maintained by the land allowed within the ceiling regulations. Under these enactments we thus have an extraordinary situation where most states did not give any consideration, when fixing ceilings, for the maintenance needs of unmarried adult daughters and married minor daughters, while giving consideration to all sons, whatever their age or marital status. And, as noted, in most states adult sons receive special recognition in that their parents, or they themselves, are entitled to additional land, while adult daughters receive no such recognition.

Although in a state such as Uttar Pradesh, it is the tenure holder who is allowed additional land on account of adult sons rather than the sons themselves, given the land devolution rules prevailing there, any such land will ultimately pass to the sons. Even if we were to assume that married daughters would be taken into account in their marital homes, the land ceiling rules along with the devolution rules in the state leave the unmarried adult daughter out in the cold, as they do daughters whose marriages break down. The situation in Delhi, Haryana, Himachal Pradesh, and Punjab is analogous.⁴³

In 1971, following the 1970 Conference of Chief Ministers on Land Reforms, a

Central Land Reforms Committee was constituted under the chairmanship of the union agricultural minister. It recommended, among other things, that the definition of the family should be made uniform across the states and include a man and his wife and minor children, with additional land being allowed for extra members in excess of five, up to a maximum of twice the ceiling limit for the family of five members. A high-powered committee set up to review these recommendations disagreed with them and suggested that the ceiling should be applied to a family of five, consisting of a man and his wife and three children (major or minor), including any major sons. However, the Chief Ministers' Conference on Ceiling on Agricultural Holdings, held in July 1972, drawing its guidelines from the recommendations of both the above committees, laid down (among other things) that a family should be defined as including a man, his wife, and minor children, and additional land should be granted for members in excess of five, up to a maximum of twice the ceiling limit set for a family of five members. Further, each major son should be treated as a separate unit. In other words, the guidelines incorporated gender-inequitable rules.⁴⁴ And the situation, as it stands today, continues to be one where there is no uniformity across states on these counts and most states continue to have gender-discriminatory ceiling laws.

Over the years, some of these ceiling Acts have been challenged (unsuccessfully) in court, one of the grounds for challenging them being that they discriminated against women and were therefore unconstitutional.⁴⁵ However, the First Amendment to the Constitution of India, enacted in 1951, had introduced a device to protect the validity of land reform legislation. Under Article 31b it provided that none of the Acts mentioned in the Ninth Schedule of the Constitution [listed in GOI 1990] could be deemed to be void on the ground that they infringed on the fundamental rights granted by the Constitution of India. Virtually all the noted ceiling laws are included in the Ninth Schedule. This provision provides a basis for dismissing pleas challenging the ceiling laws on various grounds, including grounds of gender discrimination.⁴⁶ The Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings) Act 1972, in fact, explicitly mentions in its Explanation to Section 4(3): "The constitutionality of discriminating against unmarried [major] daughters cannot be questioned as the Act is now included in the Ninth Schedule to the Constitution".

The judgment that was delivered when The Uttar Pradesh Zamindari Abolition and Land Reforms Act 1950 was challenged in the Supreme Court in 1980 is also noteworthy for its comments on the gender aspects of

the Act.⁴⁷ Among the grounds for the challenge were that it discriminated against major unmarried daughters by not providing extra land to their father as it did for adult sons; and that it discriminated against wives in the fixation of ceilings, by regarding the husband as the tenure holder even when the wife was the owner. Justice Krishna Iyer (although reputed to be an advocate of women's rights) rejected the pleas in his judgment. He stated: "no submission to destroy this measure can be permitted using sex discrimination as a means to sabotage what is socially desirable" (p 729). While admitting that the advantage granted to major sons and not to daughters was discriminatory, he nevertheless justified the rule on the ground that in effective terms the entire land goes to the father as the tenure holder (and not to the son) "for feeding this extra mouth" (p 729). Presumably adult daughters don't need to be fed!

Moreover, the Act's exclusion of women as tenure holders where their husbands are also tenure holders was explained away in the judgment as "a legislative device for simplifying procedural dealings", and the judgment stated that: "When all is said and done, married women in our villages do need their husbands' services and speak through them in public places" [SCC 1980:730]. Underlying these justifications was clearly a prioritising of class interests at the cost of gender interests: "large land holders [cannot] be allowed to outwit socially imperative land distribution by putting female discrimination as a mask" [SCC 1980:730]. Ironically, the land reform programme of the government was not successful even in significantly redistributing land between households.⁴⁸

Another source of gender inequality relates to the assessment of ceiling surplus land. The holdings of both spouses (if the wife too has land in her name) are typically aggregated in assessing 'family land'. Some guidelines on how the amount to be forfeited by both spouses was to be calculated, were laid down at the earlier-mentioned Chief Ministers' 1972 Conference on Ceilings on Agricultural Holdings. The guidelines specified that "where both the husband and wife hold lands in their own names, the two will have rights in the properties within the ceiling in proportion to the value of the land held by each before the application of [the] ceiling" [GOI 1976:41]. Also, in the ceiling legislation of some south Indian states, land in the names of female family members receives some protection, and in Tamil Nadu it is given special and favourable treatment.⁴⁹

In practice, however, there has been considerable arbitrariness in deciding how much of whose land would be declared surplus and forfeited. Often the husband alone has been consulted in this matter. This has been known to lead to the wife's land

TABLE 3: DEFINITION OF FAMILY AND TREATMENT OF ADULT SONS IN LAND CEILING LAWS

State	Definition of Family	Treatment of Adult Sons	Relevant Act
Northwest India			
Delhi	Cultivator, spouse, minor sons, unmarried minor daughters	Family gets additional land	The Delhi Land Holdings (Ceiling) Act 1960 (Act No 24 of 1960)
Haryana	Cultivator, spouse, minor sons, unmarried minor daughters	Family gets additional land if son is living with parents; son counts as separate unit if living separately	Haryana Ceiling on Holdings Act 1972 (Haryana Act No 26 of 1972), as amended up to 1976
Himachal Pradesh	Cultivator, spouse, minor children	Separate unit (if son is dead, his widow and children receive the same consideration)	Himachal Pradesh Ceiling on Land Holdings Act 1972 (Act No 19 of 1973)
Jammu and Kashmir	Cultivator, spouse, minor sons, unmarried daughters, some major sons ¹	---	Jammu and Kashmir Agrarian Reforms Act 1976 (Act No 17 of 1976)
Punjab	Cultivator, spouse, minor sons, unmarried minor daughters	Family gets additional land	The Punjab Land Reforms Act 1972 (Punjab Act No 10 of 1973)
Rajasthan	Cultivator, spouse, minor sons, unmarried minor daughters	Separate unit (if son is dead his widow and children receive the same consideration)	Rajasthan Imposition of Ceiling on Agricultural Holdings Act 1973 (Rajasthan Act No 11 of 1973)
Uttar Pradesh	Cultivator, spouse, minor sons, unmarried minor daughters	Family given additional land, and if the son is dead his minor sons or unmarried minor daughters (who are not tenure holders themselves or who hold <2 ha irrigated land) receive the same consideration	The Uttar Pradesh (Imposition of Ceiling on Land Holdings) Act 1960 (Uttar Pradesh Act No 1 of 1961), as amended up to 1976
East, west and central India			
Bihar	Cultivator, spouse, minor children	Separate unit	Bihar Land Reforms (Fixation of Ceilings and Acquisition of Surplus Land) Act 1961 (Bihar Act 12 of 1962)
Gujarat	Cultivator, spouse, minor sons, unmarried minor daughters, widow of predeceased son, orphaned minor grandson and unmarried granddaughter in the male line	Separate unit	The Gujarat Agricultural Lands Ceiling Act 1960 (Gujarat Act No 27 of 1961), as amended up to 1974
Madhya Pradesh	Cultivator, spouse, minor children	Separate unit	Madhya Pradesh Ceiling on Agricultural Holdings Act, 1960 (Act No 20 of 1960), as amended up to 1976
Maharashtra	(1) Cultivator, spouse, minor sons, unmarried minor daughters; or (2) Hindu undivided family	Separate unit	The Maharashtra Agricultural Lands (Ceiling on Holdings) Act 1961 (Act No 27 of 1961) as amended up to 1975
Orissa	Cultivator, spouse, children, except major married sons separated before September 26, 1970. In relation to mother, family includes married daughters	---	The Orissa Land Reforms Act 1960 (Orissa Act No 16 of 1960)
West Bengal	Cultivator, spouse, minor sons, unmarried daughters, and some adult sons and their families ²	---	The West Bengal Land Reforms Act 1955 (West Bengal Act No 10 of 1956), as amended up to 1986
South India			
Andhra Pradesh	Cultivator, spouse, minor sons, unmarried minor daughters	Separate unit	Andhra Pradesh Land Reform (Ceiling on Agricultural Holdings) Act 1973 (Act No 1 of 1973)
Karnataka	Cultivator, spouse, minor sons, unmarried daughters	---	Karnataka Land Reforms Act 1961 (Act No 10 of 1962), as amended up to 1980
Kerala	Cultivator, spouse, unmarried minor children	Unmarried adult sons, and unmarried adult daughters counted as separate units	Kerala Land Reforms Act 1963 (Act No 1 of 1964)
Tamil Nadu	Cultivator, spouse, minor sons, unmarried daughters; and orphaned minor grandsons and orphaned unmarried granddaughters in the male line	Separate unit	The Tamil Nadu Land Reforms (Fixation of Ceiling on Land Holdings) Act 1971 (Act No 58 of 1961)

Notes: 1 It excludes major sons separated from the father on or before September 1, 1971 and holding land separately in their own names.

2 In West Bengal, the family unit is defined as including the following categories of adult sons and their families: (1) unmarried adult son who does not hold land as a raiyat; (2) married adult son where neither he nor his wife or minor son or unmarried daughter hold land as raiyats; (3) the widow of a son where neither the widow nor her minor son or unmarried daughter hold land as raiyats; and (4) minor son or unmarried daughter of a deceased son and his deceased wife, where the parents did not hold land as raiyats and the children too do not hold land as raiyats. Also an adult unmarried man or woman who has been divorced and has not remarried counts as a separate unit, provided such a person is the guardian of a minor son or an unmarried daughter, or both.

being forfeited without her having a say in the matter, causing her to lose her primary or only source of economic independence. Given that so few women in any case have land in their own names, this practice has compounded existing gender inequalities in land rights. In Kerala, for instance, when ceiling surplus land was being assessed under the land reforms programme in the late 1950s, many women asked that they be allowed to retain their property where their husbands had independent regular sources of income. But the demand went unheeded [Saradamoni 1983].

Cases in which the wife has been able to establish her claim are rare. One such was a 1986 court case in Orissa, in which the government revenue officer, in assessing ceiling surplus land, aggregated the land of both spouses as 'family land', including land separately registered in the wife's name and inherited from her father. But he gave notice only to the husband as the 'person interested'. The two men settled the matter between them, and the wife's land was declared surplus. The wife appealed to the high court, asking that her separate land be excluded from the ceiling surplus, on the ground that since the land concerned was her separate property she was the 'person interested' to whom prior notice should have been given. This, she argued, would have given her a chance to ask the revenue officer to let her retain her land and instead declare part of her husband's land as surplus. Her appeal was accepted by the court under the constitutional principle of 'natural justice'.⁵⁰

Over the years there have also been explicit attempts by some states to amend the Hindu Succession Act of 1956 in such a way as to legally exclude daughters from inheriting agricultural land. For instance, in 1969, in a bill which came before the Punjab legislative assembly, it was argued that daughters should not have a legal share in agricultural land (as allowed under the Hindu Succession Act) because it would cause fragmentation and because they got a dowry anyway. This was strongly opposed by women in the state. Tara Ali Baig, then president of AIWC, pointed out that fragmentation took place even when sons inherited, and that dowry had been legally prohibited since 1961 [Mies 1980]. The bill was not passed. Other (unsuccessful) attempts in this direction have been made subsequently. For instance, around 1979 the Haryana legislature sought to amend the Hindu Succession Act so as to deprive daughters of rights in agricultural property, but the president of India refused his assent to the amendment.⁵¹

Moreover the special consideration given to major sons in fixing land ceilings under the land reform enactments is being replicated in land resettlement schemes. For instance, in Gujarat, farming families displaced by the

Narmada Valley dam project have been promised (at the resettlement site) two hectares for each adult son, in addition to the two hectares for the family unit as a whole, but nothing for adult daughters. This is not only gender-discriminatory but also implicitly biased against families with no adult sons. As some of the displaced tribals at the dam site asked me in 1992: "What about those of us who have only adult daughters? Don't we have to feed them?" This project, the largest river valley project in south Asia, has been a focus of national and international controversy and agitation, especially around the issue of resettlement. The terms of resettlement established here are likely to set a precedent for future projects involving displacement, making it even more imperative to correct the gender bias in this scheme.⁵²

In general, there is a strong case for re-examining and amending the existing land-related laws across the country to ensure uniformity and gender equality in rights to this critical economic resource. For a start this would mean eliminating existing gender inequalities on at least two counts: (a) in the land ceiling laws, and (b) in the devolution rules relating to all agricultural land (whether under tenancy or otherwise).

III

Laws Governing Christians and Parsis Today

The 1956 Hindu Succession Act (as noted) covered Sikhs, Buddhists, and Jains under the definition of 'Hindu' but excluded Indian Christians, Parsis, and other minority

communities. The laws pertaining to Christians and Parsis in India are briefly outlined below, and some of these also have been challenged on grounds of gender inequity.

(1) THE CHRISTIANS

The laws for Christians (who constituted 2.4 per cent of India's population in 1981) vary according to domicile for all movable property and by location of property in the case of immovables. For instance, Christians from Goa are governed by the Portuguese Civil Code; those from Cochin and Travancore (Kerala) until recently by the Cochin Christian Succession Act of 1921, and the Travancore Christian Succession Act of 1916, respectively; those in Punjab, Haryana and Himachal Pradesh by the customary laws of Punjab;⁵³ the Christian tribal populations of northeast India also by their customary laws; and the rest by the Indian Succession Act (ISA) of 1925, discussed further on.

Both the Cochin and the Travancore Acts contained significant gender inequalities. Under the Travancore Act, for example, a widow or mother inherited only a life interest in land and other immovable property, which too had to be forfeited on remarriage; and a daughter received 'stridhan' which was fixed at one-fourth the value of the son's inheritance share of Rs 5,000, whichever was less. Under the ISA of 1925 (Section 33), however, if a man dies intestate leaving lineal descendants, his widow gets one-third of his estate, while sons and daughters get equal shares in the rest. If there are no lineal

TABLE 4: SUMMARY TABLE*
(Agricultural land over which male lineal descendants in the male line of descent have priority under presently applicable rules of devolution: by state and religious group)

State	Hindus	Muslims	Parsis	Christians
<i>Northwest India</i>				
Delhi	Effectively all agricultural land	All agricultural land ⁸	PL	PL
Haryana	Tenancy land	All agricultural land ⁸	PL	All agricultural land ¹⁷
Himachal Pradesh	Tenancy land	All agricultural land ⁸	PL	All agricultural land ¹⁷
Jammu and Kashmir	Tenancy land	Tenancy land ⁹	PL	PL ¹⁸
Punjab	Tenancy land	All agricultural land ⁸	PL	All agricultural land ¹⁷
Rajasthan	PL	PL ¹⁰	PL	PL
Uttar Pradesh	Effectively all agricultural land	All agricultural land ⁸	PL	PL
<i>East, west and central India</i>				
Bihar	PL ¹	PL ¹¹	PL	PL
Gujarat	PL ²	PL ¹²	PL	PL
Madhya Pradesh	PL	PL	PL	PL
Maharashtra	PL ³	PL ¹³	PL	PL
Orissa	PL ¹	PL ¹¹	PL	PL
West Bengal	PL ⁴	PL ¹²	PL	PL
<i>South India</i>				
Andhra Pradesh	PL ⁵	PL ¹⁴	PL	PL
Karnataka	PL ⁶	PL ¹⁵	PL	PL
Kerala	PL ⁶	PL ¹⁶	PL	PL
Tamil Nadu	PL ⁷	PL ¹⁶	PL	PL

(Contd)

TABLE 4: (Contd)

Notes: * This table needs to be read in conjunction with Table 2 and the discussion in the text of this paper.

- PL In these states, devolution is legislatively stated to be, or can be inferred to be, according to personal law for all agricultural land [viz, the HSA for Hindus, the Shariat for Muslims, and the relevant legislation for Parsis and Christians (as detailed in the text of this paper)]. Also see the relevant notes in each instance.
- 1 No specification of the order of devolution in the tenancy laws, but the laws state that devolution of occupancy rights shall be in the same manner as other immovable property, unless custom to the contrary is established. However, the Supreme Court ruling in the case of 'Madhu Kishwar and others vs the State of Bihar and others' (SSC 102, Part I, 1992), suggests that the legal validity of gender discriminatory customs is now open to question (for details see text and note 38 of this paper).
 - 2 No specification of devolution rules in tenancy or other land reform legislation; hence it can be inferred that devolution is according to the HSA for all agricultural land.
 - 3 For the Bombay region, there is no specification of devolution rules in tenancy or other land reform legislation; for other regions, tenancy legislation suggests that the HSA will apply (see explanatory note No 3 in Table 2).
 - 4 No specification of devolution rules in tenancy or other land reform legislation; hence it can be inferred that devolution is according to the HSA for all agricultural land.
 - 5 HSA applies to owned land in the whole of Andhra Pradesh, as well as to tenancy land in the Telangana area; there is no specification of devolution rules for tenancy land in tenancy legislation for the Andhra area. Hence it can be inferred that devolution is according to the HSA for all agricultural land in the whole of Andhra Pradesh.
 - 6 No specification of devolution rules in tenancy or other land reform legislation; hence it can be inferred that devolution is according to the HSA, with the Act's special provisions being applicable to the patrilineal Nambudiri Brahmins and the matrilineal communities of the state.
 - 7 No specification of devolution in tenancy or other land reform legislation; hence it can be inferred that devolution is according to the HSA for all agricultural land.
 - 8 Custom favouring male lineal descendants has always been strong in these states; also (as noted in Table 2) devolution rules favouring male lineal heirs are clearly specified in the tenurial laws of these states. Unlike the HSA, however, which exempts essentially 'tenancy rights' from the purview of the Act, the 1937 Shariat Act exempts all agricultural land from its purview.
 - 9 For tenancy land, tenancy legislation specifies devolution rules favouring male lineal descendants. For owned land, personal law applies unless custom to the contrary is established [see Section 4 of The Sri Pratap Jammu and Kashmir Laws Consolidation Act 1977 (Act No 4 of 1977)].
 - 10 Personal law applies to tenancy land. Also there is no specification of the order of devolution in other land reform legislation. Hence it can be inferred that devolution is according to Shariat law for all agricultural land.
 - 11 No specification of the order of devolution in tenancy or other land reform legislation, but, as noted in Table 2, the tenancy legislation states that the devolution of occupancy rights shall be in the same manner as other immovable property, unless custom to the contrary is established. However, the Supreme Court ruling in the case of 'Madhu Kishwar and others vs the state of Bihar and others' (SSC 102, Part I, 1992), suggests that the legal validity of gender discriminatory customs is now open to question (for details see text and note 38 of this paper). Also, in Bihar there was no presumption in favour of custom even before the passing of the 1937 Shariat Act [Mulla 1990: 7-9]. Hence it can be inferred that devolution is according to the Shariat for all agricultural land.
 - 12 No specification of devolution rules in tenancy or other land reform legislation; also there was no presumption in favour of custom even before the passing of the 1937 Shariat Act [Mulla, 1990:7-9]. Hence it can be inferred that devolution is according to the Shariat for all agricultural land.
 - 13 For the Bombay region, there is no specification of devolution rules in tenancy or other land reform legislation. For the other regions, tenancy legislation indicates that for Muslims, personal law applies; also there was no presumption in favour of custom even before the passing of the 1937 Shariat Act [Mulla 1990: 8-9]. Hence it can be inferred that devolution is according to Shariat law for all agricultural land in the state.
 - 14 In the Andhra region of Andhra Pradesh, the Muslim Personal Law (Shariat) Application Act of 1937 was amended to include agricultural land. In the parts of Andhra Pradesh which were earlier in former Hyderabad state, custom at variance with Mohammedan law was not admitted even before the 1937 Shariat Act was passed [Mulla 1990:11].
 - 15 In the parts of Karnataka which were earlier in former Madras Province, the Muslim Personal Law (Shariat) Application Act of 1937 was amended to include agricultural land. In the parts of Karnataka which were earlier in former Hyderabad state, custom at variance with Mohammedan law was not admitted even before the 1937 Shariat Act was passed [Mulla 1990:11].
 - 16 Muslim Personal Law (Shariat) Application Act of 1937 was amended to include agricultural land.
 - 17 See Sivaramayya (1978); also see 'Prem Singh v Lilavati' in AIR (1956), Himachal Pradesh: 17.
 - 18 Personal law applies, unless custom to the contrary is established [Section 4 of The Sri Pratap Jammu and Kashmir Laws Consolidation Act 1977 (Act No 4 of 1977)].

descendants, but there are other kindred who are eligible to inherit, the widow gets half the estate; and in the absence of both lineal descendants and kindred, she gets the whole property.³⁴ There are no restrictions on testation.

In 1949 the former princely states of Travancore and Cochin merged to form what is termed as the Part-B state of Travancore-Cochin within the Indian Union; and in 1951 certain Acts prevailing in the rest of India became applicable to Part-B states. For Travancore-Cochin this meant that the ISA should thenceforth have applied. However, a court judgment in 1956 upheld the authority of the pre-existing Travancore-Cochin succession laws for Christians (viz. the Cochin Act of 1921 and the Travancore Act of 1916).³⁵ It was only in 1983, more than two and half decades later, that the Travancore Act of 1916 was challenged in the Supreme Court by Mary Roy, a Syrian Christian from Travancore and daughter of wealthy parents, on the ground that it violated the constitutional guarantee of equal rights for both sexes.³⁶ As a result of this petition, in 1986 the Supreme Court (although it did not address the specific issue of gender inequality) held that after the inclusion of Travancore and Cochin in the Indian Union, the relevant law governing Christians in those regions was the ISA of 1925. By this judgment, therefore, the Travancore Christian Succession Act of 1916 (as also the Cochin Act of 1921) stand superseded by the ISA of 1925, with retrospective effect for 1951.

One result of this judgment has been that daughters and sons can now share equally in their father's property, the judgment met with immediate protest from the Kerala Christian community on a number of grounds, some long-familiar: for instance, it was argued that inheritance by daughters would cause land fragmentation and would "open up a floodgate of litigation and destroy the traditional harmony and goodwill that exist in Christian families".³⁷ In addition, there was concern that allowing the Act to apply in retrospective effect would invalidate bona fide land and money transactions, nullify the land ceiling Act under which land had been distributed to the landless, and encourage thousands of Kerala nuns to claim their shares of ancestral property. Most of these fears appear to be unfounded; in any case, only intestate property will be affected. After Mary Roy, a few other Syrian Christian women have filed cases.³⁸ Meanwhile the protest against the Supreme Court ruling has been supported by the Synod of Christian Churches, which conducted a 'pulpit campaign' and arranged legal counsel to help draft wills to disinherit female heirs [Gandhi and Shah 1991:247].³⁹ Attempts to overturn the 1986 Supreme Court judgment, in particular that relating to its validity from

retrospective effect', continue [*Indian Express* 1994].

(2) THE PARSIS

Unlike most communities in India, the Parsis, governed by the twice-amended provisions of the Indian Succession Act (ISA) of 1925, have gender-equalitarian rules of succession today. Before 1991, the ISA, as amended specifically for Parsis in 1939, was applicable, under which the property of male and female intestates devolved according to separate rules [Paruck 1977]. In the deceased man's property (other than agricultural land), the widow and each son got double the share of each daughter. If the man left behind parents in addition to a widow and children, his father received a share equal to half that of his son, and his mother half that of his daughter. In agricultural land, the devolution was in accordance with the Parsi rules of succession applicable prior to the 1939 enactment. Here the widow and daughter respectively got one-half and one-fourth of what the son got, and the parents of the deceased got no land. In a deceased woman's property, the husband, son, and daughter got equal shares. Hence daughters shared equally with sons in the mother's property but unequally in the father's property. There were no restrictions on testation either by the man or the woman.

With the passing of the Indian Succession (Amendment) Act 1991 (Act No 51 of 1991) the difference in the succession of male and female property among Parsis has been removed. Now devolution of intestate property of a Parsi male or female is as follows. If the intestate leaves behind a widow/widower and children, these heirs get equal shares. Where there are no lineal descendants and no widow/widower of lineal descendants, the widow/widower of the deceased gets half the property. And if there are no lineal descendants, but there is a widow/widower of a lineal descendant, the latter gets one-third and the widow/widower of the deceased gets one-third, the remainder going to other relatives. All Indians (except in the context mentioned below) can opt out of their personal succession laws if they have a civil marriage under the Special Marriage Act of 1954, or have been married under the Special Marriage Act of 1872, or if their marriage is registered under the Special Marriage Act of 1954, even if it was contracted in another way. For such persons, the Indian Succession Act of 1925 applies,⁶⁰ under which (as noted) the widow of an intestate male with lineal descendants gets a fixed share of one-third in his property and his children of both sexes inherit equally in the rest.⁶¹ The exception is that after an enactment in 1976, two Hindus (or two Buddhists, Sikhs, or Jains) marrying under the Special Marriage Act of 1954 will be governed by the Hindu Succession Act of

1956, and not by the Indian Succession Act.⁶² In practice, very few persons opt for a civil marriage which would bring them under the purview of the ISA [GOI 1974:114].

IV

Laws Governing Muslims

(1) SCHOOLS OF LAW AND TEXTUAL RULES

The Shariat or Muslim religious law is derived from the Koran, the 'sunna' (practice of the Prophet), 'ijma' (consensus of opinion among the learned of the community) and 'qiyas' (analogical deduction) [Tyabji 1968:1]. There are two principal schools of Islamic law prevalent in India: the Hanafi school governing Sunni Muslims and the Ithna Ashari Shiite school governing Shia Muslims. Differences in the rules specified by these schools stem, in particular, from divergence in the acceptance or rejection of particular aspects of the sunna.⁶³

Today a vast majority of Muslims in India (constituting 11.4 percent of the population in 1981) as well as those in Pakistan and Bangladesh belong to the Sunni sect, and are governed by the Hanafi School, while a small percentage are Shiites governed mostly by the Ithna Ashari School. The inheritance rules under both systems are complex, and since they have been excellently spelt out in legal texts they will not be detailed here.⁶⁴ The broad aspects of the Hanafi School and some differences with Shia law are described below.

Broadly, under Hanafi law, heirs are divided into three major categories: agnatic heirs who are almost all male, Koranic heirs who are mostly female, and 'distant kindred' which includes the blood relations who are neither agnatic heirs nor Koranic heirs. The 'distant kindred' tend to be either women or connected to the deceased through a female link: e.g. daughter's children, son's daughter's children, daughters of male agnatic collaterals, children of female agnatic collaterals, paternal and maternal aunts and their children, maternal uncles and their children, and so on. These relatives are 'distant' not necessarily in terms of their blood relationship with the deceased, but in terms of likelihood of their ever coming into a share of the inheritance. The three categories of heirs – agnatic heirs, Koranic heirs, and distant kindred – together comprise the blood relations of the deceased and one relation by marriage (namely, the husband or the wife). In terms of shares allotted, the implicit rule is: "Keep the 'bulk' of the property for the [male] Agnatic Heirs... the persons whose rights were always recognised by tribal [pre-Islamic] law, and respect the Koranic provisions by giving *specific shares* to the persons mentioned in the Koran" [Fyzee 1974:399].

In specific terms, the shares of particular heirs under the Hanafi school are as follows: a daughter who is an only child receives a half share of the deceased parent's estate as a Koranic portion and is excluded by no other heir. If there are two or more daughters and no sons, they jointly get a two-thirds share which is divided equally among them. The presence of a son who is an agnatic heir, however, converts a daughter's right from that of a Koranic heir to an agnatic co-sharer, which means she gets half of what the son gets. Sons and daughters are excluded by no other heirs. Similarly a husband and wife, as Koranic heirs, are excluded by none: the husband receives a one-fourth share of his deceased wife's property if there is a child or a son's descendants, and a half share if there are no such heirs. A widow likewise receives either one-eighth or one-fourth of the husband's estate, depending on whether or not there is a child or son's descendants. If there is more than one widow, their collective share is one-eighth (or one-fourth, as the case may be), shared equally among them. Full sisters and consanguine sisters also share as Koranic heirs but can get excluded by male agnatic descendants and ascendants, as can uterine sisters under specific circumstances.⁶⁵ The mother gets a basic Koranic share of one-sixth, as does the father.

The Shia law of succession is noted to differ from the Sunni law, especially in the following respect:⁶⁶ no relative of the deceased male is excluded merely on grounds on his/her sex or because s/he is related to the deceased through a female link. Cognates and agnates are placed on an equal footing. Hence males and females who are linked to the deceased in equal blood or degree inherit together, although female shares continue to be half those of males. For instance, if the deceased leaves a son's son's son and a daughter's daughter, under the Hanafi school the former as a male agnatic heir excludes the latter. Under the Shia system the daughter's daughter has precedence, being deemed a higher 'class' of descendant (that is, closer by blood to the deceased). Tyabji (1968:897) clarifies the underlying differences between the two systems as follows:

[T]he Hanafis take the Quranic alterations of the Pre-Islamic customs literally, and the Shiites take them as illustrations of underlying principles. The former let the substratum of the customary law stand unaltered except to the extent to which it is definitely altered by the express provisions of the Quran. The Shiites take each instance mentioned in the Quran as speaking not only for itself but as indicating the possible principles.

The Shia system thus has more positive implications for women's inheritance.

In general, though, all schools of Islamic law recognise Muslim women's inheritance rights in immovable property, although unequal to those of men. These rights also have some degree of protection from testation. Among the Hanafi Sunnis, for instance, an estate (in full or in part) cannot be willed to a heir without the consent of all the heirs, but a maximum of a third of the estate can be willed to a stranger without the consent of the heirs. Under Shia law, bequest to heirs or non-heirs of up to a third of the property is permitted without the consent of other heirs.

(2) CUSTOM AND THE SHARIAT

In practice, there has been considerable historical divergence between the scriptural texts and local customs in Muslim women's inheritance rights, a divergence which has a critical bearing on their rights in agricultural land even today. Customs deviated from the textual rules especially in two ways. In parts of southwest India, a few Muslim communities (principally the Mappilas of Kerala and the Lakshadweep Islands) practised matrilineal inheritance (that is property, including land, passed through the female line). In the rest of the subcontinent, many Muslims appear to have followed customary practices of inheritance similar to those prevalent among the patrilineal Hindus in their region of residence,⁶⁷ among whom, as noted, women's customary rights were highly restricted. This meant considerable divergence from the Shariat, especially in large parts of northwest India, where under prevailing customs typically (a) a daughter was either totally excluded from the inheritance of any landed property, or came very low in the order of heirs; a widow likewise came low in the order of heirs, and (b) both widow and daughter if they inherited took only a limited interest, rather than an absolute interest as would have been their due under Islamic law. There were of course Muslim communities among whom affluent families sometimes gave daughters a share of the patrimony under the Shariat, or occasionally (especially if sonless) created an endowment ('waqf') for them, both of which resulted in some Muslim women from such families controlling property, including land [Kozlowski 1989]. But there is little to suggest that this was a widespread practice, even among the affluent.

Attempts at legal reform during this century have essentially been in the direction of overruling custom in favour of the Shariat. In the 1920s and 1930s Muslim reformers increasingly sought to establish the Shariat as the basis of Muslim personal law. Although political considerations largely underlay such attempts at reform, in which women's legal status was in large part only of symbolic importance, this had the potential for a

positive fall-out for women, given the recognition accorded to female inheritance rights in the Shariat.⁶⁸ There was a major move in this direction when a Muslim member of the Punjab legislature had a bill introduced in the Federal Legislative Assembly of India calling for the supersession of custom by the Shariat as the basis of personal law for all Muslims in undivided India [Parashar 1992].⁶⁹ The bill, which was taken up for consideration in 1937, generated substantial controversy.⁷⁰ In particular, there was strong opposition from the landowning classes of the Punjab on the ground that the bill would ruin agriculturists.

However, unlike the Hindu Code Bill, whose clauses went directly against orthodox Hindu opinion, a bill to enforce the Shariat – the holy law of Islam – could not be opposed openly by the orthodoxy. Indeed such a bill could be used as a symbolic means of politically affirming Muslim identity and solidarity. A number of scholars suggest that it was such considerations, rather than gender equality, which principally motivated the Muslim League to get the Muslim Personal Law (Shariat) Application Act, 1937, passed.⁷¹ Under the Act, prevailing customs or usage were abrogated in favour of Muslim personal law (the Shariat), *but the Act explicitly excluded agricultural land from its purview*, the devolution of which would continue to be governed by local customs. The Act was valid for all Muslims of undivided India, except those in Jammu and Kashmir. While ostensibly meant to extend women's property rights, effectively the Act hardly served that purpose, since agricultural land, which constituted the most significant form of property held by the community, was excluded. The Act, therefore, served the political purpose of affirming Muslim identity, without antagonising the powerful Punjabi landlords.

The passage of the 1937 Shariat Act differed from that of the Hindu Code Bill (HCB) in at least two important respects: one, the shift here was toward and not away from the scriptures, and therefore the Act encountered less widespread opposition than did the HCB. Two, although the reform was supported by urban-educated Muslim women and some Muslim women's groups,⁷² at that time they do not appear to have played the kind of active mobilising and lobbying role that was played by the AWC and other predominantly Hindu women's organisations for the codification of Hindu law.⁷³ The situation changed somewhat after Pakistan was formed, with Pakistani women's organisations playing a more active role in campaigning for women's rights, including the reform of Muslim personal law.

Legal reform affecting Muslim women in the subcontinent took different regional directions after India's independence in 1947, and the country's partition and formation of

Pakistan. An early step taken by the Pakistani state was the passing of the West Punjab Muslim Personal Law (Shariat) Application Act of 1948, which included agricultural land in its purview. This Act (like the 1937 Act) encountered considerable resistance from the landlord-dominated West Punjab Provincial Assembly, whose delaying tactics caused several hundred urban-educated women to demonstrate outside the assembly chambers [Jalal 1991]. Two years later, in 1950, the province of Sind also amended the 1937 Shariat Act to include agricultural land. But it took another twelve years before the West Pakistan Muslim Personal Law (Shariat) Application Act of 1962 extended the Shariat as the basis of personal law to the whole of West Pakistan, except the 'Tribal Areas' in the NWFP.⁷⁴ This Act abrogated custom as the basis of law and legally entitled Muslim women to inherit agricultural property as full owners (and not just as a life interest), as prescribed by the Shariat. Women leaders and women's organisations, especially the All Pakistan Women's Association, played a significant role in pushing for these changes by agitating for reform in family law and against the gender inequalities of customary laws.⁷⁵ For Muslim women in Pakistan the 1962 Shariat Act removed one of the main gender disabilities embodied in the 1937 Shariat Act. (The basic gender inequalities embedded in Islamic inheritance laws (e.g. a daughter's share being half that of a son) could not, of course, be touched as long as the Shariat was the basis of law.)

These changes did not affect the Muslims of East Pakistan (now Bangladesh), who continued to be governed by the 1937 Shariat Act. But here women have not been legally disadvantaged by the absence of subsequent amendments, since even prior to this enactment customs at variance with Islamic law were not required to be enforced in (undivided) Bengal: here the Shariat therefore applied also to agricultural land.⁷⁶

In India too, the 1937 Shariat Act has continued to be applicable even after independence. Although this is not a disability for Muslim women in some states, it is in others (Table 4). For instance, in 1949, the Act was amended to include agricultural land in Tamil Nadu, parts of Karnataka which fell in former Madras Province, and the Andhra area of Andhra Pradesh.⁷⁷ Kerala followed suit in 1963.⁷⁸ In Maharashtra and Gujarat, as in the case of Bengal (noted above), there was no strong presumption in favour of custom even before the Act was passed; hence here the Shariat rules could be applied to agricultural land as well.⁷⁹ The same is true of the parts of Andhra Pradesh and Karnataka which were earlier part of the former Hyderabad state, and where custom at variance with Mohammedan law was not admitted even

prior to the 1937 Shariat Act [Mulla 1990:11]. But in the states of northwest India, the Act has not been amended to include agricultural land, and in most of these states, such as Delhi, Haryana, Himachal Pradesh, Punjab, and Uttar Pradesh, strong customs governing the devolution of agricultural land prevailed prior to the Act; and these still govern the succession of such land. Under these customs, male lineal descendants in the male line of descent are typically the first order heirs in the inheritance of agricultural land. In these states, therefore, severe gender inequalities (over and above those already embedded in the Shariat) continue to characterise succession among Muslims in relation to the most important form of property in the countryside. And unlike among Hindus, these inequalities relate to all agricultural land and not only to land under tenancy.

While the primacy given to custom in northwest India has worked to the detriment of Muslim women there, so that a shift to the Shariat would be a positive step, such a shift has had the contrary effect for Indian Muslim women belonging to matrilineal communities, namely, the Mappilas of north Kerala and the Lakshadweep Islands. The shift has been gradual. British enactments in the early part of the 20th century only brought some categories of Mappila property under Islamic law, leaving other categories untouched. For instance, in relation to undivided joint family estates, the Mappilas continued to be governed by the *Marumakkathayam* laws (similar to those governing the Nayers and other matrilineal communities of southwest India), which gave women primary inheritance rights in ancestral property, including land. But for property that was individual in nature, they were subject to the Shariat. Subsequent enactments in the 1960s, however, extended the jurisdiction of the Shariat to all property held by the Mappilas. The Mappila Marumakkathayam (Amendment) Act, Kerala Act 32 of 1963, substituted the word 'Muslim' for Mappila [Derrett 1968: 528, 525-30]. Under this Act, the share of any member of the Mappila joint property holding unit would devolve according to the Shariat rather than the matrilineal law. These amendments subordinated Mappila women's rights, even in ancestral property, to those of men.

V

Summary Comments on Women's Legal Rights in Agricultural Land.

Prior to the 1950s, women of most communities in India had few and restricted legal rights in landed property. Noteworthy exceptions were communities (tribal and non-tribal) practising matrilineal or bilateral inheritance. Today, women have signi-

ficantly greater property rights, but some critical gender inequalities persist, their extent varying by region and community.

In relation to succession these inequalities are of three kinds. First, among several religious groups women are entitled to smaller shares than men. For instance, under Islamic law, and under the laws governing some categories of Christians, daughters inherit only a portion of what the sons do. Also under Hindu law in India, the vestiges of the *Mitakshara* system in many states give sons but not daughters rights in certain categories of property. Second, tribal communities of the northeastern states continue to be governed by uncodified customary law under which, among patrilineal tribes, women's rights in land are severely circumscribed and typically limited to usufruct. Third, and most importantly, there are specific gender biases pertaining to the devolution of agricultural land. For example, for Hindus in several states of northwest India, the rules of devolution specified in various tenancy and other land reform enactments give priority to male agnatic heirs, and supersede the rules of devolution spelt out in the Hindu Succession Act of 1956. Similarly for Muslims, again in most northwestern states, customary practices (and land reform laws) which are more gender-unequal than Islamic law supersede the latter in relation to the inheritance of agricultural land.

Apart from the inheritance rules, land reform enactments contain other gender inequalities. For instance, in laws pertaining to the fixation of ceilings, many states allow additional land to a cultivator on account of adult sons, or allow adult sons to directly hold such additional land in their own right, but adult daughters are given no such consideration; and in several states, unmarried adult daughters do not figure either as part of the family unit, or as independent units. Again it is the states of northwest India which are the worst (although not the only) offenders on this count. Also in the assessment (and state appropriation) of ceiling surplus land, the land of both spouses is typically aggregated, leaving the wife vulnerable in practice to disproportionately losing her land, especially in the northern states. These ceiling laws affect all religious communities.

To bring about gender equality in laws pertaining to property, and especially those pertaining to agricultural land, these inequalities and anomalies will clearly need to be addressed. Their continuation violates both the letter and the principle of gender equality that is promised as a fundamental right under the Indian Constitution. In addition, certain aspects of the laws which are not technically gender-discriminatory but become so in practice, need amendment. For instance, the power of unrestricted

testation under Hindu Law could, in theory, affect sons and daughters equally, but given the social bias in favour of endowing males it works to women's disadvantage. There is thus a case here for limiting testamentary power to protect female heirs. Doing so would not be without precedent: a number of legal systems in Europe, for instance, also restrain testamentary freedom [Sivaramayya 1973:64], as does Islamic law. Again, there is no concept of community of property after marriage under Hindu law. Hence, on divorce, a woman gets no property benefit from any direct or indirect economic contribution she makes during her marriage toward increasing her husband's wealth. There is a case here for establishing equal rights for both spouses in the ownership and control of property acquired by either spouse after marriage, and for an equal division of such property on divorce.

Removing the noted legal inequalities is likely to involve a continuing process of contestation and struggle. In this context, on the one hand there have been some significant cases, such as those filed by Mary Roy and Madhu Kishwar. By drawing upon constitutional guarantees of sex equality to challenge persisting gender inequalities in enactments concerning inheritance, these cases have opened up yet another chapter in the contestation over women's legal rights in land that began almost a century ago. [This is important even though (as noted) the judgment in Mary Roy's case evaded the issue, and a judgment in the case filed by Madhu Kishwar is still pending.] On the other hand, the placing of most land reform laws beyond challenge on constitutional grounds, through their inclusion in the Ninth Schedule, has taken away a major means of changing the gender-unequal land-related legislation still prevailing in many states.

If women today are to play a significant role as law makers and not just as law takers, their struggle will need to be increasingly conducted not only from outside the state apparatus, but also from within it. Greater representation by gender-progressive women in the legislatures, the judiciary, and the many tiers of the legal machinery, would be a necessary part of that process, as would be the creation of a favourable ideological climate, the absence of which can lead to retrogressive shifts, as illustrated especially by women's experience under regimes dominated by religious fundamentalist forces in the subcontinent.

Moreover, legal restrictions are only one part of the story. The other part [detailed in Agarwal 1994] relates to the many formidable obstacles that constrain women from exercising even the legal rights they currently have. From that perspective, although legal transformation is a critical step forward, it is only one of many steps that must be taken for women's empowerment.

Notes

[This paper draws upon and extends the discussion presented in my book: *A Field of One's Own: Gender and Land Rights in South Asia* (1994). I owe an immense debt to B Sivaramayya, Professor of Law (retd), Delhi University, for the time and care he has taken in commenting on several drafts of this paper, clarifying obscure legal points, and directing my attention to material which I would otherwise have missed. However, he bears no responsibility for any errors or omissions that may remain. To Lotika Sarkar I am grateful for earlier discussions on some aspects. And I thank the staff of the Supreme Court judges' library (legislation section) for their considerable assistance in locating state-level local acts.]

- 1 Parliamentary Debates, September 20, 1951 [see GOI 1951b:2930].
- 2 Parliamentary Debates, February 7, 1951 [see GOI 1951a:2530].
- 3 The only ground on which the Ninth Schedule can be challenged is if it violates the "basic structure of the Constitution" [GOI 1990:39]. However, there have as yet been no clear pronouncement (other than on the concept of secularism) on what constitutes the Constitution's basic structure.
- 4 The *Dayabhaga* system, based on a digest composed by Jimitavahana (a Bengali brahmin), held sway mainly in Bengal and Assam, and the *Mitakshara* system, based on a commentary on the *Yagnavalkya smṛiti* by Vijnaneshvara (from south India), held sway in the rest of the country. Between the 13th and 16th centuries, the *Mitakshara* school branched into four sub-schools which came to be known as the Mithila, Bombay, Madras, and Benaras schools. These sub-schools differed in particulars while being bounded by the general principles of the parent doctrines. For discussions on women's inheritance rights in property as enunciated in *shastric* texts prior to the *Mitakshara* and *Dayabhaga* texts, see especially Kane (1946), Vishnoi (1987), and Altekar (1956). As the discussions by these authors indicate, although there were some notable differences in the approaches of different *smṛiti* writers and subsequent commentators, the inheritance rights granted to women in the earlier texts were not more than (and typically were less than) those recognised under *Mitakshara* and *Dayabhaga*. The *Yagnavalkya smṛiti* on which the *Mitakshara* was based, was among the more liberal of the *smṛitis*.
- 5 For these features I draw primarily on Kane (1946), supplemented by Mayne (1900, 1953), Altekar (1956), Carroll (1991), and Mulla (1982).
- 6 The joint family here is a legal concept and need not coincide with joint residence or any other aspect of a common household economy that may be implied in a sociological use of the term.
- 7 Agnates are individuals of either sex who have descended through the male line and trace descent from a common male ancestor. In other words, they are so related to the deceased that there is no intervening female link. For instance, a daughter is an agnate

but a daughter's child is not, while a son's son and son's daughter are both agnates. A cognate, in the legal literature, is defined as a person related to the deceased "through one or more female links" [Fyzee 1974:403, in the context of Islamic law] or "not wholly through males" as in The Hindu Succession Act [Mulla 1982:913]. Hence a daughter's son or daughter's daughter are cognates. In other words, in the legal literature, agnates and cognates are treated as mutually exclusive. In the anthropological literature, however, the category cognates includes agnates [see, e.g. Fox 1967:49; and Fortes 1969:267]. In the context of this discussion, the legal definition is applicable.

- 8 The term 'limited estate' (or 'limited interest') is legally used only in relation to Hindu women. An analogous term, derived from English law, is 'life estate' (or 'life interest'). Both terms (viz. limited estate and life estate) mean that the woman can enjoy the property only for life, but there are differences in the restrictions on transfers. A Hindu woman's limited estate did not allow her to alienate the property, except in the specific restricted contexts mentioned above. A life estate meant that the woman could freely transfer the property, viz. lease out, mortgage or sell it, although such transactions were only valid for the duration of her life [Personal communication, B Sivaramayya 1992].
- 9 Those to whom the property ultimately reverted if the present heir died or relinquished her/his rights to it.
- 10 See discussions in Kane (1946), Mayne (1953), and Altekar (1956).
- 11 The daughter's son, unlike the daughter, received the property as an absolute estate. In the absence of the daughter's son, the property went to the deceased man's parents and then to his brothers and their sons.
- 12 See, e.g. Banerjee (1984:355), first published in the 1890s. Also see Mayne (1953), Kane (1946), and Roy (1911).
- 13 Hence the "daughter appointed as a son" appears not to have meant that she inherited the estate like a son, but that her son was equivalent to what a son's son would have been.
- 14 See especially Kane (1946) and Mayne (1953).
- 15 Later, under the British, testamentary disposition was also expressly recognised.
- 16 The undivided estate being referred to here is an estate that may be held jointly, say by a man and his brothers. Under *Dayabhaga*, the father and sons were not coparceners in a joint estate (as they were under *Mitakshara*), but sons who inherited on the father's death could hold their inherited property jointly as coparceners, each holding a clearly defined share. Each such coparcener had full rights of disposal over his share, and his interest in which, while still undivided, could pass on his death to his own heirs, male or female.
- 17 For details see especially Kane (1946), Banerjee (1984), Mayne (1953), Altekar (1956) and Tambiah (1973), all of whom examine the diversity of views on these aspects and the shifts in these views over time.
- 18 For more details on the roles played by women's organisations and progressive male reformers in pushing forward legal reform for the benefit of women during this period, see Agarwal (1994).
- 19 Of these the AIWC was the most prominent during this period. By the mid-1930s, the AIWC and WIA jointly had over 10,000 members [Forbes 1981:54].
- 20 Apart from national women's organisations, such as the AIWC and the NCWI, local ones also emerged during this period, often despite considerable male opposition. For instance, in the first two decades of the twentieth century, as demand for social reform grew in Kerala (discussed in relation to the Nayar in Agarwal, 1994), some Nambudiri Brahmin women formed organisations demanding the right of every woman within the community to marry, to inherit a share of the property, and to education [Arunima 1992].
- 21 For details of the Act see Kane (1946).
- 22 A few states subsequently (some prior to, others soon after independence) passed laws extending the Hindu Women's Right to Property Act 1937 to include agricultural land. These included Bihar, Hyderabad, Orissa, the United Provinces, and Bombay. However, the efficacy of this extension was weakened by a clause that such legislation would not affect any rule of succession prescribed for tenants' rights in agricultural land by any special law then in force.
- 23 See statements by Pandit Lakshmi Kanta Maitra in the Constituent Assembly of India (Legislative) Debates on the Hindu Code, March 1, 1949 [GOI, 1949:996-7].
- 24 These were The Hindu Marriage Act 1955, The Hindu Succession Act 1956, The Hindu Minority and Guardianship Act 1956, and The Hindu Adoptions and Maintenance Act 1956.
- 25 The Constitution's guarantee of no discrimination on the basis of sex has, in fact, been used to challenge continued gender-related inequalities in property laws: cases in point are those filed by Mary Roy and by Madhu Kishwar, discussed later.
- 26 In this state, the Jammu and Kashmir Hindu Succession Act, 1956 (Act No 38 of 1956) applies, which (with some modifications) contains most of the provisions of the Hindu Succession Act of 1956.
- 27 For details of the Act see especially Mulla (1982).
- 28 See GOI (1983). The Planning Commission Working Group, set up to examine the legal systems of the northeast, recommended even in 1983 that on family, inheritance, and land laws "there should be as little interference... as possible" [GOI, 1983:23]. Although this is an advantage for women among the matrilineal communities of Meghalaya and Assam, among patrilineal tribes of the region the customary laws tend to be gender-inegalitarian.
- 29 Class I heirs are those who have the first right to the property of the deceased. In the absence of Class I heirs, other 'classes' of heirs follow.
- 30 In Punjab, the customary law has been upheld, under which a male cannot will away his share of ancestral agricultural land.

- [*Kaur Singh Gajjan Singh v Jaggar Singh Kehar Singh*, AIR, 1961, Punjab 489]. Also see the decision on *Joginder Singh v Kehar Singh*, AIR (1965), Punjab 407.
- 31 For Andhra Pradesh, see Sivaramayya (1988); and for Tamil Nadu see The Hindu Succession (Tamil Nadu Amendment) Act 1989 (Act No 1 of 1989). For Maharashtra, see the Legislative Assembly Bill No 29 of 1994 (which, since its enactment, has received the assent of the president of India).
 - 32 Even in Andhra Pradesh, Tamil Nadu, and Maharashtra, some points listed below are still applicable. For instance, rights of female Class I heirs other than daughters, such as the widow, can be prejudicially affected if the male coparcener renounces his rights in the coparcenary property or converts his separate or self-acquired property to coparcenary property (as will become clear from the discussion that follows).
 - 33 In UP, although the deceased man's widow comes only after all male lineal descendants in the male line, the sonless widow of a male lineal descendant counts among the first order heirs and inherits her deceased husband's share provided she has not remarried.
 - 34 Section 40 of The Andhra Pradesh (Telangana Area) Tenancy and Agricultural Lands Act, 1950 (Act 21 of 1950) says that the tenancy of the protected tenant (that is the person holding lands as a tenant at the commencement of the Act) will devolve on "(a) his legitimate lineal descendants by blood or adoption; (b) in the absence of any such descendants, his widow for so long as she does not remarry." The commentary in this section clarifies that in case of a conflict with the Hindu Succession Act of 1956, the succession of the separate property of the Hindu tenant will be according to the HSA (see *The Andhra Pradesh Local Acts: 1802-1981*, Vol 16, Asia Law House, Hyderabad, pp 101-2).
 - 35 See the cases cited in the commentary to Section 40 in the Rajasthan Tenancy Act 1955 (Act No 3 of 1955); *Rajasthan Local Acts (1949-70)*, Vol 16, India Publishing House, Jodhpur, 1976.
 - 36 For other regions of Maharashtra also, there is no clear specification of the order of devolution (see note 3 in Table 2).
 - 37 For Bihar, see the Bihar Tenancy Act 1885 (Act No 8 of 1885) and the Chota Nagpur Tenancy Act 1908 (Bengal Act No 6 of 1908); and for Orissa, see the Orissa Tenancy Act 1913 (B and O Act No 2 of 1913).
 - 38 In the above mentioned case, the petitioners (Madhu Kishwar, and women of the Ho and Oraon tribes), challenged, under Article 32 of the Constitution, the provisions of the Chota Nagpur Tenancy Act of 1908, which confines succession to the property of certain types of occupancy tenants to males in the male line of descent. The petitioners contended that the provision is discriminatory against women. On its part, the state of Bihar pleaded that scheduled tribe women in the state could not inherit since "by custom prevalent among the scheduled tribes a female heir is excluded from succession and in case the law was otherwise interpreted or changed and property was allowed to go into the hands of female heirs, there would be great agitation and unrest in the area among the scheduled tribe people who have custom-based living."
 - However, the judge in the case brought in the concept of Hindu law and stated that "[women's] exclusion from inheritance would not be appropriate", and asked the state of Bihar to re-examine "the feasibility of permitting inheritance and simultaneously regulating such inheritance for the purpose of ensuring that the property does not go out of the family by way of transfer or otherwise". If this is done, it would mean the overruling of custom to uphold a woman's right of inheritance, although it would fall short of upholding her full rights of transfer over the property, as she would have had under the Hindu Succession Act. However, since this 1992 court order, the matter is still pending and judgment has yet to be pronounced, even though the case was to be disposed of in three months, as per the court's ruling in 1992. [It may also be noted that the Chota Nagpur Tenancy Act of 1908 is not included in the Ninth Schedule of the Constitution.]
 - 39 This includes: The Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings) Act 1973 (Act No 1 of 1973); The Bihar Land Reforms (Fixation of Ceiling Area and Acquisition of Surplus Land) Act 1961 (Bihar Act No 12 of 1962); The Bihar Land Reforms Act 1950 (Bihar Act No 30 of 1950); The Karnataka Land Reforms Act 1961 (Act No 10 of 1962); The Madhya Pradesh Ceiling on Agricultural Holdings Act 1960 (No 20 of 1960); The Maharashtra Agricultural Lands (Ceiling on Holdings) Act 1961 (Act No 27 of 1961); The Orissa Land Reforms Act 1960 (Orissa Act No 16 of 1960); The Punjab Land Reforms Act 1972 (Punjab Act No 10 of 1973); The Saurashtra Land Reforms Act 1951; The Tamil Nadu Land Reforms (Fixation of Ceiling on Land) Act 1961 (Act No 58 of 1961); The Uttar Pradesh (Imposition of Ceiling on Land Holdings) Act 1960 (Uttar Pradesh Act No 1 of 1961); The West Bengal Land Reforms Act 1955 (West Bengal Act No 10 of 1956). The Madhya Pradesh Land Revenue Code 1959, however, appears to be an exception: as noted, it explicitly mentions the order of devolution which, after the 1961 amendment, is according to personal law for both owned land and land under tenancy (also see note 3 in Table 2).
 - 40 Neither the Uttar Pradesh Zamindari Abolition and Land Reforms Act 1950 (termed below as UP (ZALR) Act) nor earlier acts such as the Uttar Pradesh Revenue Act 1901 and the Uttar Pradesh Tenancy Act 1939 give a clear definition of *bhumidhar*. What is indicated, however, is that the *bhumidhar* is a tenure holder or full proprietor with permanent heritable and (in most cases) transferable rights to the land, and who is liable to payment of land revenue to the government. This last point is clearly stated (see S 242 of the UP (ZALR) Act) and this is what is of most relevance to the present discussion. Sirdar is a landlord or under-proprietor or a permanent tenure holder who possesses air and who has hereditary rights to the land. Sir is a name given to village lands cultivated by hereditary proprietors or village zamindars themselves. An *asami* is a tenant, and includes non-occupancy tenants of land with no stable rights (UP (ZALR) Act). For further details and definitions see the original Acts; also see Srivastava (1976), Sivaramayya (1973) and GOI (1976).
 - 41 I am using the term 'cultivator' here in a general sense. The actual term used differs by state: for instance, in Uttar Pradesh the term used is 'tenure holder'.
 - 42 In Haryana, the allotment for the adult son is made to the parents if the son is living with the parents, but he counts as a separate unit if living separately.
 - 43 A point to note, though, is that in Haryana, Himachal Pradesh and Punjab, the devolution rules specified in the land reform enactment exclude the daughter essentially in land under tenancy, while in UP and Delhi, as noted, they exclude them effectively in all agricultural land, because of the very broad definition adopted by these two states on who constitutes a 'tenant'.
 - 44 For details of the recommendations made by the two committees mentioned and the guidelines specified subsequently, see GOI (1976:37-39).
 - 45 Article 14 of the Constitution of India promises equality before the law, and Article 15 prohibits discrimination on the basis of sex, etc. Both constitute part of fundamental rights [GOI 1990].
 - 46 For citations of some cases challenging the Ceiling Acts see: The Haryana Ceiling on Land Holdings Act 1972; The Punjab Land Reforms Act 1972; The Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings) Act 1972; and GOI (1976).
 - 47 See 'Ambika Prasad Mishra v the State of UP and Others' in Supreme Court Cases (SCC) (1980): 719).
 - 48 The literature on this issue is vast, but see especially Frankel (1978), Joshi (1974), and Dasgupta (1977).
 - 49 For instance, the Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings Act) 1973, specifies that the extent of land surrendered by a female family member cannot exceed the proportion of her land to the total land held by all members of the family unit. Similarly, the Karnataka Land Reforms Act 1961 (Act No 10 of 1962), specifies that "the extent of stridhan land to be surrendered shall in no case be more than the proportion which [such] land bears to the extent of other land held by the family". And the Tamil Nadu Land Reforms (Fixation of Ceiling on Land) Act 1961 (Act No 58 of 1961) gives stridhan land special consideration, and allows female family members to hold additional land, over and above the ceiling specified for a family unit (subject to a maximum).
 - In these acts, stridhan land is basically defined as land held by any female family member in her own name.
 - 50 See 'Kunjilata Purohit v Tahsildar, Sambalpur and Others', AIR (1986a), Orissa 115.
 - 51 Personal communication from Sivaramayya, 1992.

52. The otherwise insightful 'Moras Report' [Moras and Berger 1992], in its review of the project, also failed to take this into account.
53. See 'Prem Singh v Lilavati' (AIR 1956), Himachal Pradesh 17. Also see Sivaramayya (1978).
54. In 1926 Section 33-A was added to the Act giving a widow additional rights if the deceased man, dying intestate, left no lineal descendants. However, this section does not apply to Indian Christians and several other categories of persons otherwise governed by the ISA.
55. See 'Kurian Augusty v Devassy Alely' in AIR (1957), Travancore-Cochin 1; also see, Sivaramayya (1978).
56. For details of this case see 'Mrs Mary Roy v the State of Kerala and Others' in AIR (1986b), SCC 1011.
57. P J Kurien, cited in Gandhi and Shah (1991:247).
58. For instance, Alely Chacko, an 84-year-old Syrian Christian woman was turned out of her ancestral home by her son, who seized the 70 cents of land she had been given as dowry by her parents. Like Mary Roy, Alely Chacko and her five daughters have petitioned the Supreme Court of India [Manushi 1987].
59. In some cases, wills have also been forged retrospectively. Arundhati Roy, Mary Roy's daughter, recounted the following example to me. Alelykutty Thommen filed a case for her share in her family's property after her brother refused to part with it. He forged a will which was rejected by the court. In 1991 she fenced off a part of her brother's rubber estate, built a shelter there, and claimed she was tapping the rubber, which (I was told) protects her from eviction under the occupancy laws of the state. She is now said to be making a significant profit from the land.
60. A Hindu male marrying under the Special Marriage Act is automatically severed from the joint family estate.
61. As noted, Section 33-A of the Act, inserted in 1926, gives some additional advantages to widows, but it does not apply to several categories of persons, including Indian Christians as well as Hindus, Buddhists and Jains, whose property would be governed by the ISA.
62. See Marriage Laws (Amendment) Act 1976 (Act No 68 of 1976).
63. See the discussion in Fyze (1974) and Sivaramayya (1973).
64. See, e.g., Fyze (1974), Mulla (1990), and Tyabji (1968). For a clear exposition, accessible to a general reader, also see Carroll (1983, 1985).
65. Full sisters are daughters from the same set of parents. Consanguine relationships result when a man has children from two or more wives; uterine relationships result when a woman has children from two or more husbands [Carroll 1983: 632].
66. See Tyabji (1968) and Carroll (1985).
67. For instance, the Khojas of northwest India, the Cutchi Memons, the Sunni Bohras of Gujarat, the Moleslam Girasias of Broach, the Halai Memons of Porbander (Gujarat), and most Muslim communities in the Punjab, are said to have followed local customs of inheritance similar to those followed by the Hindus, which were at considerable variance with the Shariat [see Agarwal 1994, for details].
68. Only a few Punjabi reformers were explicitly concerned with women's rights: Gilmartin (1981:168) mentions two by name, including a woman - Bai Rashida Latif.
69. Just prior to this, the North West Frontier Province (NWFP) had enacted the North West Frontier Province Muslim Personal Law (Shariat) Application Act, 1935, establishing the Shariat as the basis of inheritance rules (among other things) and superseding customs prevailing in the province.
70. For a flavour of the debate in the assembly, see Jafar et al (eds), (1977:chapter 6).
71. See, e.g., Gilmartin (1981), Jalal (1991) and Lateef (1990).
72. For instance, the *Anjuman-e-Khawatin-e-Islam* (the All-India Muslim Ladies' Conference) included women's rights to property as one of its demands and its Punjab wing supported the Shariat Bill in 1937 [Jalal 1991; Minault 1981]. The issue of women's (including Muslim women's) property rights had also come up indirectly in the 1920s during women's struggle for enfranchisement. As both Hindu and Muslim women pointed out, linking the franchise with property and income qualifications made for a significant gender gap in electoral representation, since few women owned property in their own names [Everett 1979].
73. The concerns of Muslim women's groups during the early part of this century centred primarily on women's education [Minault 1981; Mumtaz and Shaheed 1987; Lateef 1990].
74. The NWFP of Pakistan is administratively divided into 'Tribal Areas' and 'Settled Areas' [Ahmed 1980:9-10]. In the Tribal Areas: (a) no criminal or civil procedure codes of Pakistan apply; (b) they are not subject to taxes or rents of any kind; (c) they are federally administered but are attached to the Provincial Government of the NWFP for administrative purposes because of geographic and historical reasons; and (d) no political parties are allowed, and the voting right is reserved for selected groups.
75. See, e.g., Patel (1979), Mumtaz and Shaheed (1987), and Rashid (1987).
76. In Bengal, Agra and Assam, the 1887 Bengal, Agra and Assam Civil Courts Act, XII of 1887, along with the Bengal and Assam Laws Act, 1905, established that Islamic law would prevail on all questions relating to succession, inheritance, marriage, and any religious usage or institutions, except insofar as such law had been altered or abolished through legislative enactment [Mulla 1990:7]. Also see Tyabji (1968:18) and Patel (1979:5). Personal communications from several Bangladeshi legal experts on laws affecting women, including Salma Sobhan and Rabia Euyian, confirm this reading.
77. See The Muslim Personal Law (Shariat) Application (Madras Amendment) Act 1949 (Madras Act 18 of 1949) which applies to both Tamil Nadu and parts of Karnataka under former Madras Province; and the Muslim Personal Law (Shariat) Application (Andhra Pradesh) (Andhra Area) Amendment Act, 1949 (Act 18 of 1949).
78. See the Muslim Personal Law (Shariat) Application (Kerala Amendment) Act 1963 (Act 42 of 1963).
79. See Tyabji (1968:18) for Bengal, and Mulla (1990:8-9) for Maharashtra and Gujarat (earlier in Bombay state).

References

- Agarwal, B (1994): *A Field of One's Own: Gender and Land Rights in South Asia*, Cambridge University Press, Cambridge.
- Ahmed, A S (1980): *Pakhtun Economy and Society: Traditional Structure and Economic Development in a Tribal Society*, Routledge and Kegan Paul, London.
- AIR (1956): 'Prem Singh v Lilavati', (AIR 1956), Himachal Pradesh 17.
- (1957): 'Kurian Augusty v Devassy Alely', Travancore-Cochin 1, *All India Reporter*.
- (1961): 'Kaur Singh Gajjan Singh v Jaggar Singh Kehar Singh', Punjab 489, *All India Reporter*.
- (1965): 'Joginder Singh v Kehar Singh', Punjab 407, *All India Reporter*.
- (1986a): 'Kunjilata Purohit v Tahsildar, Sambalpur and Others', Orissa 115, *All India Reporter*.
- (1986b): 'Mary Roy vs the State of Kerala', *All India Reporter*, Vol 73.
- Altekar, A S (1956): *The Position of Women in Hindu Civilisation*, Motilal Banarsidass, Delhi.
- Andhra Pradesh 'Local Acts: 1802-1981', Vol 16, Asia Law House, Hyderabad.
- Arunima, G (1992): 'Colonialism and the Transformation of Matriliney in Malabar: 1850-1940', PhD dissertation, Department of History, University of Cambridge.
- Banerjee, G (1984): *The Hindu Law of Marriage and Sridhana*, Mittal Publications, first published in 1896, Delhi.
- Carroll, L (1983): 'The Hanafi Law of Intestate Succession: A Simplified Approach', *Modern Asian Studies*, 17, Part 4, October, pp 629-70.
- (1985): 'The Ithna Ashan Law of Intestate Succession: An Introduction to Shia Law Applicable in South Asia', *Modern Asian Studies*, 19, Part 1, pp 85-124.
- (1991): 'Daughter's Right of Inheritance in India: A Perspective on the Problem of Dowry', *Modern Asian Studies*, 25 (4), October, pp 791-809.
- Chaudhary, R L (1961): *Hindu Women's Right to Property: Past and Present*, Firma K L Mukhopadhyay, Calcutta.
- Dasgupta, B (1977): 'Agrarian Change and the New Technology in India', Report No 77.2, United Nations Research Institute for Social Development, Geneva.
- Derrett, J D M (1968): *Religion, Law and the State in India*, Faber and Faber, London.
- Everett, J (1979): *Women and Social Change in India*, St Martin's Press, New York.
- Forbes, G (1981): 'The Indian Women's Movement: A Struggle for Women's Rights or National Liberation?' in Minault (ed), *The Extended Family: Women and Political Participation in India and Pakistan*, pp 49-82.

- Fortes, M (1969): *Kinship and the Social Order: The Legacy of Lewis Henry Morgan*, Routledge and Kegan Paul, London.
- Fox, R (1967): *Kinship and Marriage*, Penguin Books, Harmondsworth, Middlesex.
- Frankel, F (1978): *India's Political Economy, 1947-1977: The Gradual Revolution*, Oxford University Press, Delhi.
- Fyzee, A A A (1974): *Outlines of Muhammadan Law*, Oxford University Press, fourth edition, Delhi.
- Gandhi, N and N Shah (1991): *The Issues at Stake: Theory and Practice in the Contemporary Women's Movement in India*, Kali for Women, Delhi.
- Gilmartin, D (1981): 'Kinship, Women and Politics in Twentieth Century Punjab' in Minault, G (ed), *The Extended Family: Women and Political Participation in India and Pakistan*, South Asia Books, Missouri, pp 151-73.
- Government of India (GOI) (1941): *Report of the Hindu Law Committee, 1941*, Government of India Press, Simla.
- (1947): *Report of the Hindu Law Committee, 1947*, Government of India, New Delhi.
- (1949): *Constituent Assembly of India (Legislative) Debates, II, Part 2, Debate on Hindu Code Bill, March 1*.
- (1951a): *Parliamentary Debates, VIII, Part 2, Debate on Hindu Code, February 5-March 2*.
- (1951b): *Parliamentary Debates, VIII, Part 2, Debate on Hindu Code, August 30-September 22*.
- (1974): *Towards Equality: Report of the Committee on the Status of Women in India*, Department of Social Welfare, Ministry of Education and Social Welfare, December.
- (1976): *Report of the National Commission on Agriculture, 1976, 15, Agrarian Reforms*, Ministry of Agriculture and Irrigation, New Delhi.
- (1983): 'The Report of the Working Group to Study the Legal Systems and Impact of New Laws on Traditional Societies in the North-East', mimeo, Planning Commission, New Delhi, November.
- (1990): *The Constitution of India*, P M Bakshi (ed), Universal Book Traders, Delhi.
- Indian Express (1994): 'Back to Square One?', July 24, 1994, Sunday Magazine, p 3.
- Jafar, M, I A Rehman, and G Jafar (eds) (1977): *Jinnah as a Parliamentarian*, Azfar Associates, Islamabad.
- Jalal, A (1991): 'The Convenience of Subservience: Pakistan' in Kandiyoti, D (ed), *Women, Islam and the State*, Macmillan Press, London, pp 77-114.
- Joshi, P C (1974): 'Land Reform and Agrarian Change in India and Pakistan since 1947', *Journal of Peasant Studies*, 1(1), pp 165-85; and 1(2), pp 326-62.
- Kane, P V (1946): *History of Dharmasastra*, III, Bhandarkar Oriental Research Institute, Poona.
- Karve, I (1965): *Kinship Tribal Organisation in India*, Asia Publishing House, second revised edition, Bombay.
- Lateef, S (1990): *Muslim Women in India: Political and Private Realities*, Zed Books, London.
- Lingat, R (1973): *The Classical Law of India*, Translated from the French, with additions by J D M Derrett, University of California Press, Berkeley.
- Mahmood, T (1987): *Personal Law in Islamic Countries*, Academy of Law and Religion, New Delhi.
- Manushi (1987): 'Who's Afraid of the Supreme Court', Nos 42-43, pp 45-6.
- Mayne, J D (1900): *A Treatise on Hindu Law and Usage*, Higginbotham, sixth edition, Madras.
- (1953): *Mayne's Treatise on Hindu Law and Usage*, Higginbotham, eleventh edition by N C Aiyar, Madras.
- Mehta, H (1981): *Indian Women*, Butala, Delhi.
- Mies, M (1980): *Indian Women and Patriarchy: Conflicts and Dilemmas of Students and Working Women*, Concept Publishing House, New Delhi.
- Minault, G (1981): 'Sisterhood or Separatism: The All-India Muslim Ladies' Conference and the Nationalist Movement' in Minault, G (ed), *The Extended Family: Women and Political Participation in India and Pakistan*, South Asia Books, Missouri, pp 83-108.
- Morse, B and T Berger (1992): *Sardar Sarovar: Report of the Independent Review*, Resource Futures International Inc, Ottawa.
- Mulla, D F (1982): *Principles of Hindu Law*, 15th edition by S T Desai, N M Tripathi, Bombay.
- (1990): *Principles of Mahomedan Law*, 19th edition by M. Hidayatullah and A Hidayatullah, N M Tripathi, Bombay.
- Mumtaz, K and F Shaheed (1987): *Women in Pakistan: One Step Forward, Two Steps Back*, Zed Books, London.
- Parashar, A (1992): *Women and Family Law Reform in India*, Sage Publications, Delhi.
- Paruck, P L (1977): *The Indian Succession Act 1925*, sixth edition, N M Tripathi, Bombay.
- Patel, R (1979): *Women and Law in Pakistan*, Faiza Publishers, Karachi.
- Rajasthan Local Acts (1949-1970), Vol 16, India Publishing House, Jodhpur.
- Rashid, A (1987): 'The Islamization of Laws in Pakistan with Special Reference to the Status of Women', unpublished PhD dissertation, School of Oriental and African Studies, University of London, London.
- Roy, Sripati (1911): *Customs and Customary Law in British India*, Hare Press, Calcutta.
- Supreme Court Cases (SCC) (1980): 'Ambika Prasad Misra vs State of UP and Others', *Supreme Court Cases*, 719, 3, pp 719-34.
- (1992): Part 1: 'Madhu Kishwar and others vs the State of Bihar and others', *Supreme Court Cases*, 102, pp 102-05.
- Saradamoni, K (1983): 'Changing Land Relations and Women: A Case Study of Palghat District, Kerala' in Mazumdar, V (ed), *Women and Rural Transformation*, Concept Publications, Delhi, pp 35-171.
- Sivaramayya, B (1973): *Women's Rights of Inheritance in India: A Comparative Study of Equality and Protection*, Madras Law Journal Office, Madras.
- (1978): 'The Indian Succession Act, 1925', in K D Gangrade, *Social Legislation in India*, II, Concept Publishing Company, Delhi.
- (1988): 'The Hindu Succession (Andhra Pradesh) Amendment Act 1985: A Move in the Wrong Direction', *Journal of the Indian Law Institute*, 30(2), pp 166-73.
- Srivastava, V P (1976): *Commentaries on the UP Zamindari Abolition and Land Reforms Act, 1950, II*, fourth edition, Eastern Book, Lucknow.
- Tambriah, S J (1973): 'Dowry and Bridewealth and the Property Rights of Women in South Asia' in Goody, J and S J Tambriah, *Bridewealth and Dowry*, Cambridge Papers in Social Anthropology, No 7, pp 59-169, Cambridge University Press, Cambridge.
- Tyabji, F B (1968): *Muslim Law: The Personal Law of Muslims in India and Pakistan*, fourth edition by M Tayyibji, N M Tripathi, Bombay.
- Vishnoi, S (1987): *Economic Status of Women in Ancient India*, Kusumanjali Prakashan, Meerut.

New
Book
from

MD

Publishers of the
Humanities, Natural
& Social Sciences

ECOLOGY: Basic and Applied

By
S C Santra

The book presents the significant concepts of modern ecology in a readable and intelligible way. The author has tried to present scientific development on various ecological problems for readers of different categories. Topics dealt with in the book cover modern approaches and techniques, and the broader aspects of ecology.

1994, 250p, ill, maps, bibliography, index; 22x14 cm
ISBN 81-85880-48-4

Rs 250.00

Send your orders and write for complete catalogue to :

M D PUBLICATIONS PVT LTD
11 Darya Ganj, New Delhi-110 002
Tel.: 3273347, 3271378, 3285830, 3288645
Fax: 91-11-3275542 Cable: INDOLOGY

PUBLISHERS
DISTRIBUTORS
EXPORTERS

Feminification of Theory

Dipankar Gupta

The feminification of theory draws attention to the fact that the postmodern insistence on reading everything as text finds its fullest efflorescence in the domain of feminist studies. Regardless of gender, the postmodern credo encourages a partisanship towards contemporary feminist scholarship and a concomitant downgrading of both theory and conceptual and disciplinary rigour.

I

THE postmodernist denigration of theory and of disciplinary grids as 'fictions', of one kind or another, has significantly influenced a wide range of scholarship. But it is in contemporary feminist studies, more than anywhere else, that this intellectual attitude has been fully realised. True to the postmodernist credo, feminism today advocates 'writing the body' (*l'écriture féminine*) where depth, metaphor, metonymic play, open ended interpretive discourse, poetics, and subjectivity displace notions of theory and disciplinary boundaries. Without wishing to exaggerate, it may well be said that feminist scholarship today serve as exemplars of the postmodern intellectual condition.

The impact of postmodernism is somewhat akin to what the New Left attempted in the 1960s, for then too a premium was placed on how vociferously one could blame one's discipline for past errors. But this similarity is a little superficial as the New Left were deeply committed to Marxism as a foundational paradigm, even if they did not quite respect the disciplinary pretenses of history, economics, sociology and so forth. This, however, was only a New Left tendency and certainly did not embrace in its sweep those who remained, for whatever reason, members of the 'old' left. In India, old leftists included Sukhamoy Chakravarty, KN Raj, Boudhayan Chattopadhyaya, D D Kosambi, Susobhan Sarkar, and a host of others, against whom it would be unfair to allege that their commitment to Marxism blinded them to disciplinary specifics [see Beteille 1994]. If anything, all of them found in Marxism the necessary inspiration to advance the frontiers of their respective disciplines.

It is relevant to make this argument for only then can the impact of postmodernism on contemporary scholarship be fully understood. While both Marxism and postmodernism attained cultish status at different points of time, the groupies and eager acolytes that gathered around these divergent *isms* were not fired by the same intellectual motivation. While Marxists of all hues search for essential underlying principles, the postmodernists believe in the

dispersal and deferral of meaning, advocating a play on words to bring out possible sub texts, and so forth. This implies that any intellectual quest for certitude was tantamount to a submission to the falsehoods of meta-theory.

What also needs to be clarified without further delay is that gender consciousness and feminism, in the generic sense, were not absent in Marxism, and indeed found their edge within the context of its larger theoretical problematic. This is evident in as early as Marx's *German Ideology*, as well as in the works of Simone de Beauvoir. Feminism as an entirely alternative conspectus is of much later vintage, beginning first with Kate Millet and other assorted 'male bashers'. But this variant lacked intellectual prestige though it served to get things out in the open like never before. Bras were burnt, nude marches were staged, and dirty words (once the preserve of males) began to flow unabashedly from the mouths of women.

All this forced many men to take a hard look at themselves, their masculine myths, and the role models they had all along enthusiastically emulated. Even so this brand of feminism was an intellectual cripple, attracting, in the main, mute chain and hangle hands. After males were castrated what were the women to do: become men themselves? This was the only viable activist option which led women to smoke, drink, frequent male strip clubs, and, in some cases, shun men altogether. The potentiality of this line of action was severely limited for it did not give women what they were in their own right. It only made them more like men, and not like the best of them either.

II

Postmodernism changed all this. While feminist activists of the earlier kind had a reputation on the streets, the contemporary feminists are respected members of the academia, adorning board rooms, and presiding over destinies of others – both men and women. Their efforts, ambitions, and projects are now eagerly funded by government and private agencies. In many instances even jobs are specifically designated for women. The Kate Millet variant of feminism

would not have come within a tinted hair's breadth of this kind of exalted reputation. Women could now go back to being women again, but not like the domestic cow of the pre-Kate Millet period. This new woman is assertive, ambitious, and comfortable enough to leave lipstick stains on cigarette filters.

How was all this consolidated by postmodernism? It is not as if the high priests of postmodernism had feminism in mind when they first formulated their views. In fact some postmodernists, like Marcus and Fischer, are criticised by feminists for their patriarchal bias [see Mascia-Lees, Sharpe and Cohen 1989: 9-13]. The main target of the postmodernists is theory, anything foundational, and that is why Marxism is their most preferred whipping boy [see Laclau and Mouffe 1990]. In fact many early postmodernists like Lyotard began their intellectual career as Marxists. Postmodernism first influenced literary studies primarily because its founder, Jacques Derrida, dealt primarily in this field. Beginning with a critique of those who looked for the 'real' meaning in texts (remember the work, *What Marx Really Meant*), Derrida argues that a text does not belong to the original author, or to the first reader, but that its intended authorial meaning is stolen (*souffle*) the moment the sentence is uttered. The Derridean negation of the quest for a focalised meaning, allows multivocal (actually equivocal) readings of texts, where all meanings, no matter how capricious, whether potential or realised, have the same validity.

III

Different disciplines took to this postmodernist postulate in different ways. For some converted political scientists this meant that all activist options were equally legitimate. Some like Richard Rorty believe that this is what makes postmodernism intrinsically democratic in character. As all views are now of equal status, there is no Archimedean point from which an ideology can be either positively or negatively evaluated. Yet, in actual fact, the postmodernist antipathy towards Marxist politics is more trenchantly expressed than what their original starting point should have strictly permitted them to. That many of them, like Lyotard and Laclau, were earlier committed Marxists, may have been one of the major compulsions for such dramatised distancing.

Nevertheless, political science offered some resistance to postmodernism because the real world of power seekers, which is the terrain of political science, is extremely focalised. Enemies, friends, and policies are categorically visualised, without the endless deferral of meaning. The texts of politics are, therefore, not of the kind where all interpretations are equally good, or valid. No

politician can ever risk that, and political scientists too must be sensitive to this limitation.

Some historians influenced by the notion of the deferral of meaning and the fluidity of texts argue that identities in the past were not fixed and stable entities. This is supposed to be in contrast to contemporary times when identities are much more permanent and enduring than what they used to be. Historians have had an easier time with postmodernist views, for it is quite convenient to see historical documents as texts, and also because there are no living people from those times who are around to contradict them. Even so, the very fact that historians are compelled, by the nature of their discipline, to make their documents public, goes against the grain of postmodernism. As public documents there must be a minimum consensus on what it is that validates them as relevant data. But, as Habermas argues, considerations of consensus, no matter how minimal, necessarily bring in issues of context and inter subjectivity. These in turn undermine the postmodernist insistence on a fragmented epistemological order which, ironically enough, has all the markings of a priorism about it. In any case, this can at best leave the historians as only partial postmodernists. But as any postmodernist knows, one cannot be a little bit pregnant.

In anthropology, however, postmodernism found a most generous host. The conditions in which anthropologists practice their discipline is often in isolation from their peers. The anthropologist is in some remote village, or in some dank and dreary rain forest making contact with the 'other'. As it is entirely up to the anthropologist in the field to make sense of this other, and as this other is not the routine self of the anthropologist or of the peer group of certified anthropologists, there is a lot of scope for metaphor, poetry, and literary trope [see Clifford and Marcus 1986; see also Rabinow 1977]. If the world that the other inhabits is distant from our own, and if, with some luck, colleagues from home can be dissuaded from visiting the same place, then that particular field becomes the anthropologist's private Xanadu. It is up to the anthropologist to choose the method of representation. This is why anthropologists get possessive about 'my village', or 'my bushmen'. It is said that Raymond Firth's attachment to his field in Tikopia was so intense that his department earned the sobriquet: 'We, the Tikopians and others'.

The number of postmodern works in anthropology is largely encouraged by this inherent character of the discipline, and the manner in which it is reproduced. The most important feature seems to be able to make the subject of analysis as subjective as possible. Neither history, nor political science can go as far as anthropology in this regard. Economics has so far not even entertained the idea. So of all the social sciences, it is

in anthropology that the postmodern tendency is the strongest. It is therefore not at all surprising that feminists should borrow freely from this discipline, either from within or from without.

IV

Interestingly it is also in anthropology, or social anthropology (as taught in most sociology departments in India), where the 'blame your own discipline' syndrome seems to be the strongest today. As mentioned earlier, to a great extent this is an outcome of the fact that the field often loses its objectivity in anthropological investigations. As nobody else is likely to ever go to the same locale, or as nobody from the department can question the veracity of the findings, the field really becomes a personal possession, above questioning. This is also why it is possible to argue, as some indeed have done, that there is no such thing called 'society', for all concepts of this order, *pace* postmodernism, are creations of the mind, and hence, 'fictions'.

But this immediately leads to objections. Society is not a word that only those who go to Bongo Bongo employ with respect to the local residents. It is also a term that urban and industrial sociologists use; it is also used by economists and demographers; it is employed in addition by lay persons, politicians, members of the civil society, and so forth. The term society cannot therefore become one's individual preserve the way Tikopia or Samoa can be. To make matters more difficult there are now enough people in 'Bongo Bongo' who are writing about themselves and can also read what other people have written about them. There is unprecedented scope now for the subjects to talk back. In this way the anthropologists' capricious monopoly of the field does not always go unchallenged.

It is for this reason that sociology (and social anthropology), contrary to the general impression, is a very difficult subject to practice. Unlike economics, or history, or political science whose field can be objectified, in sociology it is up to the scholar concerned to come up with a research agenda which is above the level of interesting gossip or privatised obsession/vision. For, in the ultimate analysis, a discipline can perpetuate itself as one only if its practitioners can rise above pure subjectivity. It is only then that the minimum conditions of arriving at consensus are present, whether or not the consensus is actually arrived at. In this sense then a tendency that privatises the object of analysis can only do so on pain of undermining disciplinary specifics. No matter how attractive it might appear to knock down disciplines, the truth is that objective consensus cannot be arrived at without disciplinary grids.

In my view this is why theories are important too. Theories force the subjective to come out in the open and communicate

with others in a situation of simulated objectivity. Simulated because nothing is objective in the absolute sense of the term, but it is still possible to agree on the legitimacy of certain kinds of facts which are above the strictly personal and can thus be obtained without recourse to poetry, metaphor, or trope. This is also why theories set out in advance their areas of competence, as also the order of facts necessary for their demonstration. But no theory lives in its own world, but has to contest with other theories. If this contest is held in terms of incommensurable qualities then no advance, no communication, and no consensus can ever be conceived. A theory is a theory because it is open to other theories, and, *de jure*, willing to retreat if the agreed upon order of facts are openly hostile to it.

While it is true that one brand of anthropology openly flouts theory in favour of poetics, the concept of society, as discussed earlier, cannot be dismissed quite that easily as 'fiction'. Thus while most branches of social sciences were influenced by postmodernism, it was difficult in all cases to yield completely to postmodernist directives. Except feminist studies!

V

Feminist studies today are closest to postmodernism in spirit than probably what most feminist might be consciously aware of [see Heckman 1990]. Spivak, for example, points out that her reading of Lacan is the same as that of Jacqueline Rose, though the former is an out and out Derridean, and the latter is perhaps a structuralist [Spivak 1989:208]. As is commonly acknowledged, it was the disenchantment with Marxism, and the failure of so-called Marxist regimes, that gave postmodernism its appeal. Feminism too was struggling for recognition around the same time, for Marxism was till then its principal theoretical support. When the credibility of Marxism collapsed, feminism was left with no post to lean against. In the meanwhile, however, with the process of secularisation women were making great strides in different walks of life, without, however, being able to challenge the *de facto* domination of patriarchal ideologies. That men had begun to be pushed back in a variety of fields was obvious, and Beteille has recently remarked on this trend with respect to the academia [Beteille 1994]. But it is not only in universities, but elsewhere too, though perhaps less noticeably, that women were beginning to come into their own. Yet everywhere they encountered a troublesome resistance from the pervasiveness of a patriarchal mind-set which seemed so anachronistic.

Neither could Kate Millet, or her official think-alikes, be dusted out of the cupboard, for that too would be a trifle anachronistic. At this point postmodernism showed the way, and feminist studies responded to all its cues with alacrity. When the post-

modernists said that science was basically meta-theory pompously churning out fictions, the feminists matched it by arguing that the theoretical articulations, as say those of Freud [Whitford 1989] or of Lacan [Spivak 1989], or Descartes [Bordo 1986] were basically phallogocentric in character. The fit between contemporary feminism and post-modernism is best expressed in the pages of *Signs*, the most prestigious journal today on the subject of gender studies.

The theories that the feminists took up for scrutiny were, in their eyes, not just fictions, but male fantasies. As Sandra Harding says without mincing words: "...theorising itself is suspiciously patriarchal, for it assumes separations between the knower and the known, subject and object ..." [Harding 1986:647]. Social theories thus faced the possibility of being doubly damned in the hands of feminists. The more opprobrium one could heap on a hated object, the more definite one could be that it would die writhing in disrepute.

The next step was to make the feminine body analogous to the Derridean text. Unlike the feminists of the past who wanted to be like men, their contemporary counterparts realised that somehow that missed the point. The male model was not as liberating as they thought it would be. There was something about being a woman which was not just masculinity denied. Science too was pumping away with information along these lines, demonstrating that the differences in gender is not always an outcome of socialisation. When women frequent male strip joints they loudly laugh and cheer during the show. This is quite in contrast to the hushed silence among men when a female stripper is belting (or unbelted) her stuff. The men look at the show in numbed silence. They cheer only after the show is over, but never without a significant pause when they are collecting themselves. That women are not a mirror image of men is clearly demonstrated through this one illustration. The dissatisfaction with the male model was being increasingly felt by contemporary women, and that is why the Derridean notion of a text was so quickly seized by them to substantiate their singularity and difference.

VI

Luce Irigaray, a leading feminist scholar, reflects upon this situation in the following way. After demonstrating the phallogocentric limitations of male views of female sexuality where the woman is passive, something to be enjoyed by others but never enjoying herself, she goes on to demonstrate how the sexual distribution of erogenous zones makes for the different ways in which men and women think. For men sex is focalised around a pre-eminent organ whose satisfaction is primary. A woman on the other hand "has sex organs more or less everywhere" [Irigaray 1985:28; emphasis in original]. She goes on to say: "Even if we refrain from invoking

the hystericalisation of her entire body, the geography of her pleasure is far more diversified, more complex, more subtle, than is commonly imagined..." (ibid).

But this distribution of erogenous zones is not just relevant in terms of female sexual pleasure, but also accounts for the way women think, talk, and generally present themselves. As they lack a focalised competence in sex, and as their sexual topography is distributed, women also appear to men to be "whimsical, incomprehensible, agitated, capricious...not to mention her language, in which 'she' gets off in all directions leaving 'him' unable to discern the coherence of any meaning. Hers are contradictory words, somewhat mad from the standpoint of reason, inaudible for whoever listens to them with ready-made grids, with a fully elaborated code in hand" (ibid:28-29). Little wonder then why men continue to misunderstand women. Men function with a focalised 'grid', much the same way as they have focalised sex, whereas women say a word here, stray away elsewhere, return again but never in an identical fashion, but just 'touches upon' (ibid:29), and then breaks off and starts again "at 'zero': her body sex" (ibid:29).

This may sound very much like a rehash of 'anatomy is destiny', but the express purpose is of a very different order. The woman's body is quite explicitly like a Derridean text in more ways than one. There is no privileged single point of pleasure, but that there are several points and they are dispersed all over. No one zone is erogenously superior to the other, and all of them have roughly the same status. This is analogous to the Derridean view that texts can have different meanings and that no one meaning can enjoy pre-eminence over the others. And like Derrida who argues that writing, as in all texts, leaves behind an *arche*, or a trace of past inscriptions, so also does Irigaray contend, that when women say something it is not identical with anything they might have said before, except just to 'touch upon' earlier ground. These qualities in a woman are peculiar to her and are of a piece with her sexual topography.

VII

This brings us to the next characteristic feature of contemporary feminist studies. This has to do with the tendency to make women so distinctly unique that general methods of intersubjective enquiry are rendered meaningless. As feminist studies clearly privilege the female 'voice', intersubjectivity is methodologically and purposively curtailed. But intersubjectivity curtailed is in essence intersubjectivity denied, which is why feminists have succeeded so well in converting the woman and her sex into a Derridean text [see Moi 1985; also Berg 1991:55].

Contrast this with the mixed reception that postmodern anthropologists received in their

attempts to privatise the field and insulate it from intersubjectivity. As may be recalled, this was largely because the concept of *society* could not be unequivocally made into a Derridean text. In postmodern understanding, a text is open to equivocality and, therefore, there is no question of getting to the 'truth'. Feminists, likewise, reject the possibility of 'truth', and believe that a normal science paradigm which demands intersubjectivity is no better than a patriarchal delusion [Harding 1986:649]. According to Harding, feminist categories should necessarily be 'unstable' (ibid), so that epistemological problems can be "resolved by appeals to the *authority of the body*" [Hawkesworth 1989:547; emphasis mine]: the female body, no doubt. Therefore, it is no longer possible to comment on this text from the outside, for how does anyone but a woman know what it is to have a dispersed sexual topography? This is why women should write about themselves - *l'écriture féminine* [Mascea-Lees, Sharpe and Cohen: 1989:13] - for it is the uniqueness of their experience which is most critical [Hawkesworth 1989:544]. It is only through the "...knowledge that we ourselves produce" [Nash 1994:69], that the "heterosexual matrix" [Butler 1990:145] can be dismantled.

VIII

Thus apart from Irigaray's rather extreme, but nevertheless singularly influential 'vulvomorphism' [Berg 1991:56], the subjective textualising of the female body is widely subscribed to by several mainline feminists. In textualisings of this sort there is no scope to reach consensus, or even begin a discussion with those who are of a different sex. As methodological relativism too is suspiciously 'androcentric' [Harding 1987:10] in nature, there are no grounds for upholding separate values either - one male, another female. There is therefore unlimited metonymy of feminine expression and experience, but all of these are well outside the reach of intersubjectivity. This situation resembles Lacan's notion of *jouissance* [Lacan 1977] when a dyadic face off (in this case between the sexes) continues endlessly without any resolution. Of course, Lacan saw this as a pathological phenomenon, but for the feminists this is a desired state of affairs. Even Dorothy Smith, who is a somewhat unusual feminist because she has not yet abandoned objectivity entirely, nevertheless also textualises the body. In her view it is the 'insider's knowledge' of a woman that can alone successfully expose the power play in traditional social practices which invariably, without exception, echo the male voice [Smith 1990]. To go back to Irigaray, there is a significant lack in the female *imaginary*, which is why she argues that the mother-daughter relationship has remained unsymbolised [Irigaray 1985:114]. In her view this is in stark contrast to the masculine domain where symbolism is highly

developed. It seems quite justified then to condemn all varieties of established social practices as representing the male voice. The female voice, to go back to Irigaray, lies scattered in 'scraps' and 'uncollected debris' (ibid).

When Simone de Beauvoir wrote about women in *The Second Sex*, it is true that she pointed out, among other things, to the biological differences between men and women. But her intention was not to smash the 'heterosexual matrix' as it was to bring about a more meaningful communication between the sexes. The fact that a woman's body is burdened by reproductive organs, while men travel comparatively light, is dwelt upon by de Beauvoir to demonstrate the specific problems of womanhood, but not in a fashion that separates feminine comprehension from those of men. The contemporary high feminist mode of argument is however inherently different. If women's bodies are like texts then not only does it imply that women cannot be apprehended by theory, but also that it is important to be a woman to know a woman, who in turn is never fully knowable.

IX

Where does this leave men? It is not as if feminists today are made up of women alone. There are a large number of men who are feminists and the number is increasing. It may seem surprising that this is so, but male partisanship with feminist studies actually stems from their postmodern inclinations. And as postmodernism has found its fullest expression in feminist scholarship these men naturally gravitate in that direction. Yet, a man cannot be a woman with a woman's sensitivities. It is not surprising then that the men who want to be feminists wear such pained and anguished looks, which they attempt to pass off as concern. This is hardly convincing especially since the women are so upbeat, especially after having converted their own bodies to texts which is impenetrable by theory.

Thus being left on the outside by the very nature of the 'text', makes these concerned men passive and unable to link with neither women nor with other men. These men have also given up theory, or feminified it sufficiently to justify that texts can only be deconstructed. As their own bodies are notoriously focalised they can only vicariously, and thus incompletely, participate in something that the women do fully, even joyously! Men respond under this pressure by suspending judgment. So that if a man's wife, or girl friend, or mother, calls him a chauvinist, he would slink into his hole and lick his wounds in shameful solitude. As Robert Bly says, if such a man "were a bullfighter, he would remain where he was when the bull charges, would not even wave his shirt or turn his body, and the horn would go directly in. After each fight friends have

to carry him on their shoulders to the hospital" (Bly 1992:63).

As the subject of feminist, or gender studies, has now been transformed into a text, the inclination quite naturally is to study women in only highly stylised situations. This is what makes it even more painful for the men in this group. Feminist scholarship will typically ignore those areas where women interface with men. Feminists are not interested in investigating women entrepreneurs, nor do they want to study models and the fashion industry, nor the world of prostitutes and of the boudoir. Perhaps because in all these areas men are present in very significant, and even in complementary ways. As men are intrinsically a part of such scenarios it undermines the feminists' freedom to textualise the body.

Feminist studies are, therefore, largely about how women give life, about how they know about life, about childbirth, about menstruation, about suffering without adequate symbols, or even about the joys of lesbianism. In none of these can men make any contribution, for these themes when not biologically tied to women, are made analogous to the body. Giving life is after all a wondrous process, as open ended as the female sexual topography. When men enter the picture in such women's studies they do so as objects of hate. They are wife beaters, wife burners, cruel fathers, and untrustworthy companions. That is why every man who has first sold himself to postmodernism in a fit of anti-Marxist euphoria, and then by the principle of elective affinity sides with contemporary feminism, can never be too sure when that slightest slip will show him up as a chauvinist. Such a person is perennially afraid, but there is no out here! As feminist studies have been the most successful carriers of the 'textual' revolution, men must wear that pained look and carry it off like martyrs.

Those other women, who are neither postmodernists in the complete sense of the term, nor feminists, and who examine women in fields other than life, birth, wife battering, etc, find themselves outside this charmed feminist sorority, in spite of their correct gender. These women function in a world of theory and of intersubjectivity, where comprehension of the subject matter does not have to depend upon privileged access made available by birth and biology. This is why this paper is called the feminification of theory, and not the feminisation of theory. This is to signal the fact that there are lots of anguished men in feminist circles, and a lot of confident women outside it. The feminification of theory draws attention to the fact that the postmodern insistence of reading everything as text finds its fullest efflorescence in the domain of feminist studies. Regardless of gender, the postmodern credo encourages a partisanship towards contemporary feminist scholarship, and a concomitant downgrading of both theory

and conceptual and disciplinary rigour. This tendency can be exemplified from the writings of someone like Julia Kristeva. She began her career as a structuralist, but was also a bit feminist on the side. Her subsequent transition to postmodernism gave her feminist inclinations full wing. This is why she can now calmly proclaim that the category 'woman' is a fiction [Kristeva 1986], without ever consulting the men about it.

References

- Berg, Maggie (1991): 'Luce Irigaray's 'Contradictions': Poststructuralism and Feminism', *Signs* (17), pp 55-70.
- Beteille, Andre (1994): 'Feminism in Academia', *The Times of India*, December 27.
- Bordo, Susan (1986): 'The Cartesian Masculinisation of Thought', *Signs* (11), pp 439-56.
- Butler, Judith (1990): *Gender Trouble: Feminism and the Subversion of Identity*, Routledge, London.
- Clifford, James and George E Marcus (eds) (1986): *Writing Culture: The Poetics and Politics of Ethnography*, University of California Press, Berkeley.
- Harding, Sandra (1986): 'The Instability of Analytical Categories of Feminist Theory', *Signs* (11), pp 645-64.
- (1987): 'Introduction: Is There a Feminist Method?' in Susan Harding (ed), *Feminism and Methodology*, Indiana University Press, Bloomington.
- Hawkesworth, Mary E (1989): 'Knowers, Knowing and Known: Feminist Theory and Claims of Truth', *Signs* (14), pp 533-57.
- Irigaray, Luce (1985): *The Sex Which Is Not One*, Cornell University Press, Ithaca.
- Kristeva, Julia (1986): *The Kristeva Reader*, Toril Moi (ed), Columbia University Press, New York.
- Lacan, Jacques (1977): *Ecrits: A Selection*, Tavistock, London.
- Laclau, Ernesto and Chantal Mouffe (1990): 'Post-Marxism without Apologies' in Ernesto Laclau, *New Reflections on the Revolution of Our Time*, Verso, London.
- Mascia-Lees, F E, Patricia Sharpe and Colleen Ballerino Cohen (1989): 'The Post-modern Turn in Anthropology: Cautions from a Feminist Perspective', *Signs* (11): pp 7-31.
- Moi, Toril (1985): *Sexual/Textual Politics: Feminist Literary Theory*, Methuen, London.
- Nash, Kate (1994): 'The Feminist Production of Knowledge: Is Deconstruction a Practice for Women?' *Signs* (47), pp 66-77.
- Rabinow, Paul (1977): *Reflections on Fieldwork in Morocco*, University of California Press, Berkeley.
- Smith, Dorothy (1990): *The Conceptual Practices of Power: A Feminist Sociology of Knowledge*, Northeastern University Press, Boston.
- Spivak, Gayatri C (1989): 'Feminism and Deconstruction Again: Negotiating with Unacknowledged Masculinism' in Teresa Brennan (ed), *Between Feminism and Psychoanalysis*, Routledge, London.
- Whitford, Margaret (1989): 'Rereading Irigaray' in Teresa Brennan (ed), *Between Feminism and Psychoanalysis*, Routledge, London.

Practice of Sociology in India

Ramachandra Guha

Themes and Perspectives in Indian Sociology by D N Dhanagare; Rawat Publishers, Jaipur, 1993; pp 203, Rs 200.

IN his book *What Is History?* published in 1961, E H Carr had remarked that "the more sociological history becomes, and the more historical sociology, the better it is for both". Five years later, an Indonesian scholar more sharply focused on the relationship between the two disciplines, writing that "the one subject matter which certainly does exhibit the actual or potential interdependence of history and sociology is the social movement". This was Sartono Kartodirdjo, in the preface to his great work, *The Peasants' Revolt of Banten in 1888*. Sartono's book, which anticipated by a decade and a half the methodological concerns and research agenda of the subaltern studies movement, was to provide stunning proof of the potential interdependence of history and sociology.

I do not know whether Sartono had read E H Carr, or whether D N Dhanagare has read Sartono. But Dhanagare's book, *Peasant Movements in India*, which appeared in 1983, likewise used the social movement to effectively bring together two disciplines that, in the Indian context, previously had little to do with each other. Dhanagare is, of course, a sociologist. In the same year, 1983, was published Ranajit Guha's *Elementary Aspects of Peasant Insurgency in India*, which represented the first sustained attempt by a historian of India to use the concepts and findings of sociology and social anthropology. The simultaneous publication of these two books then seemed a hopeful augury for the future relations between history and sociology (an optimism that, in retrospect, seems to have been misplaced).

Dhanagare's new book brings together essays written between 1980 and 1990. Although disparate in style, length, and subject matter, all deal, in one way or another, with the practice of sociology in India. Dhanagare defines himself as an 'outsider within', that is, a sociologist who was trained not in the major centres of Delhi, Lucknow and Bombay but in the backwater that is Nagpur. It struck me that both S C Dube and Ashis Nandy, who have likewise made important contributions to Indian sociology, were also trained in Nagpur – a connection Dhanagare might have commented upon. Perhaps there is a case to be made that the city which is closest to the geographical centre of India should henceforth be considered a fourth 'centre' of sociological research.

But Dhanagare is an outsider within Indian sociology in another sense too. His chosen topics of research, social movements and social conflict, have been more than marginal to the discipline. As he notes wryly, "however eminent an Indian sociologist might be 'the sociology establishment' in India rarely considered him literate enough to be invited to seminars if he had not studied either 'kinship structure', 'caste' or at least a 'village'".

The essays in this book fall neatly into two groups. One set of shorter essays offer general, and more or less unmediated reflections on the author's discipline; a second set of longer and (to this reader) more satisfying ones use specific individuals and spheres of research to comment on the state of sociology. In the first group fall Chapter 2, a sort of manifesto, first published in *Seminar*, which asks sociologists to become more committed, to study social transformation from the perspective of the masses rather than the elite; Chapter 4, which uses analogies from the natural sciences to point to the possibilities of interdisciplinary work; and Chapter 8, on the relevance of sociology, which begins with a plea for methodological pluralism and ends by noting the contradictory influence of the state and action groups on research agendas.

Chapter 3, the first of the longer essays, provides a historical survey of the development of sociology and social anthropology in India. The account is thorough and reasonably complete, and (as an admirer of the man) I was especially pleased by the acknowledgement that Radhakamal Mukherjee "was the pioneer of a transdisciplinary approach in Indian social science". This narrative follows previous surveys in tracing the development of a discipline through the founding of university departments of sociology and the role played by influential teachers within them. That is its strength and perhaps also its weakness. Thus Dhanagare, like his predecessors, pays little attention to scholars who were, in terms of their institutional location, 'outsiders within' or even 'outsiders outside', and yet made significant scholarly contributions. I think especially of N K Bose, who gets one fleeting mention here, and Verrier Elwin and Patrick Geddes, who are not mentioned at all (the latter despite having been, briefly, the first Professor of Sociology in India).

Chapter 5, first published in the *Sociological Bulletin*, introduces the ideas and work of the late D D Kosambi to an audience of sociologists. This is a clear presentation of Kosambi as a creative historian who used a Marxist approach without mechanically following the master – thus his abrupt, and justified, dismissal of Marx's notion of the Asiatic Mode of Production. Dhanagare identifies the source of Kosambi's creativity in his conviction that "neither Indian scriptures nor Marxism are sacrosanct". He also points, perceptively, to the contrast between the historian's brilliant analysis of ancient and medieval India and his unoriginal comments on the 'bourgeois' epoch of Indian history – unoriginal because they appear to be derived from the work of R P Dutt, a vastly inferior thinker.

Chapter 6 provides an extended assessment of Ranajit Guha's work on peasant insurgency. "In the din over the polemical aspects of the concept of 'subalternity'", writes Dhanagare, "the deeper insights and distinct analytical approach Guha's own study has offered have been lost sight of". For, the value of Guha's paradigmatic forms of insurgency – negation, ambiguity, modality, solidarity, transmission, and territoriality – "remains undiminished regardless of whether we accept or eliminate the 'subaltern' concept from his framework". This is unexceptionable: 'subaltern' is a polemical category, with little explanatory value, whereas Guha's 'elementary aspects' provide a suggestive way of reading violent rebellion. However, Dhanagare seems to have misunderstood Ranajit Guha's remarks on spontaneity – these do not, as he mistakenly suggests, "emphasise the role of pure spontaneity of the action of subaltern masses in history". On the contrary, following Gramsci, Guha argues that there is *no room* for pure spontaneity in history: even allegedly 'pre-political' actions are informed by a distinct ideology and worldview – they are emphatically closer to culture than to nature.

This assessment of Ranajit Guha's work ends by noting its limited usefulness in interpreting social protest in the post-colonial period. Since 1947, collective action, by farmers, workers and other social groupings, has been widespread, yet violent insurrections have been infrequent. These movements, in a democratic but grossly inequitable nation, might be understood in terms of a 'revolution of rising expectations', and thus amenable to analysis through the lens of 'populism' rather than 'subalternity' or 'insurgency'. This discrimination comes from a distinctive strength of Dhanagare's work – its challenge to the Lakshman Rekha of August 15, 1947, a line which supposedly divides colonialism from independence, in

political terms, and history from sociology, in terms of scholarly practice.

The following chapter also has the author moving back and forth across this divide. Here he provides a valuable historical perspective to the theory of non-party political formations, put forward by Rajni Kothari, D L Sheth, Harsh Sethi, and others. He remarks on the diversity of action groups in the colonial period – Gandhian *swaraj* ashrams, groups for women's uplift, left wing organisation among lower castes and tribals – pointing out that these formed an integral part of the party political process. By contrast, the leadership of action groups in the present most often comes not from party workers, of left, centre or right, but from alienated middle class intellectuals who, in a previous age, would have gravitated more easily to the Congress or the communists.

The diversity of essays notwithstanding, the book is underpinned by three arguments about, or more accurately, three charges against his fellow sociologists: the atheoretical or even anti-theoretical nature of their research, the relative lack of attention paid by them to social conflicts and social movements, and their continuing neglect of history. The second and third charges are cogently put forward and are, on the whole, persuasive, but I am not in entire agreement with the first. A recurring plaint here is that

Indian sociologists either uncritically use western concepts or are too mired in the micro reality of one village or one caste, 'not rising above it in order to enter the realm of theorisation and conceptualisation...'. While this might be a fair assessment with respect to the bulk of Indian sociologists, I believe that Dhanagare has insufficiently acknowledged the theoretical and conceptual contributions of two scholars, in particular: M N Srinivas, whose ideas of the vote bank, dominant caste, and Sanskritisation all provide penetrating and original insights into the dynamics of Indian society; and Andre Beteille, who has made major contributions to comparative sociology, notably through his work on power and inequality.

These disagreements might remain, but there is one comment that Dhanagare might wish to disown, or at least clarify, in a future edition of his book. He remarked, in 1989, 'We [sociologists] have overdone 'caste' so far; let us explore the 'class' underpinnings of what are seemingly 'caste-relations, caste-conflicts and caste-atrocities' ". This was written as the Mandal report was being tabled – in a post-Mandal world, the Marxists were first in the rush to abandon 'class' for 'caste'. We knew that sociology is not a science, insofar as it cannot predict the future; it might now be acknowledged that sociology cannot even predict its own future.

set at rest the fears of the Sinhalese.

This book is a collection of five papers prepared under a research programme undertaken by the International Centre for Ethnic Studies in Colombo in order to study the newly established, provincial councils system of Sri Lanka. The experiment in the north-east, the focus of ethnic conflict, proved short-lived. Established in November-December 1989, in somewhat dubious circumstances, it was dissolved by the central government in March 1990. Elsewhere the councils function.

The research project undertook studies under three categories: (a) An exercise in monitoring the actual process of implementing the devolution scheme under the provincial councils system; (b) a study of the historical background against which the process of centralisation of the state as well as processes towards devolution have occurred in Sri Lanka; and (c) studies on certain specific aspects of the devolutionary process in the present context.

As in India and Pakistan, the men who wielded power in Sri Lanka after it became independent identified nationalism with strong central authority. The intensity of the conflicts that followed in the three countries varies, of course. But in each indifference to autonomy of the regions and to minority rights eventually impaired the centre. A researcher at the Centre for Ethnic Studies, Jani de Silva's paper 'Centripetal Pressures and Regime Change in Post-Colonial Sri Lanka' shows how the process of centralisation contributed to the rise of authoritarianism, a phenomenon that did not spare India and Pakistan either. Centralisation militates against power-sharing and without power-sharing no plural society can function democratically for long.

The historical background to the present experiment in devolution is described in a paper by Jayadeva Uyangoda, senior lecturer, Department of History and Political Science, University of Colombo. It highlights the conflicting Sinhala-Tamil perceptions of devolution over the years. The Bandaranaike-Chelvanayakam Pact of 1957 and the Senanayake-Chelvanayakam Pact of 1965 collapsed because in each case Sinhala reaction forced the prime minister of the day to repudiate the pact. The author points out,

In the Sinhalese ideological making of the Sri Lankan state, there is a powerful idea of Sri Lanka being 'our land' – *ape rata*. This territorial possessionist idiom in the Sinhalese political discourse implies a condition of social appropriation of the state which is mediated by ideology.

The 'ourness' of the state – a deep sense of the possession of the land and its political order – can be seen as having profound implications for the political debate concerning the institutional nature of the modern Sri Lankan state.

Challenge of Power-Sharing in Sri Lanka

A G Noorani

Devolution and Development in Sri Lanka edited by Sunil Bastian; International Centre for Ethnic Studies, Colombo, Sri Lanka, in association with Konark Publishers, New Delhi, 1995.

INDIAN constitutional lawyers and political scientists should watch Sri Lanka as it confronts two major challenges today. One is constitutional renewal, the drafting of a Constitution which restores the parliamentary system without reducing the president to a stooge of the prime minister. The other is a solution to the Sinhala-Tamil question. The two are closely interlinked. The Bandaranaike constitution made the president removable at the whim of the prime minister. The Jayawardene constitution established a presidential system, supposedly based on the French model, shorn of important checks on power. Each was tailored to suit the figure of the leader of the regime of the day. Neither was based on a national consensus.

Any solution to the ethnic problem, if it is to last, must enjoy support from both communities and must be entrenched in the new constitution. It is a daunting task but not an impossible one. It is certainly a noble one to undertake. The constitutional requirement of a two-thirds vote of the national assembly and a referendum make consensus

imperative (Articles 82 and 83). Devolution of power is the key to the solution of the ethnic problem as also to constitutional renewal.

In recent months two significant shifts of opinion have taken place. The LTTE has hinted that it is prepared to give up Eelam if a satisfactory system of devolution is evolved. Very many among the Sinhalese have come to accept devolution. For all their limitations and inadequacies, the provincial councils have come to stay. Not long ago they were viewed with suspicion by Sinhalese as a first step to secession.

The Thirteenth Amendment to the Constitution, enacted in November 1987 pursuant to the Indo-Sri Lankan Accord, and the legislation that followed in its train, the Provincial Councils Act, 1987 and the Provincial Councils (Consequential Provisions) Act of 1989, imposed crippling limitations on the autonomy of the provinces. But they opened an avenue. Discussion now centres on how best to improve them so as to satisfy the aspirations of the Tamils and

The BJP's stance on Indian federalism is no different, except in conflicts between BJP-ruled states and the centre. In each case the standard question raised is "How can 'our' state power be shared with an ethnic 'other'?" This was the mind-set behind Russian domination of the Soviet Union and Serb domination of Yugoslavia.

Amita Shastri, associate professor, Department of Political Science, San Francisco State University, poses the question whether the present provincial council system can provide a solution to the ethnic problem. In their existing form, obviously not. But their potentialities must not be underestimated. However, as the paper shows, a lot depends on the inclination of the president. J R Jayawardene was keen on devolution while Ranasinghe Premadasa was hostile to it. It is a reflection on the fragility of the system if its working depends on the will of the centre. Autonomy, to be true to its name, must be independent of the centre and derive its sanction from the Constitution.

This is not to suggest that constitutional provisions are all. Autonomy is a product of a mix of the law and politics. In the late 1980s, Rajiv Gandhi tried to by-pass non-Congress(I) governments to reach out to local bodies. Collectors were summoned to conferences without so much as intimation to the state governments. In Sri Lanka the same tactic was employed by Premadasa, as the paper notes: "The Gramodaya Mandalayas at the village level and the elected Pradeshiya Sabhas at the sub-district level in rural areas were created at his behest in the early 1980s to undergird the newly created District Development Councils."

The editor of the volume, a researcher at the Centre for Ethnic Studies, has contributed a paper on 'Liberalised Policies and Regional Autonomy' as well as an Introduction which knits the papers together. He demonstrates how, contrary to impressions formed by some, "implementation of the liberalised package also means a high degree of central control of major economic decisions. In order to carry out controversial economic decisions, there has been a high degree of centralisation".

Radhika Coomaraswamy, a director of the centre and author of the famous book, *Sri Lanka: The Crisis of the Anglo-American Constitutional Traditions in a Developing Society*, has written an incisive analysis of the role of the judiciary, entitled 'Devolution, the Law and Judicial Construction' which Indian constitutional lawyers ought to read in particular. She has contrasted the judiciary's response to the Sixth Amendment of 1983, which outlawed the cry for a separate state and proscribed even moderates like the TULF, and the Thirteenth Amendment of 1987 which established provincial councils.

The paper sets out the background and the issues raised by the inadequacies of the existing councils; not least concerning

their powers over land, internal security and, indeed, their sources of finance.

The Supreme Court of Sri Lanka readily upheld the Sixth Amendment enacted in the wake of the upheavals of 1983. Its response to the Thirteenth Amendment was divided:

One school of argument is, of course, that the Thirteenth Amendment, passed in 1987, was a fundamental structural change and therefore more offensive to the Constitution than the 1983 Amendment. In addition, the Indian factor made the court acutely aware that the executive decision may not have been 'free' and 'democratic'.

The other line of argument is that the courts are made up of judges and that they share the opinions of fellow citizens, the judicial notice of those opinions and prejudices is inbuilt and often comes to the fore in times of emergency. In the context of ethnic war, those opinions must inevitably represent the will of the majority community, even more than deference to the executive.

Students of the Supreme Courts of India and Pakistan will find parallels nearer home. One is reminded of Cardozo's famous aporism in his classic *The Nature of the Judicial Process*: "The great tides and currents which engulf the rest of men do not turn aside in their course and pass the judges by" (p 168). Coomaraswamy writes: "It has always been argued that the Supreme Court is the real safety valve for minority grievances. This line of reasoning has to some extent succeeded in India, the UK and the US with the judiciary taking the lead in cases involving ethnic minorities. But in Sri Lanka, the nature of the crisis has been far too acute for detached judicial decision making."

India's experience has not been particularly different. Justice V R Krishna Iyer once angrily remarked "The judiciary will be described as the villain of the piece", on the Ayodhya issue. In his view it lacked the guts to face the issue (*The Times of India*, November 11, 1989). The Supreme Court's rulings on the Aligarh Muslim University and the Ayodhya reference are none too inspiring. The belated conviction for contempt of court of Kalyan Singh by chief justice M N Venkatachaliah in October 1994, two years after the offence was committed, does little credit to the Court (vide this writer's critiques of these rulings in *The Statesman*, November 7-8, 1994 and January 18-20, 1995).

Three judges of the Supreme Court of Sri Lanka, including the chief justice, accepted the Thirteenth Amendment as valid and not contradicting the unitary provisions of the Constitution and, therefore, not requiring a referendum. They held that parliament could override provincial legislation. The dissenting judges regarded the amendment as a devious stratagem to introduce federalism by the back-door (Wanasundera and Seneviratne JJ). Radhika Coomaraswamy is critical of the reasoning of both the majority

as well as the minority, albeit more of the latter and deservedly so. She recalls:

Both Wanasundera and Seneviratne pointed to the fact that Buddhist relics in the North and East would not be protected and Wanasundera also argued against Tamil being made an official language. 'It is a matter which I cannot avoid dealing with... the joinder of the Northern and Eastern provinces and the official recognition of the traditional homelands of the Tamils will toll the death-knell of the Sinhala people in those provinces. There is an undertone of this fear in all the petitions opposing the Bills. Even the most naive of people could not expect a single Sinhalese to go back to the North and/or East if the maintenance of law and order within those areas becomes the exclusive preserve of the political leaders and patrons of the very terrorists who chased them out.'

The judgment of the dissent was by no means 'ethnic blind', for the judge added:

Sinhala as the official language in the country (with the reasonable use of Tamil in Northern and Eastern Provinces and by Tamils) has been the major plank in the manifestos of the leading Sinhala political parties throughout the last four decades. It has been submitted that such a fundamental change cannot be effected without consulting the people.

There is hope, however. Once devolution is accepted and entrenched in a new constitution, the judiciary will respond to the changed climate. Finley Peter Dunne's *bon mot* is as true of the supreme courts of south Asia as it is to that of the US: "No matter whether the Constitution follows the flag or not, the Supreme Court follows the illicit return".

New From Manohar

Weapons of Mass Destruction (Costs Versus Benefits)

edited by
KATHLEEN C. BAILEY

1994, 147p. Rs. 150

Manohar Publishers & Distributors
2/6, Ansari Road, Daryaganj,
New Delhi - 110 002
Tel. : 326 2796, 327 5162

CENTRE FOR DEVELOPMENT STUDIES

Ullor, Thiruvananthapuram 695 011, KERALA.
Tel: 448881 Fax: 447137 Tlx: 435-227 CDS IN

M.Phil Programme in Applied Economics, 1995-96

Applications are invited for admission to the Centre's M.Phil Programme in Applied Economics, 1995-96, affiliated to the Jawaharlal Nehru University, New Delhi, commencing on July 14, 1995.

- This fully residential programme is designed to provide a broad based understanding of economic theory and Indian economic problems, as well as, adequate analytical skills for research in applied economics.
- The programme has an inter-disciplinary approach (prior formal training in economics is not considered essential) and the minimum qualification for admission is a Masters Degree or equivalent in any discipline with a minimum of 50% marks. Those who are awaiting the results of their qualifying examinations can also apply. The selection is made on an all-India basis. A maximum of 15 persons are selected each year.
- Selection of the candidates will be based on their academic record, quality of the research proposal submitted along with application and a personal interview.
- Fellowships with a monthly stipend of Rs. 800 and a lumpsum contingency grant of Rs. 1500 will be available to all the selected candidates. One Fellowship, instituted by JET, Bangalore, is available for working journalists.

The Prospectus and Application Form can be obtained from the Registrar, CDS. Completed applications should reach the CDS, latest by May 22, 1995.

March 20, 1995

DIRECTOR

APPOINTMENTS



INDIAN INSTITUTE OF MANAGEMENT AHMEDABAD

invites applications for

FACULTY

In the following Areas/Centres/Groups

Business Policy, Centre for Management in Agriculture, Computer & Information Systems, Economics, Entrepreneurship, Finance & Accounting, Industrial Policy Management, International Management, Marketing, Organizational Behaviour, Personnel & Industrial Relations, Production & Quantitative Methods, Public Systems Group, Ravi Matthal Centre for Educational Innovations

IIMA offers Masters and Doctoral level programmes. The faculty undertake individual and group research, participate in management development programmes and get involved in consulting assignments.

Qualifications

A Ph. D. in Management, Social Sciences, Engineering or any allied discipline is a necessary requirement. Post-doctoral experience in teaching/research in educational institutes or industry and a record of publications in refereed journals will be added qualifications.

Faculty may be taken at the level of Assistant Professor, Associate Professor, and Professor depending on the experience. Age of superannuation is 60 years.

Benefits

In addition to the salary and usual allowances admissible within the prescribed government scale for faculty (which are currently comparable with senior appointments in Government of India), faculty are allowed the privilege of consulting, income from which is shared between faculty and the Institute according to IIMA norms. IIMA has a green campus spread over 65 acres. New faculty can expect to stay in campus houses soon after they join. Rent is highly subsidised.

Interested candidates may send their applications to:

Director, Indian Institute of Management, Vastrapur, Ahmedabad 380 015.

Lintas time 317-1218

Globalisation and Revival of Tradition

Dual Attack on Model of Democratic Nation Building

Rajni Kothari

With the advent of globalisation, the changes taking place at the bottom tiers of nations have received little attention. Yet shifts in power relations, allegiances and consciousness at various levels of civil societies are changing the world as much, if not more, than the macro changes wrought by international capital, technology and the mass media. To what extent will these new cultural assertions of identity enable the peoples of various regions to face the new capitalist order, remains to be seen.

WITH the advent of globalisation, its impact on the mass media and other catalysts of what is called informed opinion as well as the wide acceptance of its logic by national elites round the world, the no less momentous changes taking place at the bottom tiers of nations and civil societies have received very little attention. Yet one is witness to quite far-reaching shifts in power and allegiances within diverse regions, nations and peoples bringing in their wake new responses, newly perceived interests and new modes of interaction between hitherto dormant cultures and nations and still dominant centres of power and control over resources. There are soundings of a new consciousness at different thresholds of civil societies and newly emerging political formations that are producing new power equations at various levels of existing states, engendering new social mobilities and cultural assertions both within and outside existing institutional spaces, together positing a new and hitherto unanticipated unfolding of the human enterprise. The world we are living in is being changed as much, if not more, by the deeper stirrings in the structure of civil societies as by the 'macro' changes wrought by international capital, trade, technology and the mass media.

Ironically, these stirrings of both consciousness and politics at the mass level are taking place in countries and regions whose ruling elites are displaying increasingly nervous, trepid and inferiority-ridden attitudes, internally reflected in a decline in democratic commitment and growth in repression – state shorn of vision and confidence must turn oppressive – alongside turning chauvinistic vis-à-vis national peripheries and weak neighbours while externally becoming vulnerable to a variety of pressures and conditionalities.

Meanwhile the global structures of domination and control themselves are shifting from being located in powerful nation states to being techno-economic consolidations of resources, both natural and managerial. With this the nature of the international order is found to be shifting gears – the relationships of domination and dependence are moving from being mainly geopolitical to being

mainly technocratic; national and regional diplomacy is being asked to handle completely new issues like trade, patent regimes and global property rights for which it is hardly prepared and for which it has to borrow skills and expertise from the same dominant centres with which it is trying to come to grips. Far more resources and national and international infrastructures are at the command of transnationals than of nation states. A hegemonical and hegemony-seeking US may want pliancy on the nuclear front or in respect of peace settlements in various regions under its overall auspices, but these are hardly matters of great relevance to the emerging configuration of transnational power (the giant corporations on the one hand and the Bretton Woods institutions on the other), that happen to be less and less political and tend to render the political actors – from the hegemonic US to the newly liberated South Africa and the Palestinian homelands – to run to them for succour.

It is this new nexus of finance, trade and technology that is likely to both directly and indirectly affect the coming generation of leaders and peoples in all regions as they seek out new futures in the next millennium. These latter are likely to face not just a drastically altered structure of relations between states but also a considerably changed nature of the capitalist order in which they will be willy-nilly asked to find a place for themselves. To what extent they will be able to draw upon the new cultural and ethnic assertions of identity awakening around them as they face such a future remains to be seen. What stances and attitudes the purveyors of power in the new corporate capitalist order adopt towards the new assertions at and from the grass roots is not yet clear. Their strategies of integrating the whole world into their model of world governance are still taking shape; their 'data base' is not yet clear; they have a wide variety of advisors ranging from hard-nosed technocrats to both tactical and believing democrats. Will the theoreticians of a 'democratic world order' be able to enable the forces from below to make their

voices felt or will they instead prefer to 'educate' them to make them amenable for getting integrated into a global 'free market'?

Much will depend on the new generation's ability to handle both the new thinking from the globalised structure of trade and technology (and its local representatives in business and government), and the demands and pressures emanating from a variety of rebounds from the past that are on the upswing as a result of fundamentalist reactions to new vacuums in the power dimension of the world. What kind of a new model of 'secularism' will they be able to fashion for dealing with these twin challenges also remains to be seen. In India the attempt to build a distinctively Indian model of secularism based on plural identities on the one hand, and the claims of deprived and dispossessed minorities – both religious and social – and their anchorage in diverse community cultures and lifestyles on the other, seems to have suffered a setback, largely as a result of the failure of the state to safeguard such a model of secularism. The current confusion arising from secular leaders masquerading as religious beings and religious leaders hobnobbing with secular politics has pushed Indian pluralism into aggressive channels. Meanwhile the new consciousness of globalisation in which we find ourselves engulfed is one in which cultural self-confidence is on the decline while false consciousness based on chauvinist 'nationalist' drives seems to be on the ascendancy. While there are undoubtedly new and reassuring assertions of the human spirit (as was powerfully shown during the literary and artistic response to December 6, 1992 in Delhi and elsewhere) even while national elites are at a loss to understand and grasp the meaning of these assertions, there is no clear agenda of cultural revival and political restructuring that one is able to perceive, much less predict.

ERA OF CHANGE BUT DEEP AMBIVALENCE

A number of other indicators of this ambivalent state of affairs can be identified, particularly in the local and national terrains of the emerging human condition.

(1) There is taking place an increasingly less and less open and tolerant attitude to forces of dissent and non-conformism indicating a real shift in elite perceptions and attitudes as against those found among the 'illiterate masses'.

(2) Among the oppositional forces, the intelligentsia and 'grassroots' activists, there is a growing decline in confidence, organisational capacity and motivation for challenging the status quo, a decline in ideological élan for taking on the system or even the ruling establishment, and an increasingly defensive orientation, of late becoming reactive and adopting negativist and nervous (noisy) stances rather than asserting new visions and strategies.

(3) One is witness to a growing fragility and uncertainty in the overall intellectual and political response to the happenings of the day, to the twists and turns of history—both in the world at large and within the terrains of the state and civil society.

(4) Socially, there is a growing alienation and fragmentation and sharpening polarisation between classes and communities as the social base of the polity has narrowed instead of being progressively widened, and as the fight against poverty has moved from being perceived as an economic task to be carried out by government and planning bodies to being seen as a struggle against local atrocities and vulnerabilities. Poverty and unemployment are seen as a consequence not so much of misfortune and relative deprivation as of the withdrawal of rights by the system, of legal and institutional entitlements.

(5) Also, much more than before, the social condition has become dependent on access to, or exclusion from, natural resources, land entitlements and the relationship with village commons. At the same time, accentuating class conflicts and growing pauperisation caused by alienation from land, water resources and ancestral rights over forests, and growing pressure for sheer survival, are producing hostility from the very classes that had for so long felt drawn towards nature and the 'environment' (especially the tribal populations² and the rural poor).

(6) As class/caste conflicts and alienation from land and natural resources have been reinforced by declining economic returns from productive forces for large sections of the agrarian social structure, both segregation and stigmatisation of dalits and other lower classes have grown. Side by side with this the push towards urban conglomerates on the part of the land-denuded OBCs and dalits has raised the pressure for government jobs and the demand for a new genre of 'rights'—especially the right to work—and as part thereof special rights for the hitherto discriminated against social strata through reservations and the like. To all of this the upper class bureaucracy and the middle class parents of the new generation of students in

the universities, already uncomfortable with things like Mandal and the upward mobility of various minorities including the dalits and the political challenge posed by them, are reacting violently. (Hence the growing anger with men like V P Singh.) This growing incapacity to accommodate economic grievances and political aspirations has in turn produced a backlash not from the oppressed social strata but from the economically left-behind sections of the twice born. The result has been the Mandal-Mandir explosion (which is still not over), joined on the one hand by the Hindutva brigade (extending from Hindu communal parties to university academics) and on the other hand by the stirred consciousness of the dalits and the minorities.

Deep convulsions lie in store for civil society as it proves unable to open up the machinery of the state for providing new avenues of opportunities and power for diverse segments of the poor from all castes and communities. It is because of this closure to the new aspiring entrants that a whole variety of forms of ethnicity (autonomy-seeking, separatist, based on claims of self-determination or recognition as 'indigenous peoples', or simple inclusion of ever new claimants in the reserved category for jobs and opportunities)³ has been on the upswing. The emergent class-ethnic-caste mix has been, for long now, waiting for a response from the elite classes. Yet the only response coming from the latter has been to so modernise society that a select 'middle class' gets created, the licence-permitraj is opened up to global corporate enterprises, and the state itself, not just the private sector, gets integrated into the world market.

(7) Meanwhile, traditional avenues of mobility towards and into the modern sector, through raising thresholds of personal worth, quality and dignity within a complex social terrain are getting short shrift. The package of education, health, shelter, sanitary conditions and various social minima in terms of guaranteed prices of necessities like food and clothing—together producing rising degrees of social empowerment through which alone, it is now clear, states of poverty, unemployment and disparity could be reduced—is being systematically downplayed and downgraded. There has taken place a whittling down of social policy, *ipso facto* producing gaps between the privileged and the oppressed, so much so that any design to merely raise the aggregate growth rate of the GNP, even if this be combined with distributive packages and plan schemes and even if the demands for self-determination and autonomy at local levels be conceded, is not likely to reduce or even contain the growing social divide. With this, the whole economic model and indeed the enterprise of the state is likely to get delegitimised and lose credibility.

(8) Looking outside the country for remedies is the surest way of putting a freeze on a turbulent social order, which will not stay put in a frozen state for long but only ignite forth into a boiling conundrum which a state on horseback will find impossible to hold. If we have been able to hold so far, somehow, it has only been through a growing dispensation of coercion, brutal control over the social order, and a combination of cleverness, chicanery, cunning, craftiness and cynicism in relation to the people. We have encouraged high degrees of demeaning corruption, criminalisation, and deliberately encouraged communal sentiments among large cross-sections of individuals and professionals, who have each and all been isolated, rendered impotent and made subservient to a competitive social ethic that we are being asked to imbibe for integrating with a style and structure of governance called the 'new world order'. But how long can such a cynically contrived structure of governance itself survive the gathering thrust of social and political pressure from all sides in so many states, even if the latter are willing to sacrifice their legitimacy and 'sovereignty'?

(9) The model of marginalisation, exclusion and dispensability of the weak and the poor that has emerged out of such a ethic of the survival of the fittest that seems to be taking charge of the minds of national elites (here and elsewhere⁴) is not simply an expression of upper class racism *vis-a-vis* the lower classes. Nor is it just (as is often argued) a result of the incapacity of the state to carry the 'burden' of a growing population and growing hordes of the poor and the 'irrational' social strata who will not somehow get easily modernised. It is rather at bottom a reflection of the failure of the politico-constitutional system, its very stability and effectiveness, its capacity to make economic development an engine of social transformation. (For long the assumption was that economic logic was autonomous of social and political constraints, an assumption that has cost the country dearly.⁵) It is also a reflection of increasing erosion of confidence in the elite's own ideological construct in which it had once put so much faith. The result is that the 'dispensability' that finally emerged was not just of millions that could not be accommodated in the industrial and economic superstructure, but also a dispensability of institutions through which alone the economic, the social, the political and the ideological dimensions could have been held together and enabled to hold the country together. Once the institutions became dispensable, the elite was forced to operate in a vacuum producing in its wake the growing appeals of communalism, sectarianism of various types, religious and cultural fundamentalism and, capping it all, a new virus of national chauvinism (loosely integrated into the 'new world order').

It is this interface between a globalising corporate economy and 'world order' engulfing major regions and states, and further accentuation of national chauvinism within and between the same – seemingly contradictory but in fact converging – that provides the new setting of the 'nation state'. The latter is at once under siege and trying to hide this fact by a bravado of anti-western (mainly anti-American) reactions, while at the same time permitting multiple backlashes and counter-thrusts: a globally homogenising culture, communications and consumerism on the one hand, and regionalist, sub-nationalist, ethnic and 'communal' assertions of identity – often employing instruments of violence which in turn invite increasing thresholds of anti-insurgency terror mounted by military and intelligence layouts – on the other. The nation state is caught in between this pincer of developments, all of them de-nationalising and de-institutionalising, producing deep vacuums all over the place and the rise of uprooted and adventurist 'leaders' and their criminalised and corrupt agents.

Together, it is all highly destabilising, despite and perhaps because of the integrationist claims of globalisation, free trade and the removal of barriers to a free flow of goods and services across nations. The reality of course is that agreements like the one signed at Marrakesh hide a great deal of inequity between nations and peoples, both due to the sheer size of operations of the TNCs and their capacity to control the flow of technology and information, and due to several mechanisms like transfer pricing resulting in a drainage of wealth and resources from the south to the north.⁸ It has also resulted from insistence on the host countries lowering tax rates, hiking prices, depriving the working class of employment and the farmers of their rightful share in the produce of nature by dictating internationally fixed prices and terms of trade.

A great deal of globalisation is in fact – like 'national integration' espoused by centralised regimes *vis-a-vis* diverse cultures and peripheries – based on continuous fragmentation and erosion of existing structures and identities. And yet, on the other side of the new interface, there are loud voices being raised by political leaders, the media and the intellectuals against interference from abroad when it comes to the protection of basic human rights, of the bargaining capacity of the working class and the aggressive destruction of natural resources in the wake of globally inspired development schemes and technologies. In reality, of course, it is not the regimes in the south that are of their own accord turning against international norms of a humanitarian kind, and branding them as interference from the north, for in fact the actual wielders

of power and influence in and from the north, namely, the TNCs, prompt precisely what these undemocratic regimes are doing – violations of human rights, holding wages down and depriving the traditional social strata of their access to natural resources by hijacking the latter for export-oriented industrialisation.⁹

INSTITUTIONAL CRISIS

Returning to the issue of erosion and short-circuiting (leading in the end to 'dispensability') of institutions, I would like to move to the next step in the argument, namely, the most serious snapping of structural linkages in the whole national enterprise, that between the state and civil society. There has been a great deal of writing on the erosion of institutions in India following the rise of authoritarianism and personalised politics by people like Atul Kohli and Lloyd and Susanne Rudolph, who have dwelt at length on the concept of "deinstitutionalisation".¹⁰ To an extent I go along with their analysis, for there is no doubt that following Indira Gandhi's populist politics (and, I would add, Rajiv's attempt to substitute politics by technology) the real strength of the Indian political system, namely, its wide-ranging span of institutional functioning within which individuals and groups played their roles at so many levels, has been deeply eroded.

And yet I feel that "deinstitutionalisation" does not explain the reasons for such erosion: it only describes it. To my mind it has to do with the rapidly changing social base of the political process leading to a radically changed set of demands and conflict situations which the Indian state has been increasingly unable, and the Indian elite classes have been increasingly unwilling, to handle. Mere emphasis on decline of 'governance' and 'governability' only limits us to an analysis of a dysfunctional elite system. It does not go deep enough into the fact that such dysfunctioning is a result of a growing lack of fit between governing institutions and social demands. I have argued elsewhere at some length that a polity based on a well thought out social policy, a polity that is socially representative or even sensitive, would be in a better position to 'govern', allow increasing levels of interaction and communication between the state and civil society, and lead to rising levels of people's participation and their own involvement at different levels in the running of the state. Having long held that perhaps the crux of the Indian crisis over the last more than 15 years has been institutional,¹¹ let me also say that institutions are not ends in themselves but are mechanisms to keep both a system and a political culture ticking along, in the process satisfy a larger and larger set of constituents and publics, and at the same time respond to changing demands, agendas and perspectives. Institutions are a means to an end, to

a sense of the whole, to an idea of the direction to which a system is moving, to a vision. If the latter are forgotten, the value and legitimacy and indeed the relevance of institutions are bound to decline.

Of course, no political system can function effectively without pulsating institutions, particularly in the modern age, with the growing diffusion of ideas, aspirations and desires. A merely decentralised and multicentred structure cannot hold without being woven together through institutional channels. We need not be as obsessed with the issue of governance and governability as are the Americans, but we must always continue to come back to the challenge of institutionalising a democratic polity. The basic challenge – it arose after the 'garibi hatao' call by the new Congress leadership under Indira Gandhi in the early 1970s and again following V P Singh's call for Mandalisation and social justice – lies in responding to the upsurge of consciousness at the grass roots through a new and relevant structure of institutions, which do not hang loose over the landscape of peoples and communities but become instruments of their hopes and aspirations. It is a challenge that will not be easy to handle but without which, I have no doubt, this turbulent polity and civil society will not be able to hold.

PARADOXES OF GOVERNANCE

Let me try and bring together the import of the analysis presented so far in the form of three paradoxes facing India at the present juncture. First, we have a ruling class that seems to be at odds with the very institutions it had (or its forebears had) once created. It is a ruling class that seems pitched against not only larger and larger segments in civil society but also against elements in the very constitution of the Indian state – the judiciary, parts of the parliament and party system, sections of the bureaucracy itself, and of course the emergent leaders and organised interests from the grass roots. Second, though facing multiple changes and challenges, there is an increasing obsession with stability and survival, with somehow carrying on, holding to the chair as an end in itself, for this purpose manipulating the media and the intelligentsia through various exercises in public relations, continuously stepping back from the transformative thrust of contemporary history, at best turning the latter into populist jargon, in the process equating personal survival with the survival of the nation.

Countering such an obsession with stability and survival is only possible through people's organisations and a horizontal and vertical structuring of the same by individuals and groups outside the parliamentary and party frameworks who enjoy credibility and are seen as somehow representing the voices that are emerging, seen as conscience-keepers of the country. Over time the num-

ber of such individuals and variety of such groups have been on the decline. The basic paradox is that the very agents of change – from the state to the 'movements' (increasingly dominated by NGOs) – are fighting their own respective battles of survival.¹¹

Third, there is the whole centralisation-decentralisation issue, one of the most difficult in a modern liberal democracy. For, mere devolution of power and privileges to new sets of individuals and groups at local levels but still within the confines of the liberal democratic state will not empower either the people or the organisations and communities and regions to which they belong, not to speak of the communal and casteist tendencies to which they may be subjected by the local mafias. The challenge is how to create a mass society that is organised along a truly federal and democratic (decentralised) structure and does not degenerate into a disembodied, diffuse and faceless crowd. Let this not be the fate of the proposed 'gaon sabhas' in the 'panchayati raj' set-up that is on the anvil. Serious questions as to the relative merits of representative versus direct democracy continue to beset us. They are ancient questions being posed in the context of new mass societies.¹²

REVIVAL OF TRADITIONALISM

Beyond the crisis of institutions and other indicators of erosion and uncertainty, and in many ways reinforcing the basic paradoxes of governance, are new confrontations arising from the bottom grassroots of civil society of both a negative and a positive kind. There is on the one hand the confrontations arising out of the use of religion as a basis for politics – which at one level appears as a battle for ascendancy between the secular and anti-secular political parties, but which at another level unravels the more basic conflict between modern and traditional, outward-looking and nativist, trends in current politics. There is on the other hand the social confrontations arising out of Mandalisation, the growing upsurge of the dalits, and the emerging consciousness among the minorities, all of them challenging the power of new-brand traditionalists who seem to have turned their backs on the rich diversity of Indian society. Unfortunately, the appeal of, and often indirect support for, traditionalist and nativist thinking have come from sources that go beyond the typical arena of communal politics, many of them seemingly innovative and in parts seeking alternatives to the existing order (both national and global), and for this purpose drawing on multiple sources of experience, knowledge and wisdom, including of course indigenous traditions and theories about them (in opposition to the modernist stream of thinking and values).

To these newer expressions of traditionalism we shall presently come. Right now we note an overall atmosphere of drift and confusion, born out of uncertainty about the future and declining concern about the same, deep ambivalence arising out of too many changes leading to no real change. Conceptually too there is a great deal of ambivalence spurred by a new model of double-speak. 'Liberalisation' is not to be a goal to be achieved but a game to be played out to permanently subjugate both the autonomy of the state and the autonomy of civil society. Religion is not to be an exercise in further cementing a unique 'spiritual' inheritance of plural identities and social spaces but a see-saw between two contending right wing parties. Meanwhile unemployment on the one hand and communal violence on the other are undermining the survival capabilities of diverse communities and cultures. For the latter the scenario of uncertainty becomes a scenario of exclusion and dispensability.

Alongside this combined impact of institutional erosion, the philosophy of liberalisation and the communal backlash, are taking place still deeper erosions that are affecting national confidence and creating new doubts in the national psyche. Among these are:

(1) Side-stepping a wide array of social reform movements, the emergence of new nationalist intellectualism and anti-west rhetoric, often reflecting a deeply ingrained sense of inferiority *vis-a-vis* the west, *vis-a-vis* the modern sector and *vis-a-vis* the neo-western Nehruvian model of nation-building, in the process drawing on a whole repertoire of historic memories and nativist yearnings and rejecting almost the whole of the post-independence effort at creating a modern, secular, polity.

(2) Weakening of the liberal tradition for defending civil rights of diverse collectivities, buckling under when faced by aggressive drives of a monolithic collective, *a la* Hindutva, *a la* globalisation.

(3) Weakening of the composite nation-building model that had appeared at one time to be unique to India within the third world.

(4) Erosion of genuine pluralism that had cut across both tradition and modernity and provided a bridge between Indian culture and modern democratic politics. Slow and subtle but clear hijacking of other major streams too – Gandhian, Swadeshi, Bharat versus India, certain brands of indigenous creativity of both intellectual and aesthetic varieties (patriotic science, etc), paradoxically even strains of culture and arts and music and the performing arts that were supposed to be composite but have over time been patronised by insecure bureaucrats and politicians. Many of the anti-Congressite strains have taken forms that have unwittingly played into the hands of such nativist reaction to the modern secular perspective.

We face a serious dilemma here. Waging a struggle against the colonial state, the bureaucracy and the globalist version of imperialism is absolutely necessary if we are to realise our own character and worth and authenticity. And yet, lacking a truly historic and philosophical perspective relevant to the new Indian striving (in step with similar strivings elsewhere in the third world), this very struggle can prove so negativistic, ahistorical and uncritical towards Indian tradition, and the inequities and injustices inherent in it, that the result can turn out to be atavist and fundamentalist and land up in the Hindutva camp. On the other hand, the Nehruvite vision, lacking as it did a radical restructuring of civil society, ended up making us servile *vis-a-vis* external onslaughts, the net result of which is to be seen in the rise of Manmohan Singh on the Indian political scene and all that this represents, leading to an erosion of one's pride in being Indian, erosion of self-reliance and of India's role in creating a composite third world identity, of the long-felt urge for providing an alternative to western lifestyles, technocracy and consumerism. We need to remember that every discourse on tradition – be it the one rooted in an uncritical recapturing of the past or the one seeking to take us to an abstracted future – becomes repressive. Our aim has to be social emancipation, distilling it from a struggle against both traditionalism and modernity.

NEHRUVIAN MODEL ON DEFENSIVE

We have run into deep waters following the combat-style confrontation between the Nehruvites and nativists. The problem is at one level philosophical. The much touted controversy between the universalistic faith of the 'scientific temper' school, for whom there is no difference between the knowledge system of the west and of India as both are to be based on a common paradigm of science and technology, and the alternative sciences school for whom there is something unique – and almost superior – in 'indigenous' science, seems to have run into a sterile and rather repetitive rhetoric, both sides having failed to produce a creative civilisational discourse. The possibility of a fruitful dialogue between the two has receded further with mutual imageries getting reinforced, with the former falling into a trap of servility *vis-a-vis* global corporate capitalism (including of the 'radicals' and 'nationalists' among them), while the latter getting more of a sympathetic response from western critics of their own materialism and technocracy and consumerism (together called 'maldevelopment') than from their own peoples.¹³ Here perhaps lies the great difference between the latter and Gandhi who they tirelessly keep projecting as their model. Gandhi was a iconoclast *par excellence* and was attempting to simultaneously cleanse tradition of its both innate and

accumulated oppressions and struggle against the servility inherent in any blind adoption of modernity – and both as part of a political movement for social transformation. Today's exponents of indigenous alternatives are at once apolitical and unprepared to wage struggle against the evils inherited from the past.¹⁴

Both the statist-modernist elite and the indigenous strands opposed to it share, paradoxical though this may sound, a nationalist, anti-western and at bottom reactive stance. Both tend to reinforce conservative streams in antecedent social structures and mores – in some ways the indigenous, traditionalist strands more than the state jingoist, national-chauvinistic ones, though at bottom the latter pose a greater danger of emerging with an official doctrine of an authoritarian, fascist mould, utilising all the wherewithal of state power in their drive, while the indigenous strands do this only by providing a lease of life to both dormant and receding spaces in a defeated culture. At some points the two could well converge.¹⁵

My own preference is for an at once robust and self-confident and democratically sensitive model of 'nation building' in which the institutions of secular democracy are conceived as (and where they slip and become oppressive, transformed to become) instruments of liberation from both the atrocities of traditional structures and the oppressions of the modern state and polity. The inherent repression of the state as a coercive apparatus has to be fought against, but the historical-cum-philosophical conception of the 'nation state' as a catalyst of national self-realisation and resurgence, and for containing both the intrusion of exogenous forces of hegemony and control and the periodic onslaughts of local structures of oppression, ought never to be lost sight of. A democratic ethos sustained and safeguarded through the autonomy of the state which is able to keep both these intrusions and onslaughts at bay is what is involved in this conception of nation-building. As of now perhaps the most crucial test that it faces is with respect to the growth of religious and cultural nationalism of the majoritarian variety, grown out of a hurt sense of pride and a feeling that the modern state and secularism have left the Hindus out on a limb. Picking up from the defensive assertiveness of revivalist strands in the 19th and the early 20th centuries, this particular brand of nationalism is finding a series of new constituencies among academics, activists and journalists, several anti-western and anti-modern streams found in the so-called 'new social movements' (paradoxically most vividly pronounced in international seminars and conferences), and the new nativist movements of traditional 'patriotic' science, swadeshi and other slogans, most of them inspired by the 'India vs Bharat' call of Sharad Joshi and others.

I would rather that while we can and must fight the imperial drive of modernity we must beware falling prey to the pulls of all kinds of traditionalists (most of them, like Sharad Joshi, upper caste, anti-state and pro-liberalisation) or some false romanticism of already fast receding pasts. There is need instead for a confident rebuilding of one's own nation, state and civilisation and imbibing them all with a distinctive model of humanism that is based on the persisting Indian penchant for pluralism in the social terrain, compassion for the poor and the long suffering social strata, and the drawing together of diverse minorities into one composite though not monolithic culture. In consonance with that composite perspective, there will also be need for identity and a sense of common striving with worldwide struggles for equity and a humane world order.

Many other well-motivated and highly committed but at bottom ahistorical and apolitical 'movements' fail to contribute to such a process of re-building and transforming the nation state. 'Azadi Bachao Andolan', a variety of neo-Gandhian 'vikalpa' conventions, many new versions of *Hind Swaraj* but lacking Gandhi's political momentum, and some though not all offshoots of the anti-Congress legacy of Lohia. Similarly, the idea of a 'Second Independence Struggle' ('Dusri Azadi') sounds to me too romantic and single-stroke an idea, even with a mind-set that is at bottom ahistorical. Instead of taking the Indian enterprise further, it is simply rejecting it and wanting to start anew. It involves a polarisation of time along with polarisation of ideology, as if all 47 years since independence have been wasted. While there may be a lot of intellectual bravado in it, it is highly irresponsible, ignoring as it does the struggles and yearnings and hopes of millions of people across so many generations, of those who toiled to give us an India to belong to and on that basis of belonging, to transform it.

This is not to support or uphold the Nehruvian legacy. It was too much of a carbon copy of the west to succeed (despite some efforts by Nehru himself to 'synthesise' India's cultural heritage and modern institutions and usages).¹⁶ Even at that it failed to sustain the considerable framework of overall vision, institutions, ideological perspective and political culture that had once been held out with a view to transforming Indian reality for carrying forth the social revolution for which it was in a way intended. It was this promise of the new Indian enterprise which led the people to lend it their support for so long, make them willing to undergo sacrifices and put up with injustices and exploitation, and for which they had even tolerated the leadership's lame excuses and hollow explanations and brandishments (ala Narasimha Rao). It was its failure to carry through the social revolu-

tion (however modestly conceived it was) – remove poverty, reduce injustices, expand the spaces for diverse peoples and communities – that has led to so much discontent and has produced an institutional vacuum which has played into the hands of obscurantist and neo-fascist forces on the one hand, and the globalising thrust towards undermining national autonomy and independence on the other. Meanwhile there has taken place a widespread impression of a state that has gone astray and a society that has lost its moorings, while the 'system' that was supposed to have delivered the goods is losing its capacity to honestly lay out what is to come next and prepare the people for the same, producing a veritable no man's land, giving in to either despair or sheer cynicism (though some may still feel excited that everything is at last changing).

And yet this was one system that was a stable and going concern, with some basic commitments and allegiance to values, even if a little inchoate and ambivalent, the ideological stance that was adopted being not sharp enough; perhaps in that lay the strength of the model, provided of course the key leadership knew how to steer the ship of state. That the stability that it promised generated complacency and a degree of inertia was also to be expected; all functioning systems tend to stagnate. But this of itself may not have mattered too much so long as the basic institutional framework was intact and working, and had a minimum of accountability and tolerance of dissent and its legitimacy.¹⁷

The basic failure of course was not to have indigenised the Nehru model. Even this would have happened, not through some dogmatic or fundamentalist rejection of all external influences – modern technology, western ideas of either liberal or socialist vintage, the English language – as by simply carrying through the agenda of social transformation, making it the essence of the secular drive against parochial interests of both traditional and modern kinds, thus moving closer to the people and enabling them to come into their own, in that way almost automatically indigenising the model. It is now clear that vested interests in both urban-industrial and rural agricultural sectors succeeded in defeating the social agenda that had emerged out of the composite 'Gandhi-Nehru' legacy, and creating growing discontent at the level of people's responses and attitudes (after they had given the model a long try) and a yawning vacuum at the level of institutions and the value system. (The Nehruvian model of the state failed to build effective defences against these interests.)¹⁸

It is the attempt of Hindutva to mobilise this discontent and fill this vacuum by an appeal based on sectarian and dogmatic lines. It cannot succeed because it too lacks a social agenda. I have no doubt that the future lies in the Mandalite direction (I use the term

symbolically rather than descriptively) through a coalition of ground level forces drawing upon major sections of the dalits, the Muslims and other minorities and the lower rungs of the backwards and the landless and resources-depleted peasantry (cutting across caste identities). That this is a direction that strikes terror and insecurity among the professional middle classes, the intelligentsia and the mass media is, of course, true. But fortunately the values and commitments of democracy are still vibrant. Liberalism is not all dead and there is a genuine fear of Hindutva. Which way this polarisation between top-down resurgence of nativism and the bottom-up resurgence – not so much of nativism but of diverse representations of indigenous reality – will get resolved, is not yet clear. Perhaps it will all remain polarised for a long time until a new structure of leadership and social cadres emerges from the failures and ruins of the present one, stirred out of the very tension and violence that is on the upswing, some of it reflecting a new determination among sections of the masses to fend for themselves and, through their own strivings, find a path, a perspective and an intellectual vision suited to their aspirations.¹⁹

EMERGING CHALLENGE: NEW IDEOLOGY?

Perhaps the greatest challenge that the political process of producing such a vision, and the institutions and policies based on it, will face will be with respect to the global threat of the only prevailing ideology of social change and 'reform' that seems to be gaining ground among so many, namely liberalisation based on delegitimisation of the state, privatisation of the means of production, and globalisation of finance, trade and technology through the enormous concentration of economic power and the global reach of the TNCs, the philosophy of 'market' being the *sine qua non* of it all. It is an ideology (if it can be called that) that exudes great confidence and expects to conquer the world by making full use of the global framework of institutions that were originally established to deal with disparities between states (carrying forward the Keynesian ideas of public policy), but have since become the exponents of the ideology of the market.²⁰ Together, the TNCs and the Bretton Woods institutions have been at work to disempower both the nation state and the diverse cultural and civilisational thrusts of non-western civil societies, as well as the cultural and class (and caste) expressions of the newly mobile and aspiring masses.

Fortunately, there is an inherent instability in this new enterprise of globalisation as literally billions of people and thousands of communities and cultures are left out of its purview. It is also at bottom highly dehumanising and brutalising. Can liberalisation liberate the top soil lifters and demeaning lifestyle of the 'bhanga'? Does Manmohan

Singh or Narasimha Rao for that matter, or the many minions working for them, know anything about the basic condition in which millions in India live? What kind of 'reform package' is this 'liberalisation' if it not just fails to 'liberate' the poor and the destitute but in fact wraps them around in circles and chains of permanent bondage?

Liberalisation is being advocated both as an alternative to the earlier model of development and as one to which in fact "there is no alternative" (the well-known TINA hypothesis). Civilisationally, Indians find such ultra-confidence shown on behalf of any new idea or ideology difficult to swallow. They are by now tired and somewhat exhausted with each new display of 'alternative' programme and party and paradigm. They were let down by the Nehruvite promise and have since been let down by many others. But as one has to somehow keep going, one comes out with either a ton of bricks or a kilo of flowers and a lot of clapping, usually the latter. It is still (despite growing disbelief) a civilisation in which word matters more than deed, so much belief that once a thing is said, it will be done, so little demand for real and decisive action.²¹ This may well turn out to be the case with liberalisation on which there is a lot of criticism but no real dissent. On the whole the rhetoric seems to have stuck, above all on those in charge of the mass media. The pity is that so many people seem to have pinned their hopes on the rhetoric, laying out their hard-earned savings – and beliefs – at the altar of these announcements, the urbanites more than the rural people, some of whom even write lengthy articles and books expressing either excitement or their sense of let-down as has happened following the compromises and concessions made by the liberalisers. In the meanwhile, though, in the name of 'liberalisation' the liberties of so many millions have got eroded and brutalised. Also, in the meanwhile, the state has been rendered impotent and made incapable of responding to the demands and urges of the people.

The challenge before the new emerging coalition of grass roots leaders will be to lay bare the deceit and double-speak underlying the whole new model. This will not be easy as, lacking a well worked out alternative ideological perspective following the growing irrelevance of the current models (liberal democratic, Marxist, Gandhian and that underlying the new social movements),²² the new promise held out by the 'ideology' of liberalisation is likely to take in sections of the newly resurgent peoples and communities (e.g. the dalits, the backwards, the minorities, above all the supposedly resurgent women) who all seek enhancement in status and a greater share in the power structure of the state and civil society but who, given that motivation, may feel tempted by the new promise, the way it is being presented.

The dalits, for instance, are far more concerned with seeking justice at home (in terms of a more egalitarian social order and positions and power in governing structures) than in fighting world imperialism. They have also been for too long humiliated and exploited by a highly arrogant and corrupt administration. More or less the same applies to the Muslims, the backwards, the tribals and the women aspiring for gender justice. Their battles are to be waged here and now, in terms that are at bottom social, carried out in settings that are local (as against the NGOs and the intellectuals and activists of this or that 'new social movement' who get drawn into the seductive international vortex of conferences and rhetoric)²³

Their battles are global only by inference and as a result of the negative consequences of policies pursued by the national elites under the influence of transnational actors that affect their economic prospects (both jobs and livelihood in general). For this (as well as against so many ill effects of consumerism spurred by the TNCs) they need to join forces with global movements of protest and resistance, of course with their own agenda in mind, namely, a social struggle on behalf of the poor and the oppressed and the socially stigmatised everywhere. But all this is different from the usual dichotomy between globalising modernity and local and regional tradition, the latter is fast losing relevance for them. It is also losing relevance for large sections of the youth – women as well as men – and not just the 'yuppie' generation of middle class youth but even among the lower middle and the poorer strata.

BEYOND TRADITION AND MODERNITY

It is not that traditions are not relevant any more; if anything they have grown more relevant in light of the failure of the Nehruvian model of secular change when it comes to the needs of the socially oppressed. There is also so much ancient wisdom, knowledge and even time-tested technologies to preserve or build upon. Nor is it that elements within modernity have become any less important; again, if anything, some of them (especially the institutions of the modern state) have grown in importance, especially for the deprived and marginalised sections who want to get liberated from the hold of traditional institutions and the social system. Rather, what we have is a discovery that some traditions are proving weak and fragmented, too dispersed and ritualised, hence making those who at one time subscribed to them turn to new and more defined structures, towards institutions and mindsets that modernity provides. At the same time much of the promise of modernity is wearing out too.

Where does one turn? Rediscovery of the vitality of traditions and drawing upon their

innate wisdom and storehouses of knowledge and ideas can only take place if there is a shift from freezing of the *status quo ante* to transforming diverse traditions through restructuring them, redefining goals and reorienting lost creativity. Only thus can the new waves of disbelief and growing lack of faith in the institutions of the modern state be handled through a new interface of what used to at one time work but have fallen in disuse, the new structures that were brought in but have failed to realise their objectives, and the yet new futures that have to be built from the vacuum created by both these failures.

There seems to be a growing sense of betrayal and deep ambivalence among the oppressed with respect to modern institutions, which has often led to a falling back on their own reserves, but without necessarily turning to old and already discredited structures and loyalties. In turn, however, as we have already seen, the sense of betrayal has been used by obscurantist forces for their own ends. This simultaneous loss of faith in both the new model of development and social change and old, tradition-bound, beliefs and values and the growth of obscurantist and neo-fascist forces in place of both have generated new oscillations and sense of dissonance. This has happened not just in respect of prevailing political arrangements and the responses emanating from civil society, which is under stress and riven with deep conflicts, but also in the intellectual grasp of it all.

SCPTICISM ABOUT ASSUMPTIONS

Many other doubts are on the rise. Take the assumption of equality of nations, each sovereign, each like the other at least in legal status. This is fast giving place to a realisation that what we have is a hierarchy of states, a majority of them bound in diverse modes of dependence, with many forward-backward ('developed-developing') dichotomies, deeply laid disparities and dispossessions. Over time so many of them (more and more of them) are denied access to global institutions, legal frameworks and erstwhile agreements and conventions, in the meanwhile being pushed into new draft agreements (GATT, etc) to which so many nations – and classes – are being made hostage. This has produced both a growing sense of powerlessness and a new traditionalist reaction thereto in the form of a new upsurge of ethnicities, nationalisms, new self-definitions of identities, all of which are both questioning and challenging the old assumption of a world based on equal and sovereign nation states. The UN itself, which was originally proclaimed as consisting of sovereign and equal states but was in fact an elaborate camouflage of a basically highly unequal and disparate world, drawing away from rather than contributing to a common 'universal' cure, is at last being more openly

and bluntly turned into an instrument of unequal power relations. There are still some idealists who would like to make the UN a genuine instrument of the struggling peoples of the world and a set of values and objectives held dear to their hearts.²⁴ But it is a long struggle ahead. The point is: should one even strive to create an 'equal' world of 'sovereign' powers? Is it not a chimera? And is it desirable any way? Can a 'world civilisation' be based on mechanistic and linear notions like these? Was this not in fact the main flaw in the institutional project launched by modernity?

Or again take the growing doubts and new questions about basic concepts like equality and/or justice: what is to be preferred, a notion of justice based on mechanical equality and the competitive ethos inherent in it, or a more organic conception of justice arising out of an admission of the inherent plurality of the human situation? Or justice *vis-à-vis* human rights: which conception of human rights, legalistic and confined to some fundamental political rights, or a notion of human rights that goes into basic social and cultural relationships among humans and communities? Or take 'democracy': is it to be representative from bottom to top, which in fact becomes a top to bottom process, or is it to be based on a fundamentally federal and pluralistic view of democracy? Same with the concept of decentralisation of power: is it to be decentralisation of state power from the centre downwards or is it to be based on a widening role and scope of civil society and people's organisations and a correspondingly reduced role for both the state and the market? Not having dealt with these relatively simple questions of a definitional kind has led to a situation where the principle of social justice has been gradually replaced by that of structural adjustment, while the idea of social purpose to be pursued in diverse national settings is being given up in favour of global demands of a technological and financial kind. Overall, the entire model of democratic nation-building is being fast replaced by that of technological progress, underplaying the rights and demands of the people.

On globalism too, the humanist vision of the 'global' and 'planetary' kind is being replaced by the technocratic discourse of globalisation which has permeated the thinking on human affairs in one society after another. These societies had already committed themselves to the model of 'modernisation of traditional society' through things like high rates of growth of the economy, pursuit of industrialisation and other objectives of state-directed development. This too had its flaws and shortcomings and lacked a vision suited to plural societies like ours. But the modernisation that the discourse of globalisation has in mind is based on total capitulation to a homogeneous model that is globally conceived and seeks to put an

end to the plurality of diverse modernisations that were under way, many of whom had in-built ideas and values of a humanistic kind and often included perceptions and thinking drawn from indigenous reality. It is necessary to not just draw distinctions between modernity and tradition but also between types of modernity and modes of tradition, the total picture being one of a large diversity of various mixes of understanding and thinking. The model of modernisation based on a globalised market and a globalised ethic of consumerism will take us to a system in which every detail of choice and desire is processed – or so at least is the design – by a large single machine, society itself being conceived as *homo machina*. There is hardly any 'freedom' in this 'free market'.

Just as we need to distinguish between types of modernisation and models of development, there is also need to not think of concepts like poverty and exploitation in homogeneous terms. There are diverse forms of exploitation and many types of poverty; distinctive historical contexts of exploitation giving rise to distinctive types of poverty. We need to distinguish between (i) economic exploitation associated with the growth of urbanised industrialisation as was found in England and western Europe, following the enclosure movement and the highly unplanned urban-industrial growth based on large influxes of migrant labour from the countryside; (ii) creation of surplus value through primitive exploitation in agriculture as was undertaken in large parts of Europe and later in the Soviet Union, and (iii) both these processes combined with a nexus between feudalism and commerce as found later in the developing countries including the NICs. But all these need to be distinguished from (iv) exploitation under way in India and other countries in south Asia (not all of which was economic and took diverse forms); or (v) the later north-south exploitation through trade and technology and, of course, (vi) the latest neo-colonial phase of exploitation through trade regimes on the one hand and finance capital and debt on the other.

All these and other similar distinctions of a definitional and conceptual kind have become necessary given the present drift into a highly uncertain and ambivalent future at a time when, for other reasons too, the human agenda has got added to it a whole set of new issues such as gender equity, environmental justice, ethnic/cultural upsurges, new-style movements for federalism, decentralisation and self-determination, and above all, the slow but undoubted resurgence of the democratic ferment in civil society as an alternative to both the state and the market while at the same time countering the rise of phoney religiosity and the communal virus, together producing completely new demands on the political process. I have

not mentioned the growing struggles of tribals and the slow but definite awakening among the indigenous peoples, castigating the mainstream with the charge of liquidating their distinctive heritages, theologies and worldviews, all of this taking place precisely at a time when the salesmen of globalisation appear to be running amuck with its design of 'reforming' the world as a whole after a single image. The earlier points made on the rise of the dalits and the new kind of radical challenges it poses, in counter-distinction to both old and new social movements, can also be added to this list of issues and concerns that goes into the making of the new human agenda.

RETHINKING INTELLECTUAL/POLITICAL AGENDA

Much of the above discussion is meant to begin a process of rethinking, for moving beyond the crisis of ideology and institutions in which we presently find ourselves, also with a view to assist in the current search among the leaders of the oppressed strata of society for a relevant framework for their praxis. A few more issues may be added to what has already been said. First (something that is already implied in the foregoing analysis), we need to accord primacy to the social question. At the time of independence the elite was provided with two streams of thinking on the emergent historical process. There was the national-bourgeois stream based on the nation state as a unit of organisation of the world and economic development as the principal agenda facing it. There was, secondly, the socialist alternative based on a different model of stages of growth, namely, from feudalism to capitalism to socialism, all of which also was to be achieved through the instrumentality of the nation state and a world composed of nation states. In both of them the social question was left out. Since then, and particularly of late, the social question that has emerged on the horizon is based on an 'upsurge of identity' at various levels. It is still lacking in building a new definition of either development or progress or modernisation or just change. This task remains to be carried out.²⁵ Similarly, with respect to ideas of democracy, pluralism and the state we have so far limited them by focusing on a model of governance or at best a model of representation. Missing in them all has been an appropriate model of unity and integration as well as a critique of the kind of integration that has taken place which, as we have seen, has led to the phenomena of exclusion and dispensability. It has to be a model that goes beyond the so often repeated maxim of 'unity-in-diversity', which is of course basic but needs specific elaborations from the standpoint of the poor and the diverse strata of the oppressed.²⁶

Also missing has been a model of the relationship between the state and civil

society. A consequence of these missing links in the overall conceptual framework of development and democracy, and particularly as a result of the decline in interest in civil society over time, has been a rising spurt of revolt and restlessness, which has led to the belief that democratic praxis consists in struggle instead of 'building gradually' which was the basic assumption of the Nehruvian model of nation-building. In short, democracy becomes a 'demand side' of development as opposed to the 'supply side' that is involved in the Reaganite and post-Reaganite conceptions of development (now officially accepted in India as part of the liberalisation drive). In turn, the rise of the 'demand side' has produced a different kind of response from the system, namely, law-and-orderism. In short, we have two opposite models of integration, one based on supply side economics and law and orderism, and the other based on democratic theory and praxis as conceived by the people and people's organisations. Intermediate between the two are regional assertions, demands for autonomy and self-determination, and the efforts to translate the autonomy of the nation state into autonomy of people's organisations, of socio-political, cultural and artistic groups, of voluntary organisations and citizen bodies, of the media and of the whole information sector.

On the last of these there is need for major initiatives. There is gradually taking place a realisation that by their very nature mass media, particularly television, is immensely homogenising and undermining of diversities and autonomies, that the very cultivation of the habit of turning the idiot box on makes one a victim of monolithic and monopolistic tendencies. When one adds to this the increasing power of other types of control mechanisms under the auspices of the corporate sector, such as the power and reach of ad agencies, the growing spectre of official secrecy (more and more being utilised by the so-called free enterprise TNCs) and new forms of manipulation of the press, influential academics and other professionals, together producing a corrosive information order, one can get a more complete picture of the forces that lie behind the growing exclusion of millions from the centres of power and influence, giving rise to a rather sharp hardening of the interest structure of society. It is in this overall context that the whole striving for autonomy of the media – currently taking a back seat – needs to be perceived, and, based on the success of that striving, to relate the twin dimensions of the challenge of history, the expansion of freedom on the one hand and the mobilisation for change on the other.

Much of this is of course part of reasserting the fundamental axioms of democracy and socialism. Somehow the institutions to which the latter gave rise slipped away from realising the original objectives. There is

need to pick up the threads once again and join them to the new resurgence at the grass roots and the multiple stirrings of the human conscience that are already under way, and produce a new agenda for the human enterprise.

Notes

- 1 In what follows I have dealt with a number of emerging trends — globalisation, upsurges of consciousness and struggle from the grass roots, the deep ambivalence of ruling elites in respect especially of the role of the state, the erosion of institutions in the wake of both authoritarian tendencies and mounting democratic pressures, the overlap of all this with the raging conflict between modern secular and traditionalist forces, and the growing defensiveness of the Nehruvian vision and perspective against these sets of attacks. In developing the paper I have extensively on my earlier writings for which I plead guilty.
- 2 For a detailed treatment see the special double issue of *Lokavan Bulletin*, Volume 10 (5-6), March-June 1994.
- 3 On the whole debate over reservations see my 'Crisis of Representation', *The Hindu*, August 31, 1994.
- 4 On the dispensability thesis, see the chapter on 'On Humane Governance' in *State against Democracy*, Ajanta, 1988. On the emerging ethic of "survival of the fittest", see the chapters on the 'Political System and the Poor' and 'The Emerging Class Ethos' in my *Growing Amnesia: An Essay on Poverty and the Human Consciousness*, Viking (Penguin), 1993.
- 5 In the early decades (after independence) the mutual autonomy of the economic and the political realms may have been functional as I had once myself argued. See my 'Political Economy of Development' (R R Kale Memorial Lecture, 1971). With the quickening of the political process after the Emergency, however, to have persisted with the apolitical assumption of economic planning proved to be socially disastrous.
- 6 For a perceptive analysis of how the transnationals have turned the freedom of the free market into captive monopolies, see Aurobindo Ghose 'Transfer Pricing by MNC's: sinister Silence of Third World Regimes', *Economic News and Views*, Volume 1, No 11, May 1-15, 1994.
- 7 For exposure of both the uses made of the human rights issue by both western, especially U.S., diplomacy against third world regimes, and the equally opportunistic rebuttal of this by these regimes who continue to violate the human rights of their peoples, see my 'Human Rights Offensive: Damage Done by US Support', *The Times of India*, April 9, 1994. The same applies to the espousal of 'labour standards' by western regimes which involves better wages and living conditions and restraints on slave labour and certain forms of child labour as part of the new global trade regime, and the loud outcry of Indian and other governments of the south against the same, chastising it as new protectionist restrictions on trade and arguing for 'non-interference' in labour wages and rights of the working class and related 'social' matters. This came up both during the Uruguay Round of negotiations at Marrakesh and later in the H.O. at the 81st I.L.O. conference held in Geneva.
- 8 Atul Kohli, *Democracy and Discontent: India's Growing Crisis of Governability*, Cambridge University Press, New York, 1990.

- and Lloyd I and Susanne H Rudolph. In *Pursuit of Lakshmi: The Political Economy of the Indian State*, Orient Longman, Bombay, 1987.
- 9 The first somewhat detailed treatment of this was laid out in the chapter on social policy for the eighth plan when I was in the planning commission. The commission changed hands in 1991 after the fall of the National Front government and the final document of the eighth plan did not include it. I have republished it in my book *Growing Amnesia* op cit. I am thankful to Shekhar Singh, then adviser, planning commission for closely working with me in this effort. Since then I have written several articles on issues of social policy and their bearing on the whole question of the relationship between the state and civil society. The most recent of these was 'Flawed Democracies: A Critique of Indian and US Models', *The Times of India*, April 30, 1994. See also my 'Overview' chapter in Muchkund Dubey (ed), *The Social Situation in India*, prepared for the social summit conference to be held in Copenhagen in 1995.
 - 10 I had laid out the original institutional model as well as the beginnings of its erosion in my *Politics in India* (Orient Longman and Little Brown, 1970) itself. Although the book was written before the hovering clouds that led to the Emergency, the signs were clear. Subsequently, in a series of articles published in *Seminar* (1973 to 1993), I had gone into institutional erosion as the main reason for decline in democratic functioning, not just of the normal institutions of parliamentary democracy and the party system but the whole model of a federal, decentralised and pluralistic structure of both the state and its relationship to the social system. Many of these have been republished in my two volumes of *Politics and the People* (Ajanta, 1989). Later I moved to the institutional challenges of grass roots movements while in more recent years I have been concerned with the stirrings of civil society and their implications for the institutions of the state. For some time now I have held the view that the latter are bound to decay if they simply try to hold on and not respond to changing demands and pressures from below. See, especially, *State against Democracy*, op cit.
 - 11 The whole issue of the role of non-party political groups and movements (some of them known as NGOs in recent years) has been a matter of growing debate and controversy. For an early appreciation and theoretical formulation arising from a Lokayan-UNRISD workshop on non-party politics held in 1981, see the three articles by the present author, D L Seth, and Harsh Sethi in *Economic and Political Weekly*, Volume 19 (5-7), February 4, 11 and 18, 1984; Harsh Sethi and Smitu Kothari (eds), *The Non-Party Political Process: Uncertain Alternatives*, Lokayan/UNRISD, 1985; a strong critique by Prakash Karat at the very beginning of the discussion, 'Action Groups/Voluntary Organisations: A Factor in Imperialist Strategy', *Marxist*, No 2, April - June 1984; another major critique, especially of the Lokayan effort, by Gail Omvedt, *Reinventing Revolution: New Social Movements and the Socialist Tradition in India*, M.E.Sharpe, New York, 1993. For recent critiques and reconsiderations, see my 'Colonisation and Counter-Culture' in *Lokayan Bulletin*, Volume 9(1), January-February 1992 and the editorial to the most recent issue of the *Bulletin*, Volume 11(1), entitled 'Between Idealism and Pragmatism: Non-Party Formations and Political Parties'. See also Smitu Kothari's detailed treatment of the issue in the overall context of the role of social movements in a democratic polity, 'Social Movements and the Redefinition of Democracy' in Phillip Oldenberg (ed), *India Briefing*, Westview, Boulder (Colorado), 1993. For an earlier and somewhat comprehensive overview of the issues involved in the debate from the early 'voluntary agencies' approach to the NGO phenomenon, see my 'Voluntary Organisations in a Plural Society', lecture delivered as one of the Dr Mohan Sinha Mehta Memorial Lectures in Jaipur in 1985. It has since been published as part of P S Sundaram (ed), *The State in Crisis*, Somaya, Bombay, 1992.
 - 12 Related to the state of the debate on party and non-party politics is the evolving debate on decentralisation, its main thrust (as part of restructuring the state or reconceiving the relationship between the state and civil society?). Various governments, from the early thinking under Nehru following the Balwantrao Mehta committee report to the more recent legislations proposed under Rajiv Gandhi's, V P Singh's and Narasimha Rao's governments, ending in the 72nd and 73rd amendments to the Constitution. All this has happened alongside the commitment of all these governments to 'globalisation'. Scholarly and activist debate reflects both optimism and sceptical strands. My own thinking has moved from the highly positive 'Decentralisation, A Historic Necessity' in *Seminar*, June 1978 to the more recent 'A Perspective on Decentralisation', *Journal of Rural Development*, Vol 10(5), September 1991 in which I have moved away from a conception of decentralisation as devolution of power within the structure of governance to decentralisation as a shift from the centrality of the state (decentralised and all that) to the resurgence of civil society.
 - 13 For a critical assessment of the 'alternatives' intellectuals including rethinking of my own earlier positions on 'alternative development', see my 'The Yawning Vacuum: A World without Alternatives', *Economic and Political Weekly*, Volume 27(22), May 29, 1993 and *Alternatives*, Volume 18, 1993.
 - 14 Ibid and the earlier article on 'Colonialism and Counter-Culture' op cit. Also, 'The NGOs, the State and World Capitalism', *Lokayan Bulletin*, Volume 4(5), October 1986, since published in *State against Democracy*, Ajanta, 1988.
 - 15 For an early analysis of this convergence in the context of the simultaneous growth of fundamentalism and the advocacy of liberalisation, see my 'Class and Communalism in India', *Economic and Political Weekly*, Volume 23(49), December 3, 1988. For a more comprehensive development of the same theme, see my recent book, *Growing Amnesia: An Essay on Poverty and the Human Consciousness*, Viking (Penguin), 1993.
 - 16 On the functional relevance of antecedent culture and modern institutions, see my 'Why Has India Been Democratic and Why Not?' paper prepared for the seminar on Comparative Political Theory organised by Karl Deutsch in Germany in 1985, in which I was asked to deal with the fact of westerners (especially the comparative theory and 'politics of developing areas' types) being intrigued at how the country had, despite being so steeped in tradition, so predominantly rural, poor and 'backward' and all that, somehow managed to survive as a 'democracy'. The piece was republished in *State against Democracy*, op cit. For a further development of the theme, also taking on the criticism that India had failed to evolve into a hard state and an analysis of Nehru as an institution-builder, see my 'Hanging by a Fragile Thread', *Telegraph*, Special Anniversary Supplement, July 14, 1994.
 - 17 On what the Nehru model promised and why I think it provided a distinctive model of nation-building, and on the present assault on it, see 'End of Nehru Model?' *Hindustan Times*, September 27, 1993. On the linkages between the disavowal of the model and the attempted integration into the world economy, see 'End of the Nehru Model', *The Sunday Times of India Review*, December 29, 1991. For an early appraisal of Nehru as an institution-builder soon after his death, see 'The Meaning of Jawaharlal Nehru', *The Economic Weekly*, Special Number, Vol 15 (29-31), June 1964.
 - 18 In a way Gandhi too did not succeed in carrying through his double mission mentioned earlier. He left behind a framework of thinking that has led to a growing polarisation of views for and against him, especially in recent years, following the growing awakening among the dalits, and both the anti-Gandhi diatribe from various followers and sympathisers of Ambedkar and the growing defensiveness of the Gandhians on various issues, especially in respect of the condition of the dalits and the Muslims. For a critique and the need for a new ideological articulation by the dalit movement (beyond both Gandhi and Ambedkar), see my 'Dalits of Today, Gandhi, Ambedkar Not Relevant', *The Times of India*, May 16, 1994.
 - 19 For possibilities on these lines as well as the ideological challenge involved in the same around both the question of identity within civil society and the question of relationship with the state, see 'Rise of the Dalits and the Renewed Debate on Caste', *Economic and Political Weekly*, June 25, 1994.
 - 20 I have discussed this Reaganite-Thatcherite swing of the World Bank, IMF and GATT in 'The Yawning Vacuum', op cit and *Growing Amnesia*, op cit. But on the full implications of the liberalisation-globalisation model, see Walden Bell's *Brave New Third World? Strategies for Survival in the Global Economy*.
 - 21 For the clever and cynical manner in which the 'system' and those presiding over it use such a cultural syndrome, see my analysis of the Narasimha Rao phenomenon and people's response to the same, 'Standing Still', *Seminar*, Annual Number, January 1994.
 - 22 For a discussion of this ideological impasse, particularly as faced by the grass roots movements in the face of the upsurges of the broad stream of the socially oppressed social strata, see 'Rise of the Dalits', op cit.
 - 23 Ibid: 'Yawning Vacuum', op cit.
 - 24 For a comprehensive treatment of the United Nations based on both a critique and a design for renewal from various thresholds of politics, development, environment, human rights and people's security, see Erskine Childers and Brian Urquhart, *Renewing the United Nations System*, Dag Hammarskjöld Foundation, Uppsala, 1994.
 - 25 See the references in footnote 10 on social policy and the related discussion in the text of the paper.
 - 26 See my 'Crisis of Representation', op cit.

Rural Non-Agricultural Employment in Kerala

Inter-District Variations

Mridul Eapen

This paper focuses on changes between 1971 and 1991 in inter-district variations in rural non-agricultural employment in Kerala. The determinants of non-agricultural employment are examined through correlation analysis.

IN an earlier paper we had examined the nature and determinants of rural non-agricultural employment in Kerala, a state in which the process of diversification was initiated much earlier and is in some ways unique (Eapen 1994). The analysis was based on National Sample Survey (NSS) data for the state as a whole since the early 1970s, a period which marks a turning point in Kerala's economy. First, the process of commercialisation was intensified since the mid-1970s with an accelerated shift in area towards major cash crops such as coconut and rubber on account of sharp changes in relative prices *vis-a-vis* paddy. Second, there was an unprecedented outflow of workers, from rural areas also, primarily to west Asia (the 'Gulf boom') resulting in a large inflow of remittances. That the net result of these changes (despite a decline in paddy prices) appears to have been some improvement in rural well-being even among the lowest deciles of the rural population is reflected in the consumption data. We argued that the 'big push' for growth in non-agricultural activities since the 1970s appears to be consumer demand-based largely on the remittances. However, in the absence of a production structure geared to meet the emerging pattern of demand, despite a potential increase in productive capacity by way of savings generated largely from the remittances, most of the gains from such an accretion of incomes leaked out to other states. Kerala gained primarily from the increase in demand for services and a diversified food demand whose linkages, however, are few. Hence, though Kerala has a relatively much higher proportion of rural non-agricultural employment compared to all-India, the emerging occupational structure is weak, reflected in its inability to take advantage of the impetus for growth generated by the rapid increases in demand.

In this paper we focus on inter-district variations in non-agricultural employment in the state, relying entirely on census data. We discern some shift in the processes underlying rural diversification in the 1970s *vis-a-vis* the 1980s. The paper is broadly organised in two sections. In the first section we review the evidence, while in the second section we analyse the determinants of rural

non-agricultural employment through a correlation analysis.

EMPIRICAL EVIDENCE

Since a number of new districts were formed between the early 1970s and 1990s in Kerala,¹ adjusting for which would mean combining or jettisoning large tracts, we present the evidence for the three census years 1971, 1981 and 1991 for the districts as they existed in each of the years. This precludes an inter-temporal comparison of the districts whose boundaries have changed; however, since it is the pattern of employment in terms of ratios that we are primarily interested in, broad comparisons are not vitiated.

Table 1 provides data on the significance of non-agricultural employment across districts which have been arranged geographically: broadly, Cannanore, Wyanad, Kozhikode, Malappuram and Palghat constitute the northern region of the state; Trichur and Ernakulam fall in central Kerala and the rest in the southern region. As mentioned earlier, the census data are used for the inter-district analysis according to which the shift towards non-agricultural employment in the 1980s is not as sharp for males, as revealed by the NSS, but is sharper

for females. While male non-agricultural employment increased from about 39 per cent in 1971 to 43 per cent in 1981, in the following decade it recorded a marginal increase to 44 per cent. In 1991 almost the same proportion of male and female workers were engaged in non-agricultural activities – 44 per cent. It may be noted that the estimates relate to main workers alone (more comparable to the usual principal status [UPS] estimates of the NSS) since the industrial classification of marginal workers for 1991 is still not available.

The state average does conceal some inter-district variations: the share of non-agriculture in rural employment varies from 23 per cent in Idukki in 1991 to 57 per cent in Kozhikode and 56 per cent in Trichur (for males). Other districts where it is substantially higher than the state average for males are Ernakulam (52 per cent), Alleppey (49 per cent) and Malappuram (46 per cent). Wyanad and Idukki, primarily hilly areas (with a large tribal population in the former) have significantly lower shares of rural non-agricultural employment. As at the state level, the share of non-agricultural employment for males increased between 1971 and 1991 for almost all districts except Cannanore and Trivandrum. During 1981-91 when the increase in male non-

TABLE 1: DISTRICTWISE RURAL NON-AGRICULTURAL EMPLOYMENT IN KERALA (MAIN WORKERS ONLY): 1971, 1981 AND 1991

	1991			1981			1971		
	M	Rank (M)	F	M	Rank (M)	F	M	Rank (M)	F
Kerala	44.0		43.7	43.0		38.8	38.9		35.4
Cannanore	43.6	7	47.7	45.6	5	36.3	42.9	3	20.5
Wynad	26.5	12	17.1	22.8	11	9.8			
Kozhikode	56.7	1	61.6	54.8	1	54.7	39.0	5	27.4
Malappuram	46.5	5	37.3	43.6	6	28.8	36.5	6	22.2
Palghat	43.7	6	16.7	41.5	8	16.0	35.1	9	12.9
Trichur	56.4	2	47.6	52.3	2	43.9	48.3	1	37.1
Ernakulam	51.9	3	48.9	50.9	3	42.8	46.4	2	41.1
Idukki	23.3	13	16.5	20.6	12	10.3			
Kottayam	42.6	9	55.7	42.0	7	51.8	28.9	10	24.5
Alleppey	49.1	4	57.4	48.1	4	54.1	42.3	4	43.3
Quilon	42.6	8	70.6	38.7	9	58.4	35.2	8	70.8
Pathanamthitta	35.9	11	48.8						
Trivandrum	37.4	10	56.7	38.6	10	59.3	35.7	7	62.5
CV	22.8		38.3	24.5		45.7	14.4		49.1

Note: CV-Coefficient of Variation

Source: Census of India, Kerala, General Economic Tables for 1971, 1981 and 1991.

agricultural employment was marginal, districts like Trichur, Wyanad, Quilon and Mallappuram registered significant increases. Almost the same districts continue to occupy the top ranks in terms of the share of rural non-agricultural employment. In the case of Cannanore, while the share for males declined, in respect of females the share of non-agricultural employment in rural areas rose by over 11 per cent between 1981 and 1991. Female non-agricultural employment is much above the state average in Kozhikode, Kottayam, Alleppey, Quilon and Trivandrum while Palghat reveals a low and near constant share. However, since marginal workers form an important proportion of total female workers – 20 per cent in 1991 and 24 per cent in 1981 – and are largely concentrated in agriculture and related activities, their exclusion biases the estimates of non-agricultural employment upwards. Hence these numbers should be taken only as broad indicators of relative differences between districts

INDUSTRIAL COMPOSITION OF RURAL WORKFORCE

Table 2 gives the industrial distribution of the rural workforce. It is interesting to note that although the share of agriculture in rural employment declined for males in almost all districts, it was primarily on account of the cultivator category; the proportion of agricultural labour has remained almost constant as also of agriculture-related activities (disaggregated figures not given here). However, in Cannanore and Trivandrum there was an increase in the share of agricultural employment for males on account of agriculture-related activities in the former and agricultural labour in the latter.

Looking at the industrial composition of the rural non-agricultural workforce by districts, we find that for the state as a whole the tertiary sector accounts for almost 30 per cent of the rural male workforce while the share of the secondary sector is about 15 per

cent. This holds true for all districts, viz. a higher share for the tertiary sector. Between 1971-91 while the share of the secondary sector declined marginally for the state, major manufacturing centres such as Ernakulam and Trichur maintained their shares while in Kozhikode it recorded a significant increase. Alleppey and Quilon, the centres of major traditional industries of Kerala, viz. coir and cashew, also witnessed some increase in the share of the secondary sector. It is interesting to note that cross-classifying districts with high, medium and low levels of non-agricultural employment with high, medium and low shares in secondary and tertiary sectors [Basant et al 1994] we find a close correspondence with both, even closer for the secondary sector (Table 3). None of the districts with a high share of non-agricultural employment had a low share of either the secondary or tertiary sector. This is an important finding. At the state level we found that most of the growth in non-agricultural employment was in the

TABLE 2. PERCENTAGE DISTRIBUTION OF RURAL MALE WORKERS BY INDUSTRIAL CLASSIFICATION – 1971, 1981 AND 1991

Category	District														Kerala	CV
	CNN	WYND	KZD	MLPM	PLGI	THR	EKM	IDKI	KTM	ALPY	PTA	QLN	TVM			
I – III: Agriculture and Related Activities																
1971	57.1		1.0	63.5	64.9	51.7	53.6		71.1	57.7		64.8	64.3	61.1	64.2	
1981	54.4	77.2	77.2	45.2	56.4	58.5	47.7	49.1	79.4	58.0	51.9	61.3	61.4	57.0	45.0	
1991	56.0	73.5	43.3	53.5	56.3	43.6	48.1	76.7	57.4	50.9	64.1	57.4	62.6	56.0	17.1	
IV: Mining and Quarrying																
1971	1.0		0.9	0.7	0.4	0.8	1.0		0.4	0.3		0.5	0.4	0.6	79.2	
1981	2.7	0.3	2.6	1.5	0.9	1.1	1.2	0.1	0.6	0.6		0.7	0.4	1.1	91.8	
1991	3.1	0.5	3.2	1.5	0.9	0.9	1.4	0.3	0.7	0.6	0.6	0.7	0.5	1.2	79.9	
Va: Household Industry																
1971	3.0		2.6	2.7	4.6	4.2	3.2		1.8	3.5		2.5	4.1	3.2	67.2	
1981	1.7	1.1	2.2	2.6	3.5	3.0	2.7	0.9	2.1	3.5		2.0	2.9	2.4	62.4	
1991	0.6	0.4	1.1	1.5	2.6	2.4	1.4	0.6	1.5	2.6	1.2	1.2	1.7	1.5	48.6	
Vb: Non-Household Industry																
1971	13.6		6.9	7.1	8.9	14.0	13.5		6.6	9.4		8.4	7.6	9.6	71.3	
1981	12.1	3.9	10.6	8.0	10.9	13.3	14.2	4.2	8.5	10.4		9.3	7.8	9.9	60.5	
1991	6.4	3.4	7.6	7.1	9.5	13.4	12.4	3.6	7.6	9.1	5.8	9.2	5.7	8.1	37.0	
VI: Construction																
1971	1.8		1.9	1.6	1.8	2.1	4.5		1.7	1.8		1.5	1.7	2.0	69.7	
1981	3.4	1.1	4.5	2.7	2.5	4.0	5.9	1.5	3.1	3.2		2.3	3.3	3.2	59.2	
1991	4.0	2.0	5.4	4.4	3.0	4.8	6.8	2.0	3.9	4.1	3.6	3.5	4.2	4.1	31.6	
IV – VI: Secondary Sector																
1971	19.4		12.2	12.1	15.7	21.0	22.2		10.5	15.0		12.9	13.8	15.5	69.7	
1981	19.8	6.4	19.8	14.8	17.8	21.4	24.0	6.7	14.3	17.7		14.4	14.3	16.7	54.0	
1991	14.1	6.3	17.3	14.5	15.9	21.6	22.0	6.5	13.6	16.3	11.3	14.6	12.2	14.9	23.7	
VII: Trade and Commerce																
1971	10.8		11.7	9.9	8.2	12.2	9.1		6.9	10.2		8.1	6.5	9.3	67.4	
1981	13.2	8.2	17.4	12.7	10.7	14.5	10.6	6.5	11.2	12.7		9.6	7.9	11.4	49.5	
1991	13.4	8.9	17.5	13.8	12.0	15.7	12.2	7.4	12.1	12.8	9.6	11.2	8.0	12.1	28.0	
VIII: Transport and Communications																
1971	2.7		4.3	3.6	2.6	4.5	5.1		2.4	4.1		3.1	2.8	3.5	69.9	
1981	3.8	2.1	7.3	4.6	4.2	5.9	6.1	1.9	4.8	5.7		3.9	4.7	4.7	54.1	
1991	4.7	3.1	7.9	6.1	5.7	7.9	7.4	2.8	5.6	5.5	4.8	4.9	4.8	5.7	18.4	
IX: Services																
1971	10.0		10.8	10.9	8.5	10.6	10.0		9.0	12.9		11.1	12.6	10.6	64.9	
1981	8.8	6.0	10.3	11.6	8.7	10.5	10.1	5.5	11.7	12.0		10.8	11.7	10.2	46.8	
1991	11.3	8.2	14.0	12.1	10.0	11.1	10.3	6.7	11.3	14.5	10.2	11.9	12.4	11.3	20.0	
VII – IX: Tertiary Sector																
1971	23.5		26.8	24.4	19.3	27.3	24.2		18.4	27.2		22.3	21.9	23.4	65.0	
1981	25.8	16.4	35.0	28.9	23.6	30.9	26.9	13.9	27.7	30.4		24.4	24.3	26.3	47.3	
1991	29.4	20.2	39.4	32.0	27.8	34.8	29.9	16.9	29.0	32.8	24.6	28.0	25.2	29.1	19.3	

Source: Same as Table 1.

tertiary sector. However, at the district level it is observed that high levels of non-agricultural employment are associated with high levels of both the tertiary and secondary sectors.

Manufacturing, household and non-household, accounts for the larger share in the secondary sector. However, growth has by and large been significant in the construction sector, the share of which has risen for all the districts. The decline in the share of manufacturing was primarily on account of household manufacturing, while non-household manufacturing has maintained its share in relatively industrialised districts such as Trichur (13.4 per cent), Ernakulam (12.4 per cent), Quilon and Alleppey (9.2 per cent) and raised its share in some growing industrial areas such as Palghat and Kozhikode. In some districts the share has declined as in Trivandrum and Cannanore. Construction accounts for an above state average share in Ernakulam, Trichur, Kozhikode and Malappuram.

Within the tertiary sector, employment has grown in all the sub-sectors but it was the highest in trade and commerce, followed by transport and communication, the former now accounting for the highest share in rural non-agricultural employment except for Trivandrum, where the share of social, community and personal services is higher. The share of trade and commerce was the highest in Kozhikode, 17.5 per cent, followed by Trichur, 15.7 per cent. The share of social, community and personal services, which includes government service, education, health and personal services, does not vary much between districts, ranging between 10-12 per cent except for some of the newly formed districts.

Summing up from the above we observe that there are variations in district level shares of non-agricultural employment; however the coefficient of variation is low and has tended to decline over time. Even in respect of females for whom it was rather high in 1971, there was a decline. Almost all districts have recorded an increase in the share (to the extent that we can broadly compare districtwise figures over time) and the ranks of districts have not undergone substantial change. While the growth in the tertiary sector occurred across the districts and in each sub-sector, the share of the non-agricultural employment tends to vary positively with the shares of both the secondary and tertiary sectors. In the next section we focus on some of the major determinants of non-agricultural employment in the Kerala context.

DETERMINANTS OF RURAL NON-AGRICULTURAL EMPLOYMENT

In the state-level analysis we had broadly established that a high degree of commerci-

alisation, close rural-urban linkages, rapidly declining land-man ratios, increase in the proportion of marginal holdings, and growing levels of literacy, have historically played an important role in generating a high level of non-agricultural employment in rural Kerala. While these must have continued to impact on the rural employment situation, we had attempted to explain the changes observed in the 1970s and 1980s primarily in terms of the increase in rural prosperity, reflected in an increase in consumer demand for goods and services and investment demand for housing. The role of all these factors has been widely discussed in the literature; however, we emphasise the major contribution of the emergence of a fairly broad-based rural prosperity in generating a high level of non-agricultural employment in rural Kerala. This was based not on high levels of agricultural production/productivity but, as noted earlier, on a broad-based flow of remittances into rural areas and increases in agricultural incomes on account of relative price movements between food (primarily paddy) and non-food (primarily coconut and rubber) crops [Narayana 1990].

It is interesting to note that earlier studies which attempted to capture the impact of rural well-being through per capita expenditure levels in an inter-state analysis did not come up with significant results [Sankaranarayanan 1980; Unni 1989]. However, our analysis showed that there is a relationship between the increasing

and diversifying levels of per capita consumption in Kerala, even for the bottom deciles of the rural population, and the growth of non-agricultural employment in Kerala, particularly services. This could be, perhaps, due to the quantitative and qualitative difference which occurred in consumption levels since the late 1970s with the inflow of remittances, the sharp increase in relative prices of certain cash crops, and the growth in rural wage rates, particularly in non-agriculture which broadened the consumption base and its pattern [Eapen 1994].

To a large extent, then, the major hypotheses thrown up by studies on rural non-agricultural employment (RNFE) appear to hold good at the state level for Kerala. We have not discussed these at length since a number of earlier studies have done so [Vaidyanathan 1986; Unni 1989; Shukla 1991]. In this section we examine the role of these factors at the district level, focusing on the importance of rural well-being reflected in the demand for goods and services, as a major determinant. We shall also attempt to capture the changing relative importance of the underlying processes over time.

The exercise at best shall be an imperfect one since data at the district level in terms of rural prosperity is difficult to estimate. Per capita expenditure is not available, nor the remittances districtwise. We have attempted to capture rural well-being in terms of: (1) per capita state domestic

TABLE 3: DISTRICTS CROSS CLASSIFIED BY SHARE OF NON-AGRICULTURAL WORKERS (MALES) AND SHARES OF SECONDARY/TERTIARY SECTORS - 1991

Share of Secondary/ Tertiary Sectors	Share of Non-Agricultural Workers		
	High (4)	Medium (5)	Low (14)
<i>Secondary sector</i>			
High (Top 4)	Kozhikode Trichur Ernakulam Alleppey		
Medium (Middle 5)		Palghat Malappuram Quilon Cannanore Kottayam	
Low (Bottom 4)			Idukki Wynad Trivandrum Pathanamthitta
<i>Tertiary sector</i>			
High (Top 4)	Kozhikode Trichur Alleppey Ernakulam	Malappuram Cannanore	
Medium (Middle 5)		Palghat Quilon Kottayam	
Low (Bottom 4)			Idukki Wynad Trivandrum Pathanamthitta

Source: Census of India, Kerala, General Economic Tables for 1991.

product (SDP) in agriculture, that is, SDP in agriculture divided by the agriculture dependent population (proportion of cultivators and agricultural labourers multiplied by the rural population). We have not deflated the SDP primarily because we want to capture the impact of increase in agricultural incomes due to relative price movements between crops, that is, the terms of trade effect, very pertinent in the Kerala context. However it covers only a section of the rural population since the non-agriculture related population in Kerala is relatively high; (2) per capita bank deposits in rural areas districtwise (BKDEP); and (3) the incidence of migration in terms of the ratio of outmigrants to the total workforce, districtwise (MIG), both of which would broadly indicate the relative importance of remittances. Commercialisation is measured in the simplest way, viz, proportion of non-food crops to total gross cropped area (COMM).

Given the unique nature of rural-urban linkages in Kerala, we have attempted to capture it through (1) the proportion of medium towns to total towns (MT), and the proportion of small and medium towns to total towns (MST), and (2) the proportion of population in large villages (above 5,000 persons) to total rural population (PLV). While the process of urbanisation had been rather muted in Kerala, the decade 1981-91 witnessed a sharp increase in the proportion of urban population to 32 per cent which is now above the all-India average. Hence the degree of urbanisation is also included as a variable (URB).

Some of the 'push' factors out of agriculture have been approximated through (1) the rapidly declining land-man ratio defined as gross cropped area per agricultural worker, viz, cultivators and agricultural labourers (LMR); (2) proportion of marginal to total holdings (MHD) and the proportion of agricultural labourers in the rural workforce (ALF), since the proportion of non-agricultural employment is high among the marginal holders and the landless. LMR and MHD are of course interrelated, since

the lower the former the higher would be the proportion of marginal holdings; and (3) the level of literacy from the middle level onwards (EDM). This is also a 'pull' factor since education enables a shift from agriculture to non-agriculture. The compulsion to move out of agriculture due to decline in average size of holding through partitioning has played an important role which was brought out very significantly in a field survey we had undertaken. However, in the absence of secondary data to substantiate this phenomenon we are unable to capture its impact.

Tables 4 and 5 provide correlation matrices for male rural non-agricultural employment, at the district level for the years 1981 and 1991. It may be noted that data on some variables was not available for all years - for instance, proportion of migrants to total workforce in 1991, educated from middle level for 1991, and proportion of population in large villages for 1991.

It is interesting to note that in 1981 the incidence of migration (MTG) had a significant impact on rural non-agricultural employment; the role of bank deposits (BKDEP), though not significant at 1 per cent, is significant at the 5 per cent level. However there was no significant relationship between male non-agricultural employment and agricultural SDP per capita (SDP) or commercialisation (COMM), while urbanisation was significantly related.

Among the 'push' factors, land-man ratio (LMR) and proportion of marginal holdings (MHD) were significant. However the relationship with the proportion of agricultural labour force (ALF) was significant but inverse. The proportion of rural population educated above the middle level (EDM), for which we have data only for 1981, did not show any relationship to the share of non-agricultural employment.

However by 1991 the situation changed substantially. Rural non-agricultural employment appeared to be related significantly to urbanisation (external to the rural sector), land-man ratio and proportion of marginal holdings, both reflecting a 'push' out of agriculture. The proportion of bank deposits was not related.

Broadly, then, while in 1981 both demand and distress induced factors played important roles in determining rural non-agricultural employment, by 1991, besides urbanisation, the negative factors appeared to be more dominant. Nor, it may be recollected, was the increase in male non-agricultural employment in 1991 significant.

Summing up from the above it appears that the economy did receive a boost with growth in demand since the 1970s; however, it was unable to take advantage of the impetus for growth on a sustained basis. The continuing growth in the tertiary sector, then, in particular trade and commerce, does reflect its role as a 'residual' sector, absorbing labour in the

TABLE 5: DISTRICT LEVEL CORRELATION MATRIX: 1991

Variables	SDP	BKDEP	COMM	MST	MT	URB	LMR	MHD	ALF	RNFEM
SDP	1.00	-.24	.32	.63	.20	.38	.65*	-.34	-.43	.02
BKDEP		1.00	.19	-.56	-.64*	.14	-.47	.30	-.52	.18
COMM			1.00	-.08	.15	.12	-.13	.09	-.46	-.01
MST				1.00	.63	.10	.69*	-.41	.24	-.30
MT					1.00	.45	-.26	.51	-.41	
URB						1.00	-.07	.54	-.15	.68*
LMR							1.00	-.83**	.11	-.40#
MHD								1.00	-.04	.68*
ALF									1.00	-.19
RNFEM										1.00

No. of cases: 13 Significant at: # - 10 * - 1 and ** - 0.1 per cent level.

TABLE 4: DISTRICT LEVEL CORRELATION MATRIX: 1981

Variables	SDP	BKDEP	MIG	COMM	MST	MT	PLV	URB	LMR	MHD	ALF	EDM	RNFEM
SDP	1.00	-.28	-.44	.65	-.42	-.66	.02	.15	.14	-.45	-.57	-.04	-.13
BKDEP		1.00	.54	-.38	.38	.24	-.20	.37	-.35	.43	-.32	.58	.56\$
MIG			1.00	-.42	.21	.11	-.26	.24	-.41	.69*	-.05	.16	.70*
COMM				1.00	-.68*	-.55	.27	-.18	.32	-.32	-.10	.13	-.26
MST					1.00	.74*	-.26	.17	-.25	.25	.09	.21	.02
MT						1.00	.10	.17	-.18	.47	.36	.32	.10
PLV							1.00	-.23	.06	.05	.18	.25	-.18
URB								1.00	-.35	.63	-.33	.27	.72*
LMR									1.00	-.40	.56	-.12	-.52\$
MHD										1.00	.15	.48	.77*
ALF											1.00	.03	-.39
EDM												1.00	.21
RNFEM													1.00

No. of cases: 12 Significant at: \$ - 5 per cent * - 1 per cent and ** - 0.1 per cent level.

absence of an adequate growth in non-agricultural employment opportunities. Hence the emerging employment structure with a top heavy tertiary sector is weak.

Notes

[This paper is based on a project funded by the Indo Dutch Programme on Alternatives in Development (IDPAD) in collaboration with the Indian Council of Social Science Research (ICSSR) and the Institute for Social Science Research in Developing Countries (IMWOO), The Hague. IDPAD however does not take responsibility for the facts stated and conclusions reached in this paper. I am grateful to A Jayakumar for his statistical assistance.]

1 The district of Idukki was formed on January 26, 1972 with three taluks from Kottayam, Devicolum, Peermade, Udumbanchola - and Todupuzha taluk from Ernakulam district. Wynad was formed on November 1, 1980 comprising North Wynad taluk of Cannanore and South Wynad taluk of Kozhikode districts. Pathanamthitta was formed on November 1, 1982, largely from Quilon district with some villages from taluks in Alleppey district. The 14th district of the state, Kasargod, came into being on May 24, 1984, formed out of the two northernmost taluks, Hosdurg and Kasargod, in Cannanore district (*Kerala State Gazetteer*, Vol I, 1986). We have included Kasargod with Cannanore in our analysis.

References

- Basant, R., B L Kumar and R Parthasarathy (1994): 'Non-Agricultural Employment in Rural Gujarat: Patterns and Trends', Gujarat Institute of Development Research, Ahmedabad.
- Eapen, Mridul (1994): 'Rural Non Agricultural Employment in Kerala, Some Emerging Tendencies', *Economic and Political Weekly*, May 21.
- Narayana, D (1990): 'Agricultural Economy of Kerala in the Post-Seventies: Stagnation or Cycles', Centre for Development Studies, Working Paper No 235.
- Sankarnarayanan, V (1980): 'Inter State Variations in Rural Non-Agricultural Employment: Some Tentative Results', Centre for Development Studies, Working Paper No 104.
- Shukla, V (1991): 'Rural Non Farm Activity: A Regional Model and Its Empirical Application to Maharashtra', *Economic and Political Weekly*, November 9.
- Unni, J (1989): 'Inter Regional Variations in Non Agricultural Employment in Rural India: An Explanatory Analysis', Gujarat Institute of Development Research, Working Paper No 30.
- Vaidyanathan, A (1986): 'Labour Use in Rural India: A Study of Spatial and Temporal Variations', *Economic and Political Weekly*, December 27.

NEW BOOKS ON SOCIAL THEORY

THE SOCIAL THEORY OF PRACTICES: TRADITION, TACIT KNOWLEDGE & PRESUPPOSITIONS / Stephen Turner	£ 11.95
READING THEORY: AN INTRODUCTION TO LACAN, DERRIDA, AND KRISTEVA / Michael Payne	£ 12.99
REFLEXIVE MODERNIZATION: POLITICS, TRADITION & AESTHETICS IN THE MODERN SOCIAL ORDER / Ulrich Beck, Anthony Giddens, Scott Lash	£ 12.95
CONTESTED KNOWLEDGE: SOCIAL THEORY IN THE POSTMODERN ERA / Steven Feldman	£ 13.99
THEORY AND CULTURAL VALUE / Steven Connor	£ 13.99
THE STRUCTURE OF SOCIOLOGICAL THEORY / J. Turner	Rs. 550



RAWAT BOOKSELLERS

3-Na-20, Jawahar Nagar, JAIPUR 302 004
Phone: 0141-567022 Fax: 0141-567748

South Indian Studies

A multi-disciplinary journal
Editor : M.S.S. Pandian

Re-evaluating old themes and problematising received forms of knowledge is a refreshing aspect of recent social science enquiries. Areas and aspects of social life which have remained outside the domain of academic knowledge, are now being brought under investigation. While conventional terrains of research show signs of having been overworked, there are indications of new ones emerging, provoking fresh insights and keen debates. These enquiries and debates, dispersed across disciplines, is recasting our understanding of South Indian society in a new light.

South Indian Studies intends to consolidate the gains of such enquiries by offering a broad forum to present and discuss current research on South India. In addition to papers and reviews, the journal plans to carry resume of major debates taking place in South Indian languages.

The journal invites papers, research notes, review articles and reviews for publication. All papers will be refereed before being accepted for publication.

First Issue : January 1996 Size : Demy 1/8 Pages : 150

Editorial correspondence: M.S.S. Pandian, Madras Institute of Development Studies, 79, Hind Main Road, Gandhi Nagar, Adyar, Madras 600 020

Business correspondence :

Chithira Publishers

a division of

Chithira Communications Co. P. Ltd.

39/3006, Manikath Road, Kochi, Kerala 682 016

Economic Outlook for India, 1994-96

This note presents forecasts for the Indian economy based on a macro-economic model for India being constructed by the Institute of Economic Growth and Delhi School of Economics Research Team on Macro-modelling for India.

With the long-awaited signs of industrial revival, the year that is about to close has given rise to new expectations. If these prove to be right and the tempo of industrial growth is sustained, the economy would have entered a new phase of development. The persisting problems, at least for a while, would be continued price rise and adverse current account balance, for which erstwhile solutions are unlikely to be effective. While some problems may get partly resolved and partly reconciled to, the real problems affecting the mass of the people will accentuate at the macro-economic level.

I Overview

THE fiscal year which closes on March 31, 1995 has been full of precariously balanced hope and despair. While assessing odds in favour of the former, our last report (*The Economic Times*, September 26, 1994) clearly highlighted this see-saw phenomenon between the bright and the bleak. It may be recalled that the report concluded with the statement, "...if the economy fails to revive now, then hope has no meaning. But for now, we do hope." It is now a matter of satisfaction that the 'hope' has prevailed and our perceptions have in many ways proved right. Real GDP growth is poised to exceed 5 per cent, and in particular, the index of industrial production is likely to show an increase of over 8 per cent. Also, real investment is poised for a substantial recovery as a result of a major pick-up in its private component. Our guarded assessment that 1994-95 will prove to be a turning point for the economy seems to have been borne out during the second half of the year. The present tempo of real GDP growth is likely to be maintained over the next two years. Again, as we had forecast, the price trend continues to be a cause for worry as the rate of inflation is predicted to exceed 10 per cent this year and, most likely, during the next year also. There has been some deceleration in export growth compared to the last year's actual growth as well as compared to our September forecast. For 1994-95 exports in US dollar terms are forecast to rise by about 14 per cent. On the other hand, revival of industrial activity in its wake has also accelerated growth of imports from about 6 per cent to nearly 25 per cent. Consequently, the trade gap for the year (1994-95) will exceed \$ 3 billion. However, since the country's foreign currency assets stand now at a comfortably high level of about \$ 20 billion, the large current account deficit poses no immediate problem.

For the next couple of years, the current trends are likely to continue or possibly accelerate. Real GDP growth will again be around 5.5 per cent in 1995-96 and over 6 per cent in 1996-97. Inflation rate, which slowed down to 8.3 per cent in 1993-94, is up again in the current year. The year will close with an average inflation rate of about 10.5 per cent. In the next two years it will show a marginal reduction but for both the years remain close to 10 per cent. The growth rate in exports in dollar terms is expected to be about 12 per cent for both the years 1995-96 and 1996-97, a bit slower than in

the current year, 1994-95. This is in line with the anticipated slow-down in world trade in nominal terms in 1994-95 and 1995-96. Import growth in dollar terms will be over 20 per cent in 1995-96 and somewhat lower in 1996-97. Despite this, simple calculations show that the trade deficit will widen and be sizeable in the next two years. In the event, current account deficit will also be substantial and larger than that anticipated for 1994-95. The projected trends imply near doubling of trade and current account deficits in 1995-96 and even more in 1996-97. Thus, it appears that while real GDP growth will keep up or even accelerate, the annual rate of inflation, measured in terms of the average of the wholesale price index for 52 weeks, staying close to 10 per cent and widening trade and current account deficits will be cause for serious concern.

The logic and assumptions underlying this prognosis for 1994-95 and 1995-96 are presented below as we analyse in more detail output, prices and trade and balance of payments. In the discussion that follows, we highlight our prognosis for the two years, 1994-95 and 1995-96. We also briefly comment on the likely trends beyond this two-year span.

Our estimates for key macro-economic variables for 1993-94 and forecasts for 1994-95 and 1995-96 are based on ongoing work on a macro-econometric model for India. They are presented in the accompanying tables. To facilitate comparison, the tables also contain preliminary/quick/advance official estimates available for some indicators for 1993-94 and 1994-95. Growth rates in the tables refer to estimates based on our forecasts. Table 1 provides production, capital formation, money and prices while Table 2 presents trade and balance of payments.

II Output

Let us first consider agriculture and allied activities which, with its contribution of about 30 per cent to total GDP, has an overbearing impact on the level of economic activity in the entire economy on the supply side as well as on the demand side. The long run trends in the output in this sector are determined by capital formation, yield and acreage. Private capital formation in this sector and the allocation of acreage to food and non-food crops within the sector are guided by the relevant relative prices and yields. As far as public investment is concerned, we assume first that total public investment in nominal

terms will grow by 10 per cent and second that agriculture will receive about 8 per cent of this total. Given price trends, it is clear that in real terms public investment remains stagnant. In this context, it is worth noting that total real capital formation in agriculture witnessed near-stagnation consequent to a decline in public investment in the recent past. Public investment at constant prices, in fact, declined to below Rs 12 billion in 1991-92 from about Rs 16 billion per year during the years 1985-86 through 1987-88.

Monsoon continues to determine the extent of fluctuations around the trend in both yield and acreage. The last monsoon was better than normal in terms of not only the total precipitation but also in its distribution across time and space. This is expected to result in agricultural GDP growth rate of about 3.3 per cent in real terms. For the year 1995-96, we assume the weather conditions to be just normal. This will lead to real GDP growth in agriculture to be of the order of 1.3 per cent, a lower rate due to normal weather compared to better than normal in 1994-95. Agricultural growth in the near future will move closer to the trend rate of 2.5 per cent as witnessed during the past two decades if at least normal weather conditions prevail and investment picks up. Faster growth of private capital formation and therefore output cannot be ruled out as a result of the possible shift in intersectoral terms of trade in favour of agriculture.

As noted earlier performance of the manufacturing sector gives reason to believe that the economy has crossed the first segment of the J curve associated with macro-economic stabilisation and structural adjustment policies. In 1993-94, the index of manufacturing production grew only at 2.3 per cent. For this year (1994-95) the annual rate of growth is expected to exceed 8 per cent. This translates into a growth rate of 7.2 per cent for real value added in manufacturing as against just about 3 per cent during 1993-94.

An essential precondition to a steady and satisfactory performance of the manufacturing sector is reliable and strong support from the infrastructural sector (power, transport, construction and minerals). In 1993-94, output (GDP) growth in this sector was 4.1 per cent. In 1994-95 this is likely to be a bit higher at 4.7 per cent and appears to be heading for an accelerated growth. The rate is estimated to be 7.1 per cent in 1995-96 which is likely to be more or less sustained in 1996-97. This explains partly why manufacturing sector may grow faster at

around 8 per cent in 1995-96 and 1996-97.

It appears that real capital formation in manufacturing during the current as well as the next two years will have to come largely from the private sector. Real fixed investment of the public sector is likely to stay almost constant because a 10 per cent increase in public sector's outlay on capital formation in nominal terms is going to be neutralised by an equal rate of inflation. Accordingly, it is only in 1997-98 when there is an abatement in inflation that public sector's capital formation will begin to increase in real terms. This is more or less true for all sectors as the pattern of nominal public investment observed in recent years is assumed to prevail during the years to come. Infrastructure has the largest share in the public investment (about 53 per cent), followed by manufacturing (16 per cent), public administration and defence (13 per cent) and services (11 per cent).

Private sector's real fixed investment in the manufacturing sector will, on the average, continue to grow between 10 and 12 per cent. This corroborates the prospects of accelerated growth of output in this sector. That private real fixed capital formation in infrastructure is unlikely to grow more than 6 per cent may constrain faster industrial expansion. However, in making projections we have assumed better management and higher capacity utilisation in this sector so that output in this sector as well as in the manufacturing sector will accelerate despite slow growth of real capital formation.

Perhaps, not surprisingly, it is the services sector which seems to attract a large and fastest growing quantum of private investment. In fact, private capital formation in this sector will level with that in manufacturing in 1995-96 and outpace it in the subsequent years. Output in this sector too exhibits a similar trend. Real value added in services is estimated to have risen by 7 per cent in 1993-94. It is forecast to increase by 7.8 per cent in 1994-95 and by the same percentage in 1995-96. In the subsequent year (1996-97), growth rate would be possibly higher. In contrast, growth of real GDP in public administration and defence is estimated to have remained steady at around 4.5 per cent during 1993-94 to 1995-96 as well as in 1996-97.

All this added up, implies real total GDP growth rates of 5.7 per cent in 1994-95 and 1995-96 and 6.4 per cent in 1996-97. For 1993-94 the rate of GDP growth is estimated to have been 4.4 per cent.

Aggregate real investment (added up by industry of use) which declined in 1993-94 is poised to grow by 7 to 8 per cent per annum during 1994-95, 1995-96 and 1996-97. Real fixed investment which, according to our estimates rose by 4.2 per cent in 1993-94, is forecast to increase at a rate of about 6.5 per cent per annum during the years 1994-95 to 1996-97.

Before we conclude this section, it is necessary to note that growth rates projected by us differ from the provisional/quick/advance estimates of the Central Statistical Organisation though they move in the same

direction and are broadly in the same ball park for comparable years. Even small difference in the base year levels for 1993-94 may lead to the noticeable differences in rates.

III Price Trends

As noted in the introduction, inflation around 10 per cent is likely to persist for another year or even more. This is not at all surprising insofar as it is a common consequence of all structural adjustment programmes. In fact, it is gratifying that the rate of price rise has not been as large as in most other countries undertaking economic reforms. It may be noted here that China is currently experiencing inflation of an order exceeding 20 per cent. All the same, persistent double digit inflation is a matter of serious concern in India for three reasons. First, since India has, by and large, had no history of high and sustained inflation so far, an episode of about 10 per cent per annum increase in the general price level lasting five to six years like the present one, despite six favourable monsoons in a row, raises alarm. Under India's democratic set up this has serious implications at the political level with a feedback effect on the economy. Second, a persistent escalation in the cost of living, which is generally higher for the bottom rung of the society, on top of a severely skewed income distribution and large mass of absolute poverty, is indeed painful

It is here that China has an advantage in facing a high inflation rate as compared to India. Third, since workers in the organised sector are subject to wage indexation, even though partial and lagged, disparities between workers in the organised and those in the unorganised sectors tend to increase with a potential for social unrest. In other words, the burden of structural adjustment, which presently include inflation as a major item, is falling more on those who cannot and should not be made to bear it.

We feel, however, that the current rate of inflation is not at all unmanageable and that its adverse consequences can be considerably neutralised if the government has the will to do so. That there has been much talk of a safety net but little action is disappointing. With good crops, food stocks exceeding 70 million tonnes and very comfortable foreign exchange reserves, the government has the wherewithal for alleviating the distress of those who are severely affected by the policy programmes. Any further delay in undertaking determined action on this front can only lead to a situation in which the continuation of the new policies itself is jeopardised.

As noted in the introduction, the rate of inflation measured in terms of the wholesale price index, averaged over 52 weeks of the year, is likely to be 10.7 per cent in 1994-95. Next year (1995-96) it is forecast to come down slightly to 10 per cent and, in 1996-97 a further decline to less than 10 per cent appears to be plausible.

TABLE 1: PRODUCTION, CAPITAL FORMATION AND PRICES
(Financial Year: April 1-March 31)

Items	(Rs billion)					
	1993-94	g	1994-95	g	1995-96	g
Production (factor cost) at 1980-81 prices						
Agriculture and allied activities	688.5 (694.1)	2.2	711.4 (710.7)	3.3	720.5	1.3
Manufacturing	457.0 (464.2)	3.0	490.0 (504.6)	7.2	530.9	8.3
Infrastructure	338.4 (341.3)	4.1	354.3	4.7	379.4	7.1
Services	702.5 (703.9)	7.0	757.5	7.8	816.9	7.8
Public administration and defence	124.6 (126.9)	4.5	130.6	4.8	136.4	4.5
Total GDP	2311.0 (2330.4)	4.2	2443.8 (2453.1)	5.7	2584.1	5.8
Capital formation (total of industry of use) at 1980-81 prices						
Fixed	497.0	4.2	528.9	6.4	563.5	6.5
Total	551.2 (479.4)	-1.6	594.4	7.8	636.8	7.1
Money stock (M₁) (Wholesale price indices: 1981-82 = 100)	4335.7	18.2	5050.9	16.5	5859.0	16.0
Agricultural products	270.5 (271.5)	5.0	306.6	13.4	337.3	10.0
Manufactures	242.4 (243.2)	8.3	266.5	10.0	293.2	10.0
All commodities	247.6 (247.8)	8.3	274.1	10.7	301.5	10.0

Notes: (i) g : Growth rate in per cent.

(ii) Figures in parentheses under Production and Capital Formation are CSO's provisional estimate for 1993-94 and advanced estimates for 1994-95; Source: *Quick Estimates of National Income, Consumption, Expenditure, Saving and Capital Formation, 1993-94, and Advanced Estimates of National Income, 1994-95*, Government of India, February 1995.

(iii) Figures in parentheses under Wholesale Price Indices for 1993-94 are official figures. Source: *Reserve Bank of India Bulletin*, October 1994.

Contrary to the common perception among policy-makers and the public at large, money supply growth is only one of the factors, perhaps the most important one, that determines the rate of inflation. Price trends in the economy are governed by a variety of factors on the demand and supply sides. These include money supply expansion relative to real GDP growth, output trends in agriculture, industrial demand for raw materials, import costs and costs associated with inputs as well as final products whose prices are directly or indirectly administered. In agriculture these include procurement and issue prices for major items like rice, wheat and sugar and support prices for several agricultural commodities. Administered prices in the industrial sector, viz, energy, mineral related, include chiefly power, petroleum and coal. In the 1990s, agricultural procurement/support prices rose, on the average, by about 15 per cent while energy-mineral related prices increased by 12 per cent per annum. We assume for the forecast period a modest annual increase of 8 and 10 per cent for the two groups respectively. In 1994-95, the rate of increase in the wholesale price of agricultural products was significantly higher than that of manufactures. In 1995-96 the two are likely to be more or less equal at 10 per cent. But, in the subsequent year again, the escalation in the prices of agriculture-based products will outpace that of manufactures.

It may be noted that money stock (wider definition) rose by 18.2 per cent in 1993-94. In the first half of 1994-95, monetary expansion has been larger than anticipated. Several policy measures were initiated by the Reserve Bank of India (RBI) in October 1994 while unveiling the busy season credit policy to restrain monetary growth. Foreign exchange inflows on account of foreign institutional investors are expected to slow down due to the narrowing of interest rate differentials between domestic and developed countries. The authorities are following cautious policies with regard to raising of funds abroad by Indian companies both short- and long-term, and their deployment. It is also expected that RBI credit to the central government will not exceed Rs 60 billion by the end of the year 1994-95, as agreed upon between the RBI and government of India. On account of these factors, RBI expects that money growth will be about 16 per cent for the year as against the earlier assessment of 14 to 15 per cent. We expect that monetary expansion will range 16 to 17 per cent and slow down subsequently. Consequently, money supply is assumed to increase by 16.5 and 16 per cent in 1994-95 and 1995-96 respectively.

Unlike in the past, when inflation was largely due to supply shocks arising from poor harvests or world oil prices or due to abnormalities like wars, etc, the present episode of inflation is harder to grapple with. In the first instance, controlling money supply growth is no guarantee that the inflation rate will return to a low rate, say, 5 per cent. Second, even if that were the case, money supply itself is not easily controllable because

of the large share of foreign exchange assets in high powered money (or reserve money). Third, excessively tight fiscal-monetary policies could hurt both production and investment and thus be sub-optimal from the long-term view. Finally, under the new policy regime which prominently includes globalisation, the influence of world prices added on to the need for depreciation of the rupee is going to increase. It may, however, be noted that since the value of the rupee remained stable over two years, 1993-94 and 1994-95, and world inflation rate is at a low level, this factor has contributed very little to the inflation that India is now experiencing.

It is necessary now to pursue vigorously supply management policies to control the double digit inflationary situation as there are strong enabling factors, viz, large food stocks and foreign exchange reserves, to sustain such policies. Effective use of foodgrain stocks and, timely and adequate import of commodities critical to inflation control, particularly those which are important in the common man's consumer basket are needed. Such import policies, if used judiciously, have favourable supply and demand effects – increase in supply and reduction in money growth which is increasing fast due to large Reserve Bank acquisition of foreign exchange inflows.

While demand management policies through reduction in gross fiscal deficit-GDP ratio have had a favourable impact on prices in the crisis years of early 1990s these have also had some adverse effects on the level of economic activity. For, whatever success has been achieved is largely at the cost of public investment, particularly in infrastructure and agriculture, both of which are critical to growth. Current expenditures, all of which are not necessarily productive,

could not be controlled in an adequate measure. Given the political realities, it should not be surprising that reductions in the fiscal deficit-GDP ratio could not be sustained. The scope of efforts on this front is now further limited under the present circumstances. This is evident from the so-called populist policies of several political parties which benefited handsomely at the recently held state level elections and may win in the states which just went to or are going to the polls in the near future. This obviously casts its shadow on central government policies.

IV

Trade and Balance of Payments

The country's prospects and actual performance in the external sector is much more contingent upon a variety of exogenous factors which are difficult to predict. In particular, the tempo of worldwide economic activity, fluctuations and trends in world prices are not only of critical importance but also hard to foresee. Correspondingly, forecasting is subject to greater hazards. All the same, one may make as good a prognosis as one can with the available information and judgment.

Let us take up exports first. Here it is important to note that the recent recession in the industrialised world has been more prolonged with hesitant recovery than any in the recent times. While the US and some European economies have more or less been looking up for the past one year, several others are still struggling hard. In fact, it is worth noting that even Japan has been severely affected by the current recession. Former Soviet Union which provided a market for Indian exports still continues to be in turmoil.

TABLE 2: TRADE AND BALANCE OF PAYMENTS
(Financial Year: April 1-March 31)

Items	(US \$ billion)					
	1993-94	1994-95	1995-96	g		
Trade (DGCI and S)						
Total merchandise exports (f o b)	22.31 (22.17)	18.2	25.39	13.8	28.27	11.3
Total merchandise imports (c i f)	23.19 (23.21)	5.6	28.83	24.3	35.25	22.3
Trade balance	-0.88 (-1.04)		-3.44		-6.98	
Balance of Payments						
Merchandise exports (f o b)	22.84 (22.70)	25.93			28.87	
Merchandise imports (c i f)	23.97 (23.99)	29.84			36.48	
Trade balance	-1.13 (-1.29)	-3.91			-7.61	
Invisibles (net)	0.99 (0.97)	1.02			2.39	
Current A/C balance	-0.14 (-0.32)	-2.89			-5.22	
Exchange rate (Rs per US dollar)	31.37	9.0	31.37	0.0	33.00	5.2

Notes: (i) g : Growth rate in per cent.

(ii) Figures in parentheses under DGCI and S series are preliminary estimates; Source: Reserve Bank of India Bulletin, October 1994.

(iii) Figures in parentheses for 1993-94 under Balance of Payments are quick estimates; Source: Annual Report, 1993-94, Reserve Bank of India, August 1994.

(iv) The mark-up of BOP exports and imports over DGCI and S are assumed to be about the same order as in the source cited in (iii).

With this variation across countries, any guess is hazardous. All the same, we take a plunge and assume that in 1994 total world real GDP growth would recover to 2.1 per cent from the very low rate of less than 1 per cent in 1992. Further recovery is foreseen during the period 1995 to 1997 with growth rates expected to be 2.7 per cent in 1995 and 3.2 per cent in 1996 and 1997. We also assume that world prices would go up by about 2 to 3 per cent over the three years, 1995, 1996 and 1997. It is of interest to note in this context that world prices of SITC categories (0-1, 2-4, and 5-9 except fuels (SITC 3) registered declines but recovered in 1994. It should be underlined that due to prolonged recession, inflation has so far remained negligible in most industrialised economies. Even oil prices have shown no upward movement though there have been considerable short-term fluctuations.

On the domestic policy side we assume that export subsidies, wherever continuing, would stay at the 1994-95 rates. But we do at the same time assume greater private sector effort and investment in market research, quality improvement, etc., which will steadily improve export market penetration. This has been done by imposing from 1994-95 onwards a smooth upward trend in exports on top of what would have been the normal outcome. It was argued in our September forecast that in the years to follow the existing exchange rate of Rs 31.37 per US dollar will not be maintainable if export growth has to be sustained. This has been confirmed once again by our present analysis. We have, therefore, assumed that the exchange rate (rupees to dollar) would go up to Rs 33 in 1996 and Rs 34 in 1997. This does not appear to be far-fetched in view of the reports that the premium on short-range forward transactions is currently ranging 4-6 per cent. It may be noted in this context that RBI has recently banned roll over of forward contracts at historical rates. However, it appears that the exchange rate adjustment assumed by us may fall short of the required measure of devaluation to maintain export growth in dollar terms exceeding 15 per cent per annum. There are distinct signals of slow down of export growth from the high rate of 20 per cent registered in the year 1993-94 which witnessed a substantial depreciation of the currency.

Our forecast is that, in dollar terms, exports will increase by about 14 per cent in 1994-95, by 11.3 per cent in 1995-96 and at a higher rate, 13 per cent, in the two subsequent years. Export growth forecast for 1994-95, it must be noted, is on the lower side of trends in the first 10 months of 1994-95. Preliminary figures point to nearly 17 per cent increase. The projected rates imply exports in dollar terms to be of the order of 25.4, 28.3 and 31.9 billion in the years 1994-95, 1995-96 and 1996-97 respectively. Exports were \$ 22.3 billion in 1993-94. These estimates correspond to trade figures of the Directorate General of Commercial Intelligence and Statistics (DGCI&S) which differ from the balance of payments statistics (RBI).

Manufactures (SITC 5-9) has the bulk

share of over three-fourths in total exports, followed by agro-based exports (SITC 0-1), raw materials (SITC 2-4) and lastly POL products (SITC 3). The shares of the latter three groups in the total are of the order of 13, 4 and 2 per cent respectively. Exports of manufactures in dollar terms are expected to grow at a faster rate compared to the others. Manufactured exports are forecast to grow at over 15 per cent in 1994-95 followed by a slow down (12.6 per cent) in 1995-96 and a recovery (13-14 per cent) in the subsequent two years. The minuscule exports of crude remain stationary whereas exports of other SITC groups (0-1, 2-4) will on average grow at about 7 per cent. Revival of the Soviet and other former centrally planned economies could also add to India's export growth.

As mentioned earlier, growth of imports has been spectacular during the first 10 months of 1994-95, recording nearly 24 per cent increase. This is largely the result of industrial revival and partly due to reduction in import tariffs. We expect this trend to continue so that for the year as a whole, imports in dollar terms would be higher by about 24.3 per cent compared to the preceding year. With continued uptrend in industrial activity, private capital formation, and further reductions and rationalisation of tariff rates as anticipated, the forecast of the growth of imports during 1995-96 is a bit lower at about 22.3 per cent followed by a further slowing down in 1996-97. Since imports in dollar terms in 1993-94 were at 23.2 billion the projected rates imply value of imports to be 28.8, 35.3 and possibly about 41 billion dollars in 1994-95, 1995-96 and 1996-97 respectively.

In making the above forecasts, we assume that domestic output of crude oil will be of the order of 33 million tonnes in 1994-95 compared to less than 30 million tonnes in 1993-94. Domestic crude production is expected to increase, on the average, by 10 per cent yearly during 1995-96 and 1996-97. With this, perhaps an optimistic assumption, the import bill on account of POL and related products, which constitute nearly 30 per cent of total imports, will increase by 15 and 18 per cent (in dollars) in 1995-96 and 1996-97. Thereafter, it is expected to slow down. Imports of manufactures including capital goods (SITC 5-9) share nearly two-thirds of the total imports bill and are slated to grow at a high rate. The growth rate in 1994-95 is expected to be as high as 28 per cent compared to about 8 per cent in 1993-94. However, in 1995-96 it would decelerate to 24 per cent and the trend is anticipated to continue in the next year (1996-97). Imports of SITC 0-1 category, which includes food and beverages and SITC 2-4, which comprise of raw materials and vegetable oils among others, share about 3 and 7 per cent of total imports respectively and are expected to maintain their shares implying their growth more or less at the same rates as that of total imports.

If the foregoing assumptions and the implied forecasts are valid, the trade gap for 1994-95 will turn out to be about \$ 3.4

billion. For 1995-96, the gap will widen to about \$ 7 billion and for the next year it may be even larger. However, the trade deficit will be wider on balance of payments basis as we allow for 2 and 2.5 per cent mark-up on DGCI&S values of exports and imports respectively. These mark-up rates are in line with the preliminary balance of payment estimates of the Reserve Bank of India (RBI) for 1992-93 and 1993-94.

The current account deficit, given the trade deficit, depends on net invisibles. RBI in its preliminary estimates of balance of payments for 1993-94 placed net invisibles at nearly \$ 1 billion. It is assumed that they will remain at about the same level in 1994-95 and then increase to \$ 2.4 billion in 1995-96. For 1996-97, they could be larger. Consequently the current account deficit is placed at \$ 2.9 billion in 1994-95 and at \$ 5.2 billion in 1995-96. As the trade deficit is expected to be much higher in 1996-97, the current account deficit would be larger than in 1995-96.

The ratio of trade deficit to GDP at market prices on the above reckoning will increase from less than half a per cent in 1993-94 to 1.3 and 2.3 per cent in 1994-95 and 1995-96 respectively while the current deficit will rise from a very low rate of one-tenth of 1 per cent in 1993-94 to nearly 1 per cent in 1994-95 and to 1.5 per cent in 1995-96. It is expected to be near 2 per cent by 1996-97.

V

Summing Up

With the long awaited signs of industrial revival the year that is about to close has given rise to new expectations. If these prove to be right and the tempo of industrial growth is sustained, the economy would have entered a new phase of development. This inevitably brings with it new problems and new challenges for all important economic agents, but in particular for the policy-makers. They would have to deal with more complex phenomena over most of which they would not have direct control as they have had in the past, at least apparently. New trade-offs would have emerged in different spheres of the macro-economy. Movement from a low level macro-economic equilibrium to one at a higher level is bound to cause problems. The persisting problems, at least for a while, would be continued price rise and adverse current account balance. Erstwhile solutions are unlikely to be effective under the new scenario. While some problems may get partly resolved and partly reconciled to, the real problems affecting the mass of the people will accentuate at the macro-economic level. Unless these are attended to properly and in time, gains at the macro-level may not be sustainable. This is because the country has inherited a large measure of absolute deprivation and inequity which act as a deadweight for the economy.

[Note prepared by Institute of Economic Growth (IEG) and Delhi School of Economics (DSE) Research Team on Macro-modelling of the Indian Economy for Spring Meeting of Project LINK UN, New York, March 15-18, 1995.]

Medical Community's Civil War

Plague in Retrospect

Taruni Madan

MOHAN RAO (*EPW*, October 15, 1994) examined the latest outbreak of plague in India from an economic and historical perspective. We can look at it from another angle. The epidemic provoked a virtual civil war among India's medical community, which assumed furious dimensions a couple of days after September 23, the day news papers carried terrifying headlines of pneumonic plague having struck Surat. Rumblings had, however, been heard earlier, in the beginning of September when the Haffkine Institute, Bombay questioned the technical acumen of the central government's, National Institute of Communicable Disease, in diagnosing bubonic plague in Beed district of Maharashtra. Haffkine did not sustain its campaign presumably for want of sufficient moral strength. Even Sharad Pawar, apprehensive that the diagnosis of a known or an unknown disease as plague might send foreign investors scampering back home or even ruin the existing economic structure of the state, could not carry conviction with the centre, which, in retrospect, it appears was hell bent on declaring the epidemic as plague. In the end the Maharashtra government had to order their health services all over the state to look for all suspicious characters, simulating any of the plague symptoms door to door, and offer them antibiotics or even hospitalisation, if they chose. For the poor in Maharashtra, generally scorned and exploited by the medical profession, it meant an unsolicited medical check-up.

Autonomous institutions, like the Indian Council of Medical Research and All India Institute of Medical Sciences proved more intractable perhaps because of their prestige, and the clout they enjoy with the powers that be. An ex-director of an ICMR called the Surat disease viral pneumonia. The AIIMS did not offer diagnostic wisdom, but took upon itself the role of propaganda warfare. Its missiles were calculated to cause demoralisation and disaffection in the enemy camp. In a unique two-in-one interview carried by *The Times of India* on September 28, the AIIMS microbiologist was pitted against the NICD director. The AIIMS questioned the laboratory procedures followed by the NICD, hinted at the latter's ignorance of latest procedures, and of course on its obsession with tetracycline. NICD's

half-hearted arguments revolved round expediency, amply justified, so their expert said, by an epidemic of such a serious nature. The deadliest missiles however emanated from the private sector, first from four Surat doctors, who produced radiological, epidemiological and clinical evidence that it was a melioidosis and not plague; and later from an itinerant epidemiologist based in Chandigarh who called it dengue or malaria. The missiles fired by the private sector had a devastating effect on the enemy, since they were aimed at the weakest chinks in its defences, i.e. absence of any data, even such elementary data, as the clinical course of the disease and the age groups affected. Doordarshan, inadvertently helped the rebel forces, in one of its question-answer sessions, where two aggressive women made the NICD expert look like a toddler in need of elementary medical education. A conviction now gained ground that what had been diagnosed as plague was not plague after all. At the Science Writers Conference, on September 30, a wail went up, from one amongst the audience, like a scream from a plague ward that NICD had perpetrated the greatest fraud in medical history.

Behind all behavioural manifestations, individual or collective lurk economic motives; a dictum accepted not only by the discredited marxists but by political thinkers of all hues. Highlighting a public health problem of potentially shattering physical and social consequences cannot fail to attract investments from responsible quarters in the government (or tackling it). Higher budgetary allocations mean more posts for expanding these institutions headed by satraps with little accountability. More money means more construction activity for spatial expansion of these empires. Higher budgetary allocations also mean more money for buying costly chemicals, reagents and equipment, which in turn mean more commissions. Indeed the satraps can demand heftier commissions in the present situation since they can tell the suppliers and agents that but for their ingenuity in inventing plague they would not have had this bonanza come their way. That is insofar as the legitimate budget, the parliament approved budget is concerned. Then there is the government-approved black money which comes in the form of financial assistance from inter-

national agencies and a myriad bilateral agencies. That too would be enhanced and would constitute a greater bonanza since such financial assistance can be gobbled up without the necessity of submitting an audited statement of accounts. No international agency can audit government accounts since that would amount to interference in our internal affairs. But considerations of sovereignty are kept in abeyance when prospects of foreign travel become visible on the horizon. A most vivid demonstration of our weakness in such matters was provided by two health ministry officials, a technocrat and a bureaucrat, who stepped out on plague-related foreign travel to go to Frankfurt, Copenhagen, London, Cairo, to finally land in Bahrain to explain to the WHO's eastern Mediterranean region the plague situation in India.

For once a scam had been generated in India, in which the politician, the businessman and the bureaucrat had no part to play. It was entirely the making of the technocracy, that too of a particular kind which enjoys the same order of respectability in the medical profession as the army officers deputed to work in the NCC enjoy in the army. Some businessmen were in fact ruined, and politicians, at least a few lost face. Take for example Delhi's Madan Lal Khurana, when he ordered the closure of schools goaded only by the simple desire of making a bit of political capital out of the available situation. He only managed to estrange Delhi's children and their angry parents. Children do not vote, but their parents do. Khurana must certainly have lost some votes, which means that he will have to do something dramatic in future. Plague did not spare even the WHO chief, Nakajima who risked his life to brave the plague winds of Surat to help a brother nation in peril. A man with an impeccable aristocratic bearing, and occupying the throne of UN's most effective and respected specialised agency, Nakajima's rather delicate sensibilities received a bit of a shaking up at his press conference on September 30, when a reporter put this bucolic question to him, "Did you come here all the way to give a clean chit to the NICD?"

The WHO thus found, itself caught in a tricky situation. More than their technical skill now their diplomatic skill was called into question. They however managed to manoeuvre themselves into safe position.

Plague is a disease of wild rodents, caused by a bacterium called *Yersinia pestis*, maintained among them by wingless insects called fleas which live in close association with them. A WHO team, in accordance with the promise made by their chief Hiroshi Nakajima, descended in the middle of

October and went to various places, and concluded their visit on October 25. At the end of the visit the New Delhi WHO office issued a press release which cannot fail to impress one as an diplomatic masterpiece. First, nowhere in the two-page document, is the name *Yersinia pestis* used. That satisfies the sceptics who from the very beginning were not sure about the real nature of the disease. Then the press release proceeds to fool the gullible by saying that the diagnosis of the disease in Surat "is compatible with pneumonic plague". The real masterstroke is struck when it says "...The outbreak occurred in the midst of outbreaks of several other diseases, like malaria, dengue, enteric fever, etc". That satisfies all the combatants in the civil war irrespective of caste, creed or sex or institutional affiliations, those who called it melioidosis or those who called it dengue or malaria or even those who were for viral pneumonia. The press release conjures up mouth-watering prospects of foreign travel, when it hints at "strengthening of epidemiological capacities".

The United Nations' most prestigious specialised agency cannot avoid embarrassment when trying to defend the indefensible. While it categorically says that there was no evidence of plague transmission in Bombay, Calcutta, Madras and Delhi, it has no explanation for 69 persons found serologically positive in Delhi. Of course the WHO cannot use such language as saying the NICD's laboratory personnel had committed some pardonable blunder in conducting their tests. Hence the emphasis in the press release about need for isolating the plague bacillus, unmistakably characterised as such.

To be fair, it must be said but for prompt issuance of the international travel guidelines by the WHO, there is no knowing how terrible the damage to India's foreign trade would have been. In 1983, an outbreak of a disease which to all appearances was pneumonic plague occurred in a remote area of Himachal Pradesh. Twenty-two persons contracted the disease, and 17 succumbed to it. The outbreak occurred in a perfect setting of contact with a wild plague focus; the symptomatology and the epidemiology were unmistakable. Shimla Medical College even isolated *Yersinia pestis*. In keeping with its past practices a team was sent by the union health ministry to snatch away credit for this investigation from the local authorities. Indira Gandhi, who was the prime minister of India at that time somehow got wind of the goings-on. After making her own assessment, she let slip a message to the concerned people that the results of the investigations in Himachal Pradesh should be published only after obtaining clearance from her office. Those familiar with her style

of functioning could see that concealed in this harmlessly worded message were threats of dire consequences. As could be expected, from a team operating in a remote inhospitable area, no incriminating evidence of the involvement of rodents or their flea parasites could be found. As a result no one talked of plague. The local WHO office was not even informed let alone asking their chief to come down on a rescue mission.

Someone ruminating on the present course of events remarked that Indira Gandhi did a tremendous service to Himachal Pradesh's economy, although in a negative sort of way by not letting half-baked scientists diagnose the state's ailments. Now, however, times have changed. With times the standards of behaviour. One may say even the concept of scientific method has undergone a change.

SAMEEKSHA TRUST BOOKS

Selections of Articles from *Economic and Political Weekly*

General Editor: Ashok Mitra

Industrial Growth and Stagnation

Edited by

Deepak Nayyar

A selection of essays presenting the main strands in the debate on industrialisation in India. The contributors analyse the factors underlying the deceleration in industrial growth from the mid-1960s to the mid-1970s and discuss the conditions and policies for a return to the path of sustained growth. Alternative hypotheses about the macroeconomic determinants of and constraints on industrial growth in India are examined, focusing on the performance of the agricultural sector, intersectoral terms of trade between agriculture and industry, disproportionalities within and between sectors, the level of investment in the economy, the nexus between public and private investment and the relative significance of supply and demand constraints.

362 pages

Rs 275

Poverty and Income Distribution

Edited by

K S Krishnaswamy

While there has been, over the years, a perceptible increase in per capita income and expenditure and possibly some decline in the incidence of poverty in India, what still remains is massive and of a kind that is not remedied quickly or smoothly. Even with radical policies, the shifts in income and occupational structures to make a serious dent on it will take more than the rest of this century. In the welter of recent exchanges between the government and the opposition as well as between planners and market advocates on the strategy of growth, these issues have been largely obfuscated. It is therefore more than ever necessary today to recognise the magnitude of the problem and the inadequacy of the measures adopted so far to deal with it.

pp viii + 420

Rs 240

Available from

OXFORD UNIVERSITY PRESS

Bombay Delhi Calcutta Madras

SAGE PUBLICATIONS

THE INDIAN ECONOMY, 1947-92

Volume I: Agriculture

V M DANDEKAR

In this volume, the first in a three-volume study of the Indian economy, eminent economist V M Dandekar has put together his writings on Indian agriculture. The author addresses several issues including the disproportionately large burden of population that agriculture has to bear; the over-centralized nature of agricultural administration, research and education and the effect of the acute food shortages of the war and post-war years on food administration.

The Indian Economy, Volume I
1994 ■ 408 pages ■ Rs 350 (cloth) ■ Rs 175 (paper)

CONTESTED DOMAINS

The State, Peasants and Forests in Contemporary India
AKHILESHWAR PATHAK,

Contested Domains offers a comprehensive survey of the subject, and its author displays an impressive grasp of the literature concerning it. But it is the deep concern which he shows for the forest dwellers and their relationship with both the forests, and the Forest Department which really gives the book its appeal.

The Book Review

1994 ■ 176 pages ■ Rs 110 (cloth)

INDIA'S EUCALYPTUS CRAZE

The God That Failed

N C SAXENA

An excellent study. A series of valuable insights, based on careful statistical treatment. Saxena does not merely provide a series of well substantiated insights based on his own researches, he also situates his conclusions in the context of tree production in the Indian countryside.

The Book Review

1994 ■ 268 pages ■ Rs 275 (cloth)

MANAGING IRRIGATION TOGETHER

Practice and Policy in India

CLARENCE MALONEY and K V RAJU

The authors take a comprehensive view of such participation, covering both farmer organisation and farmers initiative for irrigation assessment, planning and management. Also, their treatment of the subject matter is quite comprehensive and the writing is extremely lucid. In all, the book has fifteen chapters, with the first and the last ones constituting the core of the book.

The Book Review

1994 ■ 340 pages ■ Rs 325 (cloth)

USER-FRIENDLY IRRIGATION DESIGNS

NIRMAL SENGUPTA

A serious and convincing effort to put the neglected user-friendly traditional irrigation systems in perspective. This book will interest as well as influence the thinking of modern engineers, workers engaged in reviving traditional systems, and social scientists.

Social Action

Any serious researcher on Indian irrigation systems would necessarily have to add this book to his reading list.

Down to Earth

1993 ■ 147 pages ■ Rs 185 (cloth)

MANAGING IRRIGATION

Analyzing and Improving the Performance of Bureaucracies

NORMAN UPHOFF with PRITI RAMAMURTHY

and ROY STEINER

The authors have done a singular service to those dealing with irrigation, both administrators and researchers, by comprehensively dealing with a very important subject hitherto untouched and neglected.

Economic and Political Weekly

1991 ■ 263 pages ■ Rs 250 (cloth)

DAIRY AID AND DEVELOPMENT

India's Operation Flood

MARTIN DOORNBOS, FRANK van DORSTEN,

MANOSHI MITRA and PIET TERHAL

In addition to providing a comprehensive review of the historical evolution of dairying and dairy policy in India, the book focuses attention on three major issues: the dependency syndrome, the replicability issue, and the equity impact of Operation Flood.

Economic and Political Weekly

Indo-Dutch Studies on Development Alternatives, Volume 3
1990 ■ 336 pages ■ Rs 325 (cloth)

RESOURCES, INSTITUTIONS AND STRATEGIES

Operation Flood and Indian Dairying

edited by MARTIN DOORNBOS and K N NAIR

Reading of this volume is a must for those involved in the study of livestock economy and comparative dairying in India and abroad.

Margin

Indo-Dutch Studies on Development Alternatives, Volume 4
1990 ■ 400 pages ■ Rs 395 (cloth)



SAGE Publications India Pvt Ltd

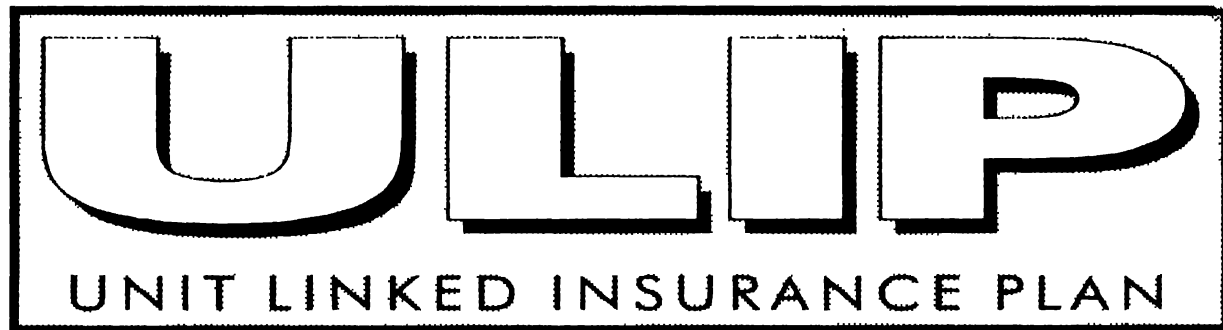
Post Box 4216, New Delhi 110 048

(Tel: 6419884, 6444968; Fax: 91-11-6472428)

AE-56, Salt Lake, Calcutta 700 064 (Tel: 377062)

27, Malony Road, T Nagar, Madras 600 017 (Tel: 4346822)

Here's one investment plan that takes care of four others!



*Tax Exemption. • Annual Dividend and Maturity bonus.
• Life Insurance Cover. • Free Accident Insurance.*

ULIP (Unit Linked Insurance Plan) from UTI is a single-window investment plan catering to more than one financial priority. Consider the benefits offered:

Tax Exemption: When you invest in ULIP your investments qualify for tax exemption under section 88 of the Income Tax Act. Moreover, investment made in the name of spouse and children is also eligible for tax exemption now.

Annual Dividend and Maturity Bonus: The annual dividend is reinvested in the plan. There is also a maturity bonus of 5% on the 10 year plan and 7.5% on the 15 year plan respectively. The annual

dividend for 1993-94 was 16.5%.

Life Insurance Cover: An insurance cover equal to your target amount without a medical examination. This cover is effective 6 months after you invest in ULIP.

Free Accident Insurance: An additional Rs. 30,000 accident cover, irrespective of your target amount.

Target Amount And Plan Period: You can choose either the 10 year or 15 year plan and aim for a target amount between Rs. 6,000 and Rs. 60,000.

For further details, please contact your nearest UTI branch, Chief Representative or agent.



UNIT TRUST OF INDIA

For your better tomorrow

All investments in mutual funds and securities are subject to market risks and the NAV of schemes may go up or down depending upon the factors and forces affecting securities market. Past performance is not necessarily indicative of the future results. Unit Linked Insurance Plan is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospect or returns. There is no guarantee that the Fund's objective will be achieved. Please read the offer document before investing.

